WESTERN AUSTRALIAN

TREASURY CORPORATION

QUARTERLY REPORT

For the quarter ended 31 March 2007

CONTENTS

INTRODUCTION

In accordance with section 21B of the Western Australian Treasury Corporation Act 1986, following is a report on the activities of the Western Australian Treasury Corporation (the "Corporation") for the quarter ended 31 March 2007.

OVERVIEW OF ACTIVITIES

Borrowing

As the State's central financing authority, the Corporation maintains a range of borrowing facilities in domestic and overseas markets which enable it to readily access funds at the cheapest cost to meet the borrowing requirements of the Western Australian public sector.

Following is an overview of the Corporation's borrowing activities:

Domestic Borrowings

As at 31 March 2007, the Corporation had approximately $11,831 million of domestic inscribed stock in circulation. Of this, $7,826 million was raised through the Corporation's benchmark bonds known as "hot stocks", $3,295 million in short term issues and $710 million through other issues.

Details of the Corporation's "hot stocks" as at 31 March 2007 are:

Coupon	Maturity	Amount on Issue as at 31 December 2006	Amount on Issue as at 31 March 2007	Change
8.00%	15/10/2007	$ 961 million	$ 961 million	$ Nil
5.50%	15/10/2008	$1,169 million	$1,174 million	$ 5 million
7.50%	15/10/2009	$1,557 million	$1,722 million	$ 65 million
7.00%	15/04/2011	$1,165 million	$1,260 million	$ 95 million
8.00%	15/06/2013	$1,620 million	$1,411 million	-$209 million
7.00%	15/04/2015	$ Nil	$ 599 million	$ 599 million
8.00%	15/07/2017	$ 639 million	$ 700 million	$ 61 million

Overseas Borrowings

Bond Issues

No new long term bond issues were undertaken by the Corporation in overseas markets during the quarter.

Euro Medium Term Note Issues

No new issues were undertaken by the Corporation through its Euro Medium Term Note Program during the quarter.

The total face amount of Notes outstanding under the Euro Medium Term Note Program as at quarter end was AUD170.0 million of Australian Dollar debt and NZD64 million of New Zealand Dollar denominated debt.

Commercial Paper Issues

During the quarter, an issue through the Euro Commercial Paper ("ECP") Program of USD125 million was transacted which produced Australian dollar funding with a term to maturity of 32 days.

As at the end of the quarter, there was USD125 million of notes outstanding under the multi-currency ECP Program.

Lending

The Corporation provides a range of flexible lending products to meet the financing requirements of the Western Australian public sector and local governments. Funds are advanced to meet the short-term and long-term financing needs of clients, consisting of State government agencies and local governments.

As at 31 March 2007, total loans outstanding to the Corporation's clients totalled $9,676 million. In the quarter ending 31 March 2007, net lending by the Corporation to its clients increased by $163 million.

Funds Management

As at 31 March 2007, the Corporation had Public Bank Account funds of $2,894 million under management. These funds are invested in accordance with the Financial Management Act.

FINANCIAL PERFORMANCE

The Corporation's net profit for the period ended 31 March 2007 was $8.2 million. This is stronger than the budgeted net profit for this period of $4.9 million.

KEY PERFORMANCE INDICATORS

Estimated Interest Rate Savings

In order to gauge its effectiveness in providing competitively priced loan funds to clients, the Corporation calculates the estimated interest rate savings to clients borrowing from the Corporation and compares them to the estimated cost to clients of borrowing in the corporate bond market. The following table shows the average of the estimated month end savings for the year to date. The results are summarised by the credit rating of the corporate bonds used in the calculation. It should be noted that the cost of borrowing from the Corporation does not include any guarantee fees collected by the Corporation on behalf of the State.

Target: Savings > 0.00%
Outcome: Refer to table below

Table – Estimated Interest Rate Savings to Clients by Reference Bond Credit Rating and Term to Maturity

	Year to 31/03/2007			
Term to Maturity (Years)	AAA	AA+	AA	AA-
1 to 2	0.25%	0.29%	0.29%	0.27%
2 to 3	0.27%	0.25%	0.27%	0.31%
3 to 4	0.28%	0.32%	0.34%	0.35%
4 to 5	0.28%		0.36%	0.39%
5 to 6	0.30%	0.39%	0.39%	0.45%
6 to 7	0.19%			
7 to 8	0.30%		0.68%	
8 to 9	0.26%		0.46%	0.46%
11 to 12	0.46%			
12 to 13	0.42%			

A blank entry in the table means there is no reference bond available in the corporate bond market for comparative purposes.

Administration Ratio

The Corporation monitors its administrative efficiency by measuring its Administration Ratio. The Administration Ratio is a measure of the average administrative on-cost that must be borne by the Corporation's clients.

Note that in order to compare the year to date result with the annual administration ratio target, the net administration expense has been multiplied by 12/9.

$$\text{Administration Ratio (\%)} = \frac{\text{Net Administration Expense} * 12/9}{\text{Average Lending Assets}} * \frac{100}{1}$$

Net administration expense is defined as total administration expenses less non-interest revenue. Average lending assets is defined as the average of the opening and closing book value of loans to clients for the period.

