

Financial Statements

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STATEMENT BY THE DIRECTOR-GENERAL

“Pursuant to Section 45F of the *Public Finance and Audit Act 1983*, I state that:

- (a) The accompanying financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the Financial Reporting Code for Budget Dependent General Government Sector Agencies, the applicable clauses of the Public Finance and Audit Regulation 2000 and the Treasurer’s Directions;
- (b) The statements exhibit a true and fair view of the financial position and transactions of the Department; and
- (c) At the date on which the statement is signed, there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.
- (d) The accompanying financial statements have an audit qualification relating to the valuation of Biological Assets in the accounts of NSW Forests which has also resulted in the qualification of the NSW DPI Consolidated Accounts for the year ended 30 June 2007.

Signed



**B BUFFIER
DIRECTOR-GENERAL**



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT
DEPARTMENT OF PRIMARY INDUSTRIES

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Department of Primary Industries (the Department), and the Department and controlled entities (the consolidated entity) which comprises the balance sheet as at 30 June 2007 and the income statement, statement of recognised income and expense, cash flow statement, program statement - expenses and revenues, and summary of compliance with financial directives for the year then ended, and a summary of significant accounting policies and other explanatory notes. The consolidated entity comprises the Department and the entities it controlled at the year's end or from time to time during the financial year.

Qualified Auditor's Opinion

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to satisfy myself as to the valuation of the Biological Assets, the financial report:

- presents fairly, in all material respects, the financial position of the Department and the consolidated entity as of 30 June 2007 and of their financial performance and their cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

Basis for Qualified Auditor's opinion - Biological Assets

Note 1(l) under the heading Native Forest Timber discloses that there are assumptions and uncertainties relating to the valuation of these forests. Forests NSW has been unable to provide me with all the information that I require to confirm these assumptions. This together with the Forest NSW's ongoing intention to apply a new inventory regime means I am unable to form an opinion on the value of Native Forest Timber included within biological Assets. I have been unable to carry out audit procedures to quantify the possible adjustments to the financial report that might have been necessary had this limitation not existed.

Department Head's Responsibility for the Financial Report

The Department Head is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Department Head, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does not provide assurance:

- about the future viability of the Department or consolidated entity,
- that they have carried out their activities effectively, efficiently and economically,
- about the effectiveness of their internal controls, or
- on the assumptions used in formulating the budget figures disclosed in the financial report.

Independence

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements.

The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.

Peter Achterstraat
Auditor-General
31 October 2007
Sydney

OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Notes	Consolidated Actual 2007 \$000	Consolidated Actual 2006 \$000	Parent Actual 2007 \$000	Parent Budget 2007 \$000	Parent Actual 2006 \$000
Expenses excluding losses						
Operating expenses						
Employee related	2(a)	307 001	289 174	266 569	216 823	214 640
Other operating expenses	2(b)	144 756	141 615	117 909	103 200	107 139
Depreciation and amortisation	2(c) 1(o)	30 020	28 973	19 766	20 123	19 189
Grants & subsidies	2(d)	57 764	44 025	67 321	32 782	53 598
Finance Costs	2(e) 1(g)	3 169	3 653	1 716	1 347	1 941
Other expenses	2(f)	26 665	16 552	26 665	15 547	16 552
Contract harvest and haulage		94 305	90 001	0	0	0
Total expenses excluding losses		663 680	613 993	499 946	389 822	413 059
Less:						
Retained Revenue						
Sale of goods and services	3(a) 1(e)	171 817	145 800	54 473	52 403	40 031
Investment revenue	3(b) 1(e)	135 410	142 101	3 586	3 053	3 932
Retained Taxes Fees and Fines	3(c)	10 507	10 905	10 507	10 327	10 905
Grants and contributions	3(d)	80 698	50 236	73 937	49 106	43 876
Other revenue	3(e)	921	1 003	921	177	1 003
Personnel services revenue	3(f)	1 618	2 226	47 637	0	6 593
Forests superannuation gain	3(g)	0	33 364	0	0	0
Total Revenue		400 971	385 635	191 061	115 066	106 340
Gain/(loss) on disposal	4	(855)	(946)	(277)	6 150	595
Other Gains/(losses)	5	(183 032)	(65 305)	886	0	0
Net Cost of Services	31	446 596	294 609	308 276	268 606	306 124
Government contributions						
Recurrent appropriation	8	263 164	275 970	263 164	225 141	275 970
Capital appropriation	8	12 098	8 798	12 098	13 209	8 798
(Asset sale proceeds transferred to the Crown Entity)		0	0	0	(5 829)	0
Acceptance by the Crown Entity of employee benefits and other liabilities	9	16 064	16 185	16 064	17 032	16 185
Total Government Contributions		291 326	300 953	291 236	249 553	300 953
SURPLUS/(DEFICIT) FOR THE YEAR (before Income Tax Expense)						
		(155 270)	6 344	(16 950)	(19 053)	(5 171)
Income tax equivalent benefit/(expense)	7(a)	39 965	(8 584)	0	0	0
SURPLUS/(DEFICIT) FOR THE YEAR (after Income Tax Equivalent Benefit/(Expense))						
		(115 305)	(2 240)	(16 950)	(19 053)	(5 171)