Target: Administration Ratio < 0.12%
Outcome: Administration Ratio = 0.09% (01/07/06 to 31/03/07)

Capital Ratio

In view of the Corporation's activities as a participant in financial markets, it is essential that it have sufficient capital to efficiently manage its portfolio within prescribed risk parameters. Hence, the Corporation's capital ratio is monitored on a daily basis.

$$\text{Capital Ratio (\%)} = \frac{\text{Available Capital}}{\text{Regulatory Capital}} * \frac{100}{1}$$

Target: Capital Ratio ≥ 100% on a daily basis.

Outcome: The capital ratio exceeded the target of 100% on each day of the reporting period as shown in the following table.

	Lowest Capital Ratio for Period	Highest Capital Ratio for Period	Average Capital Ratio for Period
9 Months to 31 Mar 2007	165%	247%	222%

Return on Capital

In line with market practice, the target return on capital for the Corporation is adjusted for risk on the basis of the Capital Asset Pricing Model.

$$\text{Return (\%)} = \frac{\text{Pre Tax Profit}}{\text{Adjusted Average Capital for the Year}} * \frac{100}{1}$$

Adjusted Average Monthly Capital for the Period is calculated as:
$(AMC_{Jul} + AMC_{Aug} \ldots\ldots + AMC_{Jun}) / 12$

Where:
AMC = Adjusted Monthly Capital
AMC_{Jul} = (Starting Capital) $_{July}$
$AMC_{Aug} = AMC_{Jul}$ +/- Dividend to the Government during the previous month
:
$AMC_{Jun} = AMC_{May}$ +/- Dividend to the Government during the previous month

	Year to Date Target	Year to Date Return	Annual Target
9 Months to 31 Mar 2007	6.34%	19.53%	8.45%

FINANCIAL STATEMENTS

WESTERN AUSTRALIAN TREASURY CORPORATION
UNAUDITED INCOME STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2007

	Note	**2007 31-Mar-07 $'000**	2006 31-Mar-06 $'000
INCOME			
Revenue			
Interest on Investments		**117,104**	113,491
Interest from Authorities		**450,471**	432,449
Fee Income		**150**	145
Total Revenue		**567,725**	546,085
Other Income			
Foreign Exchange Gain	4	**-**	4
Gains from Sale of Plant & Equipment	2	**(2)**	1
Total Other Income		**(2)**	5
Total Income		**567,723**	546,090
EXPENSES			
Expenses			
Interest on Borrowings		**522,788**	518,619
Depreciation		**130**	130
Amortisation of Intangible Assets		**190**	390
Administration Expenses	3	**6,054**	5,474
Loan Raising Expenses		**550**	566
Foreign Exchange Loss	4	**16**	-
Net Market Value Movement	5	**26,299**	9,283
Total Expenses		**556,027**	534,462
Profit before income tax equivalent expense		**11,696**	11,628
Income Tax Equivalent Expense	6	**3,511**	3,466
Net Profit for the period		**8,185**	8,162

The Income Statement should be read in conjunction with the accompanying notes.

WESTERN AUSTRALIAN TREASURY CORPORATION
UNAUDITED BALANCE SHEET AS AT 31 MARCH 2007

	Note	**2007 31-Mar-07 $'000**	2006 30-Jun-06 $'000	2006 31-Mar-06 $'000
. ASSETS				
- Cash Assets	7	**1,838**	2,048	2,299
- Investments	8	**3,027,311**	1,645,254	2,767,677
- Receivables	9	**331,935**	344,717	387,065
- Loans to Authorities	10	**9,622,280**	10,541,134	10,068,846
- Tax Assets	11	**649**	704	187
- Plant and Equipment	12	**341**	382	423
- Intangible Assets	13	**199**	321	321
TOTAL ASSETS		**12,984,553**	12,534,560	13,226,818
. LIABILITIES				
- Payables	15	**421,129**	351,784	469,995
- Borrowings	16	**12,496,071**	12,118,540	12,693,581
- Tax Liabilities	17	**1,143**	871	2,120
- Provisions	18	**2,147**	2,336	2,233
TOTAL LIABILITIES		**12,920,490**	12,473,531	13,167,929
NET ASSETS		**64,063**	61,029	58,889
. EQUITY				
- Retained Profits		**64,063**	61,029	58,889
TOTAL EQUITY		**64,063**	61,029	58,889

The Balance Sheet should be read in conjunction with the accompanying notes.

WESTERN AUSTRALIAN TREASURY CORPORATION
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2007

	Note	**2007** **31-Mar-07** **$'000**	2006 30-Jun-06 $'000	2006 31-Mar-06 $'000
Net Income recognised directly in equity		**0**	0	0
Profit for the period		**8,185**	10,302	8,162
Total recognised income and expense for the period		**8,185**	10,302	8,162
Movements in Equity				
Retained Profits				
Balance at start of period		**61,029**	55,601	55,601
Profit for the period		**8,185**	10,302	8,162
Total for the period		**69,214**	65,903	63,763
Dividend		**(5,151)**	(4,874)	(4,874)
Balance at end of period		**64,063**	61,029	58,889

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

WESTERN AUSTRALIAN TREASURY CORPORATION
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2007

	Note	**2007** **31-Mar-07** **$'000**	2006 31-Mar-06 $'000
Cash Flows from Operating Activities			
Interest received on Loans to Authorities		**452,086**	430,208
Interest received on Investments		**111,682**	120,333
Fee Income		**150**	145
Interest and other Cost of Finance Paid		**(350,516)**	(387,364)
Administration and Loan Raising Expenses		**(7,103)**	(6,808)
Net Cash provided by Operating Activities	20b	**206,299**	156,514
Cash Flows from Investing Activities			
Proceeds from Sale and Maturity of Investments		**1,836,538**	1,542,160
Payment for Investment Securities		**(1,889,832)**	(1,694,904)
Loans to Client Authorities		**(2,396,398)**	(7,263,391)
Loans repaid by Client Authorities		**3,262,982**	7,150,082
Payment for Plant & Equipment		**(92)**	(134)
Payment for Intangible Assets		**(68)**	(101)
Proceeds from Sale of Plant & Equipment		**2**	1
Net Cash provided by Investing Activities		**813,132**	(266,287)
Cash Flows from Financing Activities			
Proceeds from Issuance of Borrowings		**9,746,523**	8,716,028
Repayment of Borrowings		**(9,432,243)**	(8,809,101)
Payment on behalf of Client Authorities		**(249)**	10
Net Cash provided by Financing Activities		**314,031**	(93,063)
Cash Flows to Government			
Payment of Dividend		**(5,151)**	(4,874)
Payment of Tax Equivalents		**(3,184)**	(2,031)
Net Cash provided to Government		**(8,335)**	(6,905)
Net Increase/(Decrease) in Cash Held		**1,325,127**	(209,741)
Cash at the Beginning of the Financial Year		**707,710**	1,742,784
Exchange Rate Adjustments to Opening Cash		**(16)**	4
Cash at the End of the Period	20a	**2,032,821**	1,533,047

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

WESTERN AUSTRALIAN TREASURY CORPORATION
UNAUDITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2007

NOTE 1

The Western Australian Treasury Corporation was established on 1 July 1986 under the Western Australian Treasury Corporation Act 1986 as the State's central borrowing authority. The Corporation is located at Level 12, 225 St George's Terrace, Perth, Western Australia.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been adopted in the preparation of the financial statements under Australian Equivalents to International Financial Reporting Standards ("AIFRS"). Unless otherwise stated, these policies are consistent with those adopted in the preceding year.

(a) General Statement

(i) The financial statements constitute a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording.

The Financial Administration and Audit Act and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Where modification is required and has a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in individual notes to the financial statements.

(ii) The financial statements are presented in Australian Dollars and all values are rounded to the nearest thousand dollars ($'000).

(b) Basis of Preparation - Fair Value Accounting

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention except as noted below.

The Corporation maintains Investments, Loans to Authorities and Borrowings to fulfill its functions and measures these at fair value. All other assets, including receivables and prepayments, and other liabilities, including creditors, accruals and provisions are stated at historical cost. Plant and equipment is also stated at cost. The Corporation manages its business daily on a fair value basis as it believes it provides a better basis for making decisions and evaluating its portfolios. The external reporting of these fair values was seen as a natural extension of providing more meaningful information. This basis of measurement has also been common practice amongst state central borrowing authorities in Australia.

Critical accounting judgements and estimates

The judgements that have been made in the process of applying accounting policies that have an effect on the amounts recognised in the financial statements relate to the use of mid prices instead of bid-offer prices for the measurement of Investments, Loans to Authorities and Borrowings. The Corporation aims to minimise its exposure to risk in these financial assets and liabilities. To the extent that the risk positions in these items are offset, mid prices are used with bid-offer prices being applied to any net open position, if the Corporation had them.

The key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date that have a risk of causing an adjustment to the carrying amount of assets within the next financial year relate to Intangible Assets (computer software).

(c) Revenue

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised as shown below.

Fee Income

Fee Income in respect of services provided is recognised in the period in which the service is provided.

Interest

Interest revenue is recognised as it accrues and includes items of a similar nature realised in managing the relevant portfolios. Any realised gains or losses on financial assets are also recognised as interest.

(d) Plant and Equipment

Items of Plant and Equipment costing over $5,000 are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of Plant and Equipment costing less than $5,000 are expensed direct to the Income Statement (other than where they form part of a group of similar items which are significant in total).

All items of Plant and Equipment are initially recognised at cost, including transaction costs. After initial recognition, Plant and Equipment are stated at cost less any accumulated depreciation and any impairment in value. Depreciation is calculated based on their estimated useful lives using the straight line method. The estimated useful lives for each class of depreciable asset are as follows:

	2007	2006
- Computer Equipment	**3-5 years**	3-5 years
- Other Equipment	**5-10 years**	5-10 years

Impairment

The carrying values of Plant and Equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of Plant and Equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the income statement.

(e) Intangible Assets

Computer software is the only Intangible Asset which the Corporation has in its financial statements. The cost of utilising the assets is expensed (amortised) over their useful life.

Intangible Assets acquired separately are capitalised at cost as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets. The useful lives of these assets are assessed to be finite. Intangible Assets are amortised over a period of three years.

Intangible assets are tested for impairment where an indicator of impairment exists. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

(f) Investments

The Corporation classifies its investments as financial assets at fair value through profit and loss. The Corporation does not hold any investments that are classified as held to maturity or available for sale.

Investments are initially recognised at fair value and subsequently measured at fair value applicable at reporting date. Unrealised gains or losses arising from this policy are brought to account in the Income Statement. Fair values are derived using market quoted mid point prices to the extent that investments are held in offsetting risk positions, otherwise bid prices are applied. Commonwealth and State Government investments are held for portfolio management purposes. Whilst these investments generally have maturity dates greater than twelve months, they are used in the ordinary course of business to economically hedge the Corporation's "hot stocks" and are therefore held in the expectation of being realised within twelve months.