The accompanying notes form part of these financial statements

STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2007

	<i>Notes</i>	Consolidated Actual 2007 \$000	Consolidated Actual 2006 \$000	Parent Actual 2007 \$000	Parent Budget 2007 \$000	Parent Actual 2006 \$000
Net increase/(decrease) in property plant and equipment asset revaluation reserve		(438)	20 278	838	0	112
Other net increases/(decreases) in equity		0	10 740	0	0	0
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		(438)	31 018	838	0	112
Surplus/(Deficit) for the year	27	(115 305)	(2 240)	(16 950)	(19 053)	(5 171)
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR		(115 743)	28 778	(16 112)	(19 053)	(5 059)

The accompanying notes form part of these financial statements

BALANCE SHEET AS AT 30 JUNE 2007

	Notes	Consolidated Actual 2007 \$000	Consolidated Actual 2006 \$000	Parent Actual 2007 \$000	Parent Budget 2007 \$000	Parent Actual 2006 \$000
ASSETS						
Current Assets						
Cash and cash equivalents	11	47 856	69 105	42 241	49 663	62 118
Receivables	12	68 272	65 795	23 022	21 323	21 323
Inventories	13	10 061	9 412	2 118	6 352	2 477
Other financial assets	18	16 926	10 474	11 692	2 477	6 352
Assets held for sale	19	15 542	15 215	15 542	15 215	15 215
Total Current Assets		158 657	170 001	94 615	95 030	107 485
Non-Current Assets						
Financial Assets at Fair Value	14	1 803	943	1 803	943	943
Receivables	12	1 285	1 448	25 699	23 950	23 950
Property Plant and Equipment						
- Land and buildings	15	1 248 971	934 412	191 998	180 099	192 662
- Plant and Equipment	15	71 170	71 949	39 808	40 718	39 689
- Infrastructure Systems	15	143 348	146 487	34 492	34 201	37 372
- Digital Imaging System	15	1 180	1 769	1 180	1 769	1 769
- PPE Under Construction	15	8 180	5 017	0	0	0
Total Property Plant and Equipment		1 472 849	1 159 634	267 478	256 787	271 492
Biological Assets	20	1 409 355	1 563 863	5 524	5 189	5 189
Investment Property	16	9 039	4 778	0	0	0
Intangible assets	17 1(t)	10 180	8 803	10 180	10 513	8 803
Deferred income tax asset	7	10 614	8 345	0	0	0
Total Non-Current Assets		2 915 125	2 747 814	310 684	297 382	310 377
Total Assets		3 073 782	2 917 815	405 299	392 412	417 862
LIABILITIES						
Current Liabilities						
Payables	22 1(ab)	67 391	63 142	13 613	14 280	14 280
Borrowings	23 1(ac)	36 220	27 747	5 009	6 938	6 938
Provisions	25	64 388	59 825	53 592	49 296	49 296
Dividend	24 1(ad)	16 000	26 332	0	0	0
Current Tax Liability		1 615	0	0	0	0
Other	26	214	1 928	214	1 928	1 928
Liabilities associated with assets held for sale		0	0	0	0	0
Total Current Liabilities		185 828	178 974	72 428	72 442	72 442
Non-Current Liabilities						
Payables	22	677	0	11 692	6 352	6 352
Borrowings	23	150 369	140 273	21 837	16 409	22 806
Provisions	25	4 679	3 817	1 129	918	918
Deferred Tax Liability	7	512 911	462 641	0	0	0
Total Non-Current Liabilities		668 636	606 731	34 658	23 679	30 076
Total Liabilities		854 464	785 705	107 086	96 121	102 518
Net Assets		2 219 318	2 132 110	298 213	296 291	315 344
EQUITY						
Capital	27	421 706	421 706	0	0	0
Reserves	27	842 844	625 627	137 972	138 067	138 067
Accumulated funds	27	954 768	1 084 777	160 241	158 224	177 277
Amounts recognised in equity relating to assets held for sale		0	0	0	0	0
Total Equity		2 219 318	2 132 110	298 213	296 291	315 344