(g) Loans to Authorities

Loans to Authorities are initially recognised at fair value and subsequently measured at fair value applicable at reporting date and are recorded as assets in the Balance Sheet. Unrealised gains or losses arising from this policy are brought to account in the Income Statement. Fair values are derived using market quoted mid point prices to the extent that loans to authorities are held in offsetting risk positions, otherwise bid prices are applied. In normal circumstances, upon maturity, Loans to Authorities are either rolled over or refinanced.

(h) Borrowings

Borrowings are initially recognised at fair value and subsequently measured at the fair value applicable at reporting date. Unrealised gains or losses arising from this policy are brought to account in the Income Statement. Fair values are derived using market quoted mid point prices to the extent that borrowings are held in offsetting risk positions, otherwise bid-offer prices are applied. In normal circumstances, maturities of borrowings are either rolled over or refinanced. Loan raising expenses are charged to the Income Statement as incurred.

(i) Derivative Financial Instruments

Derivatives are used exclusively to provide an economic hedge of interest rate and foreign currency exposures. All derivatives are recognised in the balance sheet at fair value on trade date. All derivatives are classified as held for trading. The carrying value of a derivative is remeasured at fair value throughout the life of the contract. Unrealised gains or losses arising from this policy are brought to account in the Income Statement.

(j) Foreign Currency Translation

Foreign currency transactions are brought to account in Australian dollars at trade date at the rate of exchange applying at that date. At reporting date, all monetary assets and liabilities are translated at the exchange rates existing at 31 March 2007. Exchange gains or losses are brought to account in the Income Statement.

Both the functional and presentation currency of the Corporation is Australian Dollars ("AUD").

(k) Borrowing Costs

Borrowing Costs are recognised as an expense when incurred. Interest expense is recognised as it accrues and includes items of a similar nature realised in managing the relevant portfolios. Any realised gains or losses on financial liabilities are also recognised as interest.

(l) Employee Benefits

(i) Sick Leave
No provision is made for sick leave benefits as they are non-vesting and the sick leave taken in a financial year is not expected to exceed the benefit accruing in a year.

(ii) Annual Leave
This benefit is recognised at the reporting date in respect of employees' services up to that date and is measured at the nominal amounts expected to be paid when the liabilities are settled. Employee oncosts are separately disclosed in Note 18.

(iii) Long Service Leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provisions for employee benefits, and is measured at the nominal amounts expected to be paid when the liability is settled. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provisions for employee benefits and is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given, when assessing expected future payments, to expected future salary levels including relevant on-costs, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. Employee oncosts are separately disclosed in Note 18.

(iv) Superannuation

The Government Employees Superannuation Board ("GESB") administers the superannuation schemes detailed hereunder.

Employees may contribute to the Pension Scheme, a defined benefit pension scheme now closed to new members, or to the Gold State Superannuation Scheme ("GSS"), a defined benefit lump sum scheme also closed to new members. Employees who are not members of either of these schemes become non-contributory members of the West State Superannuation Scheme ("WSS"), an accumulation fund. The Corporation contributes to this accumulation fund in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992.

The liabilities for superannuation charges under the Gold State Superannuation Scheme and the West State Superannuation Scheme are extinguished by payment of employer contributions to the Government Employees Superannuation Board and are therefore referred to as defined contribution schemes.

The Corporation also has an unfunded superannuation liability as a result of prior service of current staff who were previously within the public service. The liability for these future payments is provided for at reporting date in the Balance Sheet. The liability under this scheme has been calculated annually by Mercer Human Resource Consulting using the projected unit method. The expected future payments are discounted to present value using market yields at the reporting date on notional government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The superannuation expense of the defined benefit plan is made up of the following elements:
- Current service cost;
- Interest cost (unwinding of the discount);
- Actuarial gains and losses; and
- Past service cost.

Actuarial gains and losses of the defined benefit plan are recognised immediately as income or expense in the income statement.

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

(v) Employee Benefit On-Costs

Employee benefit on-costs, including payroll tax, are recognised and disclosed separately when the employee benefits to which they relate are recognised.

(m) Dividend Policy

The Corporation's dividend policy has been formulated to ensure that the Corporation pays an appropriate dividend to the State which is consistent with sound commercial practice and has regard to the financial health of the Corporation. The Corporation's policy provides for dividends to be paid to the Consolidated Fund at a level of 50% of the Corporation's after tax equivalent profit subject to adjustments which have been agreed with the Treasurer. Dividends for the current financial year will be declared by the Board and provided and paid in the subsequent financial year.

(n) Income Tax

The Corporation operates within a tax equivalent regime ("TER") whereby an equivalent amount in respect of income tax is payable to the State Department of Treasury and Finance. The calculation of the liability in respect of income tax is governed by TER guidelines and directions approved by Government.

As a consequence of participation in the TER, the Corporation is required to comply with Australian Accounting Standard AASB 112 "Income Taxes".

The income tax expense or revenue for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rate expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

(o) Segments

The Corporation is an individual reporting entity which operates within the Capital Markets as the central financing authority within Western Australia. The Corporation operates entirely within this sector.

(p) Impairment of Assets

At each reporting date the Corporation assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Corporation makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash flows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset.

(q) Receivables

Receivables are recognised at cost, except for foreign currency receivables which are at fair value. An allowance for uncollectible amounts is made when there are indications that an asset is impaired. There is no previous evidence of amounts being uncollected due to the nature of the Corporation's clients.

(r) Payables

Payables are recognised as amounts to be paid in the future for goods and services received, whether or not billed. The carrying amount is equivalent to fair value, as they are generally settled within thirty days. Foreign currency payables are recognised at fair value.

(s) Cash and cash equivalents

Cash assets in the Balance Sheet comprise cash at bank and in hand. The carrying amount is equivalent to fair value as these items are short term in nature. For the purpose of the Cash Flow Statement, cash and cash equivalents includes cash in hand and short term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

NOTE 2	**2007**	2006
	31-Mar-07	31-Mar-06
GAINS FROM SALE OF PLANT & EQUIPMENT	**$'000**	$'000
Computer Hardware		
Gross proceeds of disposed hardware	**1**	1
Book value of disposed hardware	**3**	-
Gain on disposal of hardware	**(2)**	1

NOTE 3

ADMINISTRATION EXPENSES

The following employee benefit expenses are included in Administration Expenses.

Salaries	**3,145**	2,949
Workers Compensation costs	**17**	22
Superannuation expense	**416**	419
Long Service Leave Provision	**(147)**	(57)
	3,431	3,333

NOTE 4

FOREIGN EXCHANGE GAIN/LOSS

The Corporation maintains balances in its foreign currency bank accounts for the payment of expenses incurred through its overseas borrowings. At 31 March 2007, after taking account of exchange fluctuations, a loss of A$16 thousand (2006, gain of A$4 thousand) had resulted on this balance.

NOTE 5

NET MARKET VALUE MOVEMENT	**2007 31-Mar-07 $'000**	2006 31-Mar-06 $'000
Market Value Adjustment - Investments	**(274)**	(158)
Market Value Adjustment - Loans to Authorities	**(55,154)**	(87,936)
Market Value Adjustment - Borrowings	**29,129**	78,811
	(26,299)	(9,283)

The Corporation manages its operations on a portfolio basis to achieve its long term objective. Realised gains and losses are reflected in interest revenue and expense. The net market value movement represents unrealised market value adjustments to be realised over the term of the underlying securities.

NOTE 6

INCOME TAX EQUIVALENT

The prima facie income tax equivalent expense on pre-tax accounting profit reconciles to the income tax equivalent expense in the accounts as follows:

	2007 31-Mar-07 $'000	2006 30-Jun-06 $'000	2006 31-Mar-06 $'000
Accounting Profit	**11,696**	14,115	11,628
Income tax equivalent expense at 30% (2006, 30%)	**3,509**	4,234	3,488
Tax effect of expenses that are not deductible/assessable in determining taxable profit			
Sundry expenses	**2**	3	3
Pre ITER provision (Treasurer's Instructions)	**-**	(424)	(25)
Income tax equivalent expense	**3,511**	3,813	3,466
Income tax equivalent expense comprises movements in:			
Current income tax equivalent expense	**3,455**	4,243	3,378
Deferred tax income relating to the origination and reversal of temporary differences	**55**	(430)	87
Deferred tax expense relating to the origination and reversal of temporary differences	**1**	0	1
Total income tax equivalent expense	**3,511**	3,813	3,466

NOTE 7

CASH ASSETS

Bank Deposits	**1,635**	1,770	1,982
Overseas Bank Accounts	**203**	278	317
	1,838	2,048	2,299

Cash represents only those funds held in accounts with banks and does not include money market investments.

NOTE 8

INVESTMENTS - AT FAIR VALUE

	2007	2006	2006
	31-Mar-07	30-Jun-06	31-Mar-06
	$'000	$'000	$'000
Investments comprise the following:			
Short Term Money Market Investments	**2,795,180**	1,630,326	2,688,731
Government Stock	**232,131**	14,928	78,946
Total	**3,027,311**	1,645,254	2,767,677
Maturity Profile			
At Call	**230,500**	160,300	190,000
Up to 3 Months	**2,073,986**	993,969	1,945,263
3 to 12 Months	**254,427**	289,850	367,159
1 to 5 Years	**236,268**	186,207	200,487
Over 5 Years	**232,130**	14,928	64,768
Total	**3,027,311**	1,645,254	2,767,677
Repricing Profile			
At Call	**230,500**	160,300	190,000
Up to 3 Months	**2,310,254**	1,180,176	1,945,263
3 to 12 Months	**254,427**	289,850	367,159
1 to 5 Years	**0**	0	200,487
Over 5 Years	**232,130**	14,928	64,768
Total	**3,027,311**	1,645,254	2,767,677
Credit Exposure			
Rating	**%**	%	%
AAA	**23.62**	22.95	17.54
AA	**63.43**	54.46	60.52
A	**12.95**	22.59	21.94
	100.00	100.00	100.00

The Corporation invests its surplus funds in accordance with the Western Australian Treasury Corporation Act. Further information on valuation methods is shown in Note 19.

NOTE 9

RECEIVABLES

Accrued Interest Receivable	**120,307**	124,596	124,246
Foreign Currency Receivable	**211,628**	220,121	262,819
	331,935	344,717	387,065

Accrued Interest Receivable comprises accruals relating to advances made to clients and investment sundry debtors due from financial institutions. Foreign currency receivables are discussed in more detail in Note 19. There are no foreign currency amounts included which are not effectively hedged.