The accompanying notes form part of these financial statements

CASHFLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Notes	Consolidated Actual 2007 \$000	Consolidated Actual 2006 \$000	Parent Actual 2007 \$000	Parent Budget 2007 \$000	Parent Actual 2006 \$000
CASHFLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(387 375)	(370 246)	(252 081)	(199 791)	(206 269)
Grants and subsidies		(57 764)	(44 025)	(67 321)	(32 782)	(53 598)
Finance costs		(2 162)	(3 720)	(1 166)	(1 347)	(1 324)
Other		(214 528)	(193 540)	(156 266)	(131 747)	(130 551)
Income taxes paid		(2 961)	(5 040)	0	0	0
Total Payments		(664 790)	(616 571)	(476 834)	(365 667)	(391 742)
Receipts						
Sale of goods and services		308 308	272 475	106 383	52 403	18 644
Retained taxes fees and fines		10 507	10 905	10 507	10 327	10 905
Interest received		3 624	2 892	3 005	3 053	2 300
Other		120 779	102 873	84 585	62 283	80 458
Total Receipts		443 218	389 145	204 480	128 066	112 307
Cash flows from Government						
Recurrent appropriation		263 378	277 897	263 378	225 141	277 897
Capital appropriation		12 098	8 798	12 098	13 209	8 798
Asset sale proceeds transferred to the Crown Entity		0	0	0	(5 829)	0
Cash reimbursements from the Crown Entity		0	0	0	0	0
Cash transfers to the Consolidated Fund		(1 928)	(2 333)	(1 928)	0	(2 333)
Net Cash Flows from Government		273 548	284 362	273 548	232 521	284 362
NET CASH FLOWS FROM OPERATING ACTIVITIES	31	51 976	56 936	1 194	(5 080)	4 927
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of Land and Buildings Plant and Equipment and Infrastructure Systems		9 281	26 410	2 810	20 284	6 717
Proceeds from the sale of investments		0	0	0	0	0
Advance repayments received		0	0	0	0	0
Purchases of Land and Buildings Plant and Equipment and Infrastructure Systems		(42 298)	(35 375)	(19 291)	(19 093)	(13 892)
Purchases of investments		0	0	0	0	0
Payments for SGARA's		(22 032)	(19 310)	0	0	0
Capitalised interest on borrowings		(8 721)	(7 591)	0	0	0
Advances made		0	0	0	0	0
Other		(1 692)	(160)	(1 692)	(2 169)	(160)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(65 462)	(36 026)	(18 173)	(978)	(7 335)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from borrowings and advances		38 000	32 000	0	0	0
Repayment of borrowings and advances		(19 431)	(36 942)	(2 898)	(6 397)	(5 156)
Dividend paid		(26 332)	(24 922)	0	0	0
NET CASH FLOWS FROM FINANCING ACTIVITIES		(7 763)	(29 864)	(2 898)	(6 397)	(5 156)
NET INCREASE/(DECREASE) IN CASH		(21 249)	(8 954)	(19 877)	(12 455)	(7 564)
Opening cash and cash equivalents		69 105	78 059	62 118	62 118	69 682
Cash transferred in (out) as a result of administrative restructuring		0	0	0	0	0
CLOSING CASH AND CASH EQUIVALENTS	11	47 856	69 105	42 241	49 663	62 118