NOTE 10 **LOANS TO AUTHORITIES - AT FAIR VALUE**	**2007** **31-Mar-07** **$'000**	2006 30-Jun-06 $'000	2006 31-Mar-06 $'000
10a. Loans to Authorities - non derivative	**9,620,262**	10,541,948	10,070,190
Maturity Profile			
Up to 3 Months	**1,257,855**	1,535,466	1,222,690
3 to 12 Months	**1,360,333**	1,776,939	1,847,664
1 to 5 Years	**3,674,385**	3,818,402	3,856,589
Over 5 Years	**3,327,689**	3,411,141	3,143,247
Total	**9,620,262**	10,541,948	10,070,190
Repricing Profile			
Up to 3 Months	**2,547,497**	2,755,345	2,872,349
3 to 12 Months	**1,120,590**	1,657,131	1,397,947
1 to 5 Years	**2,724,475**	2,818,432	2,756,596
Over 5 Years	**3,227,700**	3,311,040	3,043,298
Total	**9,620,262**	10,541,948	10,070,190
10b. Loans to Authorities - derivative	**2,018**	(814)	(1,344)
Maturity Profile			
Up to 3 Months	**2,881**	117	(904)
3 to 12 Months	**130**	314	366
1 to 5 Years	**(993)**	(1,245)	(806)
Over 5 Years	**0**	0	0
Total	**2,018**	(814)	(1,344)
Repricing Profile			
Up to 3 Months	**2,881**	117	(904)
3 to 12 Months	**130**	314	366
1 to 5 Years	**(993)**	(1,245)	(806)
Over 5 Years	**0**	0	0
Total	**2,018**	(814)	(1,344)
Total Loans to Authorities - at Fair Value	**9,622,280**	10,541,134	10,068,846

The Corporation advances funds to State Government and Local Government authorities within Western Australia. In normal circumstances, these advances are either rolled over or refinanced. State Government advances (96.3% of total (2006, 97.2%)) are guaranteed by the State whilst Local Government advances (3.7% of total (2006, 2.8%)) are secured by debenture and are charged in accordance with the provisions of the Local Government Act upon the general funds of the local government. Loans to Authorities are not readily traded on organised markets in standardised form. Further information on valuation methods is shown in Note 19.

NOTE 11

TAX ASSETS

	2007	2006	2006
	31-Mar-07	30-Jun-06	31-Mar-06
	$'000	$'000	$'000
Deferred Tax Asset	**649**	704	187

NOTE 12

PLANT AND EQUIPMENT

Equipment (at cost)	**1,258**	1,292	1,286
Less Accumulated Depreciation	**917**	910	863
	341	382	423

Reconciliation
Equipment

Opening balance	**382**	436	436
Additions	**92**	123	117
Disposals	**(126)**	(223)	(223)
Depreciation	**(130)**	(177)	(130)
Accumulated depreciation on disposal	**123**	223	223
Closing balance	**341**	382	423

NOTE 13

INTANGIBLE ASSETS

Computer Software (at cost)	**5,859**	5,792	5,718
Less Accumulated Amortisation	**5,660**	5,471	5,397
	199	321	321

Reconciliation
Intangible Assets

Opening balance	**321**	609	609
Additions	**68**	175	102
Disposals	**0**	(1)	(1)
Amortisation	**(190)**	(463)	(390)
Accumulated amortisation on disposal	**0**	1	1
Closing balance	**199**	321	321

NOTE 14

IMPAIRMENT OF ASSETS

There were no indications of impairment to Plant and Equipment and Intangible assets at 31 March 2007.

The Corporation held no goodwill or intangible assets with an indefinite useful life during the reporting period and at reporting date there were no intangible assets not yet available for use.

NOTE 15

PAYABLES

	2007	2006	2006
	31-Mar-07	30-Jun-06	31-Mar-06
	$'000	$'000	$'000
Interest Accrued	**200,665**	119,934	201,045
Foreign Currency Payable	**217,506**	227,633	264,412
Other Creditors	**2,958**	4,217	4,538
	421,129	351,784	469,995

Payables comprises accrued interest and sundry creditors relating to debt instruments and unpresented cheques. Interest Accrued and Interest Prepayments by Lenders are owing to financial institutions. Foreign currency payables are discussed in more detail in Note 19. There are no foreign currency amounts included which are not effectively hedged.

NOTE 16

BORROWINGS - AT FAIR VALUE

ANALYSIS OF DEBT OUTSTANDING

16a. Borrowings - non derivative	**12,535,346**	12,175,175	12,775,621
Payable 12 months or less from 31 March and 30 June			
- Domestic	**4,400,517**	3,955,485	4,856,963
- Overseas	**210,761**	263,530	328,236
	4,611,278	4,219,015	5,185,199
Payable more than 12 months from 31 March and 30 June			
- Domestic	**7,430,617**	7,324,960	6,815,298
- Overseas	**170,000**	222,601	224,735
	7,600,617	7,547,561	7,040,033
Balance at face value	**12,211,895**	11,766,576	12,225,232

Maturity Profile

Up to 3 Months	**2,888,879**	2,018,581	2,533,736
3 to 12 Months	**1,716,116**	2,181,994	2,674,573
1 to 5 Years	**4,482,570**	5,072,453	3,978,425
Over 5 Years	**3,447,781**	2,902,147	3,588,887
Total	**12,535,346**	12,175,175	12,775,621

Profile by Repricing

Up to 3 Months	**2,888,879**	2,018,581	2,533,736
3 to 12 Months	**1,716,116**	2,181,994	2,674,573
1 to 5 Years	**4,482,570**	5,072,453	3,978,425
Over 5 Years	**3,447,781**	2,902,147	3,588,887
Total	**12,535,346**	12,175,175	12,775,621