The accompanying notes form part of these financial statements

PROGRAM STATEMENT – EXPENSES AND REVENUES FOR THE YEAR ENDED 30 JUNE 2007

AGENCY'S EXPENSES & REVENUES	Agriculture & Fisheries		Mineral Resources		Biosecurity, Compliance & Mine Safety		Science & Research		Personnel Services		Not Attributable		Total	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Expenses excluding losses														
Operating Expenses														
Employee related	61 910	57 248	31 522	29 136	40 573	38 263	84 927	83 400	47 637	6 593	0	0	266 569	214 640
Other operating expenses	34 263	31 331	16 630	13 618	19 400	16 893	47 616	45 297	0	0	0	0	117 909	107 139
Depreciation and amortisation	5 742	5 304	2 477	2 319	3 510	3 418	8 037	8 148	0	0	0	0	19 766	19 189
Grants and subsidies	11 902	12 357	137	539	54 806	39 279	476	1 423	0	0	0	0	67 321	53 598
Finance costs	499	536	215	235	304	346	698	824	0	0	0	0	1 716	1 941
Other expenses	20 503	8 053	1 792	1 729	4 174	6 744	196	26	0	0	0	0	26 665	16 552
Total expenses excluding losses	134 819	114 829	52 773	47 576	122 767	104 943	141 950	139 118	47 637	6 593	0	0	499 946	413 059
Retained Revenue														
Sale of goods and services	11 017	9 561	23 158	8 887	5 535	9 086	14 763	12 497	0	0	0	0	54 473	40 031
Investment revenue	1 021	1 063	438	465	706	770	1 421	1 633	0	0	0	0	3 586	3 931
Retained taxes fees and fines	10 503	10 905	0	0	0	0	4	0	0	0	0	0	10 507	10 905
Grants and contributions	36 962	10 714	209	216	2 611	3 156	34 155	29 790	0	0	0	0	73 937	43 876
Other revenue	192	192	230	183	269	435	230	193	0	0	0	0	921	1 003
Personnel services revenue	0	0	0	0	0	0	0	0	47 637	6 593	0	0	47 637	6 593
Total Revenue	59 695	32 435	24 035	9 751	9 121	13 447	50 573	44 113	47 637	6 593	0	0	191 061	106 340
Gain/ (loss) on disposal	(80)	164	(35)	72	(49)	106	(113)	253	0	0	0	0	(277)	595
Other gains/(losses)	258	0	111	0	157	0	360	0	0	0	0	0	886	0
Net Cost of Services	74 946	82 230	28 662	37 753	113 538	91 390	91 130	94 752	0	0	0	0	308 276	306 124
Government contributions**	0	0	0	0	0	0	0	0	0	0	291 326	300 953	291 326	300 953
NET EXPENDITURE/(REVENUE) FOR THE YEAR	74 946	82 230	28 662	37 753	113 538	91 390	91 130	94 752	0	0	(291 326)	(300 953)	16 950	5 171
ADMINISTERED EXPENSES & REVENUE														
Administered Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Administered Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Administered Revenues														
Transfer receipts	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Consolidated Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0
- Taxes, fees and fines	0	0	0	0	0	0	0	0	0	0	1 193	11 474	1 193	11 474
- Other	0	0	0	0	0	0	0	0	0	0	514 392	515 259	514 392	515 259
Total Administered Revenues	0	0	0	0	0	0	0	0	0	0	515 585	526 733	515 585	526 733
Administered Revenues less Expenses	0	0	0	0	0	0	0	0	0	0	515 585	526 733	515 585	526 733

* The name and purpose of each program is summarised in Note 10.

**Appropriations are made on an agency basis and not to individual programs. Consequently, government contributions must be included in the 'Not Attributable' column.