	2007	2006	2006
	31-Mar-07	30-Jun-06	31-Mar-06
	$'000	$'000	$'000
16b. Borrowings - derivative	**(39,275)**	(56,635)	(82,040)
Maturity Profile			
Up to 3 Months	**2,843**	129	(920)
3 to 12 Months	**(3,975)**	1,404	302
1 to 5 Years	**(27,584)**	(46,219)	(65,214)
Over 5 Years	**(10,559)**	(11,949)	(16,208)
Total	**(39,275)**	(56,635)	(82,040)
Repricing Profile			
Up to 3 Months	**4,277**	2,736	3,502
3 to 12 Months	**(3,830)**	4,537	4,021
1 to 5 Years	**(29,163)**	(51,959)	(73,355)
Over 5 Years	**(10,559)**	(11,949)	(16,208)
Total	**(39,275)**	(56,635)	(82,040)
Total Borrowings - at Fair Value	**12,496,071**	12,118,540	12,693,581

The Corporation raises its funds in the domestic and offshore capital markets. Under Section 13(1) of the Western Australian Treasury Corporation Act, the financial liabilities of the Corporation are guaranteed by the Treasurer on behalf of the State of Western Australia. The Corporation's borrowings are well diversified across markets, instruments and maturities. Further information on valuation methods is shown in Note 19.

OVERSEAS BORROWINGS

Includes Australian currency and foreign currency loans. Foreign currency loans have been translated using the exchange rates applicable at 31 March 2007 and are shown below:

	Exchange Rate Translation at 31/03/07	
Foreign Currency Borrowing	**Payable 12 Months or Less from 31/03/07 $A'000**	**Payable More than 12 Months from 31/03/07 $A'000**
USD 124,424,881	154,168	Nil
NZD 64,000,000	56,594	Nil

	Exchange Rate Translation at 30/06/06	
Foreign Currency Borrowing	Payable 12 Months or Less from 30/06/06 $A'000	Payable More than 12 Months from 30/06/06 $A'000
USD 124,466,867	167,530	Nil
NZD 64,000,000	Nil	52,601

	Exchange Rate Translation at 31/03/06	
Foreign Currency Borrowing	Payable 12 Months or Less from 31/03/06 $A'000	Payable More than 12 Months from 31/03/06 $A'000
USD 149,424,276	208,853	Nil
NZD 64,000,000	Nil	54,735

At balance date, all foreign currency loans have either been hedged, swapped or covered forward specifically, invested in the foreign currency or the foreign currency proceeds lent to authorities participating in the central borrowing arrangements on a back to back basis. Consequently, any gain or loss on the translation of the overseas borrowing is matched by a corresponding loss or gain made on the foreign currency contract, the overseas investment or the back to back lending and the net exchange gain or loss is therefore zero.

NOTE 17

TAX LIABILITIES	**2007 31-Mar-07 $'000**	2006 30-Jun-06 $'000	2006 31-Mar-06 $'000
Current Income Tax Equivalent Expense	**1,136**	865	2,112
Deferred Tax Liability	**7**	6	8
	1,143	871	2,120

NOTE 18

PROVISIONS

Annual Leave	**435**	508	473
Long Service Leave	**754**	901	807
Superannuation	**769**	702	749
Employee On-costs	**189**	225	204
	2,147	2,336	2,233

The charge to the operating profit for the movement in the provision for employee entitlements during the period was -$189 thousand (2006, -$317 thousand).

NOTE 19

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

In carrying out its mission, the Corporation is a borrower from the capital markets. This necessarily involves the management of market risk because as a borrower, the Corporation's objective is the opposite to that of investors. In order to obtain funds at the lowest cost, it seeks to satisfy the needs of investors and therefore must, for example, accept maturities which are unlikely to match the terms of the Corporation's lending portfolio. Derivative instruments, including swaps, forward rate agreements and futures, are used to hedge, or minimise, the risks incurred.

The amounts to be exchanged on these contracts are calculated with reference to the notional amount and other terms of the derivatives. Credit exposure represents the Corporation's estimate of its exposure at reporting date in the event of non-performance by counterparties. The Corporation has adopted the Australian Prudential Regulation Authority's "Current Exposure Method" to determine the credit exposure arising from its derivative transactions. At 31 March 2007, the Corporation is confident that all its counterparties will meet their obligations.

Details of the notional amount, net fair value and credit exposure of the derivative instruments used for managing interest rate risk are shown below together with the credit rating quality of these exposures.

As at 31 March 2007	**Notional Amount $'000**	**Net Fair Value $'000**	**Credit Exposure $'000**
Futures	156,900	38	-
Interest Rate Swaps	2,808,360	41,254	112,406

Credit Exposure by Rating	%
AAA	0.00
AA	100.00
A	0.00
	100.00

As at 30 June 2006	Notional Amount $'000	Net Fair Value $'000	Credit Exposure $'000
Futures	128,500	(11)	-
Interest Rate Swaps	3,439,360	50,135	95,085

Credit Exposure by Rating	%
AAA	0.00
AA	100.00
A	0.00
	100.00

As at 31 March 2006	Notional Amount $'000	Net Fair Value $'000	Credit Exposure $'000
Futures	5,600	17	-
Interest Rate Swaps	3,359,360	80,708	166,124

Credit Exposure by Rating	%
AAA	0.00
AA	100.00
A	0.00
	100.00

Interest rate swaps allow the Corporation to swap long term fixed rate borrowings into floating rate borrowings with lower rates than if the Corporation had made the floating rate borrowings directly. At times, floating to fixed swaps are used to change floating rate borrowings to fixed rate borrowings in order to match the Corporation's lending to client authorities. With interest rate swaps, the Corporation agrees with counterparties to exchange at predetermined intervals the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional face value.