SUMMARY OF COMPLIANCE WITH FINANCIAL DIRECTIVES

	2007			2006				
	RECURRENT APPROPRIATION \$'000	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND \$'000	CAPITAL APPROPRIATION \$'000	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND \$'000	RECURRENT APPROPRIATION \$'000	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND \$'000	CAPITAL APPROPRIATION \$'000	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND \$'000
ORIGINAL BUDGET APPROPRIATION/ EXPENDITURE								
Appropriation Act	225 141	225 067	13 209	13 209	241 121	241 023	8 840	8 798
Additional Appropriations								
s21 A PF&AA – special appropriation	0	0	0	0	0	0	0	0
s24 A PF&AA – transfer of functions between departments	7 255	2 255	(374)	(374)	0	0	0	0
s26 A PF&AA – Commonwealth specific purpose payments	0	0	0	0	0	0	0	0
	232 396	227 322	12 835	12 835	241 121	241 023	8 840	8 798
OTHER APPROPRIATIONS/EXPENDITURE								
Treasurer's Advance	1 072	1 072	98	98	23 270	23 270	0	0
Section 22 – expenditure for certain works and services	34 449	33 389	0	0	3 400	1 380	0	0
Transfers to/from another agency (s27 of the Appropriation Act)	1 381	1 381	(835)	(835)	0	0	0	0
Transfers to / from another agency (s28 of the Appropriation Act)	0	0	0	0	12 116	10 296	(42)	0
Total Appropriation/Expenditure/Net Claim on Consolidated Fund (includes transfer payments)	269 298	263 164	12 098	12 098	279 907	275 969	8 798	8 798
Amount drawn down against Appropriation		263 378		12 098		277 897		8 798
Liability to Consolidated Fund		214		0		1 928		0

The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed). The Liability to Consolidated Fund represents the difference between the 'Amount Drawn against Appropriation' and the 'Total Expenditure/Net Claim on Consolidated Fund'. For an explanation of variances to Budget, you are referred to Note 30.

Notes to and forming a part of the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(a) Reporting Entity**

The Department of Primary Industries as a reporting entity comprises all the entities under its control, including the Department's commercial activities, such processes as laboratory testing, education and Fishery fees. The Department also controls activities under the *Agricultural Scientific Collections Trust Act* and the *Agriculture Livestock Disease Control Funding Act, 1998*. The entity also encompasses funds which, while containing assets that are restricted for specific uses by the grantor or donor, are nevertheless controlled by the Department. The Department of Primary Industries is a NSW government department. The Department is a not for profit entity as profit is not its principal objective and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

In June 2004 Forests NSW was aligned with DPI but continues to operate as a self funded Public Trading Enterprise (PTE). Forests NSW is the trading name for the Forestry Commission of NSW a statutory body created under the *Forestry Act 1916* which has continued to be listed under Schedule 2 of the *Public Finance and Audit Act 1983* (the Act) for financial reporting and management purposes. Forests NSW operates as a non-budget sector Public Trading Enterprise and under requirements of the Act and National Competition Guidelines for government owned businesses is required to report separately from other areas of Government.

On 17 March 2006 the Government proclaimed the *Public Sector Employment Legislation Amendment Act 2006*. This Act made fundamental changes to the employment arrangements of many statutory corporations through amendments to the *Public Sector Employment and Management Act 2002* (PSEMA) and other Acts. In particular, the status of employees of many statutory corporations has been changed. They are now employees of the Government of New South Wales in the service of the Crown. Employees of the Government were assigned to Divisions of the Government Service. Departments are now also known as Divisions of the Government Service, per Schedule 1 of the PSEMA.

From 17th March, 2006 Forests NSW's employees became either the employees of either Department of Primary Industries or the new entity, Forestry Commission Division. As a PTE, Forests NSW continues to be responsible for making use of the employees and resources of both Department of Primary Industries and Forestry Commission Division at its own cost, and must meet all expenses, taxes, duties and Government dividends from revenues earned from the commercial business activities it undertakes. Forests NSW are also a reporting entity.

This supply and continued use of resources and shared services from DPI and Forestry Commission Division is based on the signed Memorandums of Understanding. Accordingly separate financial statements have been prepared for the Department and Forests NSW. In the case of the Department, its reports are in accord with the Financial Reporting Code for Budget Dependent General Government Sector Agencies (the Code). Forests NSW accounts are prepared more in line with private sector reports reflecting Forests commercial self-funding basis of operation. The financial reports of the Department of Primary Industries and Forests NSW are consolidated in this document.

With regard to the following Notes, where reference is made to 'Department' it refers to the total activities of the Department of Primary Industries whilst a reference to 'Parent' relates to activities of the Department of Primary Industries. 'Forest NSW' refers to the specific activities of NSW Forests.

This consolidated financial report has been authorised for issue by the Director-General on 31 October 2007.

(b) Basis of Preparation

The Department's financial report is a general purpose financial report which has been prepared in accordance with:

1. applicable Australian Accounting Standards (which include Australian equivalents to International Financial Reporting Standards (AEIFRS);

2. the requirements of the Public Finance and Audit Act and Regulation; and

3. the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer.