Forward rate agreements are used by the Corporation to secure a guaranteed return or cost on known cash flows as and when they fall due. These agreements establish an interest rate on a notional principal over a specified period. Futures contracts are used essentially for the same purpose as forward rate agreements. The contracts used by the Corporation are the bank bill, 3 year and 10 year bond contracts.

The interest rate risk for investments, loans to authorities and borrowings at balance date have been disclosed at Note 8, 10 and 16 respectively. For receivables and payables, no interest rate risk exists at balance date.

Liquidity risk involves the Corporation's ability to meet all financial commitments as they fall due. The Corporation maintains a minimum prudent level of highly liquid quality assets at all times to ensure that it will always meet its commitments. The risk to the Corporation of not being able to fund itself is minimised through the diversification of its funding activity across domestic and offshore markets and across the maturity spectrum.

With regard to foreign exchange risk, the policy is not to take any foreign exchange risk apart from the minor exposure created by the need to maintain small balances in foreign currency bank accounts. The Corporation borrows in foreign currencies when the all in cost after swapping back into Australian dollars is cheaper than the equivalent domestic borrowing. Whereas the Corporation manages interest rate risk on a portfolio basis, it manages the exchange rate risk on foreign currency borrowings as part of the borrowing transaction. In instances where the Corporation advances funds to clients in a currency other than Australian dollars, the exchange rate risk is borne by the individual client authority. Foreign currency swaps and forwards amounting to $A210,763 thousand (2006, $A262,819 thousand) at 31 March 2007 have a fixed future obligation in Australian dollars of $A217,075 thousand (2006, $A264,412 thousand). Additionally, the Corporation has arranged forward foreign exchange transactions on behalf of clients amounting to $A90,517 thousand (2006, $A152,208 thousand). These transactions are arranged with clients on a back to back basis and therefore the Corporation does not have any exposure.

The Corporation regards the minimisation of these risks as a high priority. Accordingly, the Corporation has in place policies and management structures to monitor and manage these risks. A Liability Management Committee comprising the Chief Executive Officer and other senior management provides policy advice to the Board in respect of the Corporation's financial risk management activities and a comprehensive report on the Corporation's activities is prepared monthly for the Board.

All financial assets and liabilities have been recognised at the balance date at their net fair value. For valuation purposes, the Corporation uses quoted market rates wherever possible to discount cash flows to present values. Those stocks without quoted market rates are valued using the Corporation's Zero Coupon Yield curves. As at 31 March, the market interest rates used by the Corporation for valuation purposes were:

	Coupon	**Market Rate 31-Mar-07**	Market Rate 30-Jun-06	Market Rate 31-Mar-06
Overnight	-	**6.25%**	5.75%	5.50%
90 days	-	**6.52%**	5.98%	5.61%
180 days	-	**6.64%**	6.10%	5.65%
15 October 2007	8.00%	-	6.01%	5.52%
15 October 2008	5.50%	**6.44%**	6.01%	5.54%
15 October 2009	7.50%	**6.42%**	6.00%	5.57%
15 April 2011	7.00%	**6.36%**	6.03%	5.61%
15 June 2013	8.00%	**6.30%**	6.03%	5.64%
15 July 2017	8.00%	**6.15%**	6.08%	5.68%

NOTE 20

NOTES TO THE STATEMENT OF CASH FLOWS

20a. Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2007	2006
	31-Mar-07	31-Mar-06
	$'000	$'000
Bank Deposits (Note 7)	**1,635**	1,982
Short Term Money Market Investments	**2,030,983**	1,530,748
Overseas Bank Accounts (Note 7)	**203**	317
	2,032,821	1,533,047

20b. Reconciliation of Net Cash used in Operating Activities to Net Profit

Net Profit	**8,185**	8,162
Depreciation	**130**	130
Amortisation of Intangible Assets	**190**	390
Increase in Receivables	**(89)**	(3,026)
Decrease in Accrued Interest Payables	**80,731**	52,099
Decrease in Other Creditors	**(309)**	(451)
Current income tax equivalent expense	**3,455**	3,378
Deferred tax asset	**55**	87
Deferred tax liability	**1**	1
Unrealised Foreign Exchange Gain/Loss	**16**	(4)
Profit From Sale of Equipment	**2**	(1)
Increase/(Decrease) in Employee Benefits	**(189)**	(317)
Premium/Discount Amortisation	**87,822**	86,783
Market Value Adjustment	**26,299**	9,283
Net Cash used in Operating Activities	**206,299**	156,514

20c. Financing/Lending Facilities

The Corporation holds a substantial portfolio of liquid assets that can be readily converted into cash These assets comprise highly liquid money market investments and longer term state government and Commonwealth Government securities.

The Corporation also provides a committed lending facility of $US76.5 million (nil drawn down as a 31 March 2007) (2006, $US84.7 million (nil drawn down as at 31 March 2006)) to Public Transport Authority, a state government authority. The facility is to meet contingent obligations under a lease agreement that may eventuate during the life of the lease.

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