In the process of preparing the consolidated financial report for the economic entity consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

Property, plant and equipment, investment property, assets (or disposal groups) held for sale and financial assets at 'fair value through profit and loss' and available for sale are measured at fair value. Other financial statements items are prepared in accordance with the historical cost convention.

Judgement, key report assumptions and estimations management has made are disclosed in the relevant notes to the financial report.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

Forests NSW

Forest NSW is a for profit entity and its accounts are consolidated as part of the NSW Total State Sector Accounts.

The accounts have been prepared on an accrual basis utilising conventional historical cost bases except for certain forest, non-forest assets and investment properties which, as indicated separately in the notes and financial statements, are stated at fair value.

(c) Statement of Compliance

The consolidated and parent financial reports and notes comply with Australian Accounting Standards, which include AEIFRS.

(d) Administered Activities

The Department administers, but does not control, certain activities on behalf of the Crown Entity. It is accountable for the transactions relating to those administered activities but does not have the discretion, for example, to deploy the resources resulting from these transactions for the achievement of the Department's own objectives.

Transactions and balances relating to the administered activities are not recognised as the agency's revenues, expenses, assets, and liabilities but are disclosed in the accompanying schedules as 'Administered Revenues', 'Administered Expenses', 'Administered Assets' and 'Administered Liabilities'.

The accrual basis of accounting and all applicable accounting standards have been adopted for the reporting of the administered activities.

(e) Income Recognition**Parent**

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

1. Parliamentary Appropriations and Contributions from Other Bodies

Parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as income when the Department obtains control over the assets comprising the appropriations/contributions. Control over appropriations and contributions are normally obtained upon the receipt of cash.

An exception to the above is when appropriations are unspent at year end. In this case, the authority to spend the money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are accounted for as liabilities rather than revenue.

The liability is disclosed in Note 26 as part of 'Current Liabilities – Other'. The amount will be repaid and the liability will be extinguished next

Notes to and forming a part of the financial statements

financial year. Any liability in respect of transfer payments is disclosed in Note 34 'Administered Assets and Liabilities'.

2. Sale of Goods

Revenue from the sale of goods is recognised as revenue when the Department transfer the significant risks and rewards of ownership of the assets.

3. Rendering of Services

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

4. Investment Income

Interest revenue is recognised using the effective interest method as set out in AASB 139 Financial Instruments: Recognition and Measurement. Rental revenue is recognised in accordance with AASB 117 Leases on a straight-line basis over the lease term. Royalty revenue is recognised in accordance with AASB 118 Revenue on an accrual basis in accordance with the substance of the relevant agreement. Dividend revenue is recognised in accordance with AASB 118 when the Department's right to receive payment is established.

Forests NSW

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.

1. Sale of Timber and Related Activities

Revenue from the sale of timber and related activities is recognised (net of returns, discounts and allowances) when control of the goods passes to the customer.

2. Grants

Grants of a non-reciprocal nature are recognised on receipt of funds. Grants of a reciprocal nature are recognised as a liability and recognised as revenue in proportion to the stage of completion of the project for which the grant funds were provided.

(f) Employee Benefits and other provisions

1. Salaries and Wages, Annual Leave, Sick Leave and On-Costs

Liabilities for salaries and wages (including non-monetary benefits) and annual leave and paid sick leave that fall due wholly within 12 months of the reporting date are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled. Long-term annual leave that is not expected to be taken within twelve months is measured at present value in accordance with AASB 119 Employee Benefits. Market yields on government bonds of 5.5% are used to discount long-term annual leave.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

2. Long Service Leave and Superannuation

The Department's liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity. The agency accounts for the liability as having been extinguished; resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits and other liabilities'. Prior to 2005-06 the Crown Entity also assumed the defined contribution superannuation liability.

Long service leave is measured at present value in accordance with AASB 119 Employee Benefits. This is based on the application of

certain factors (specified in NSWTC 07/04) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value. Long Service Leave liability was assessed by actuaries at 30th June, 2007.

3. Other Provisions

Other provisions exist when the agency has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the obligation.

Any provision for restructuring are recognised when an agency has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

If the effect of the time value of money is material, provisions are discounted at 5.5%, which is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Superannuation

Parent

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

Forests NSW

Calculation of the total liability for superannuation is based on actuarial advice provided by Pillar Administration.

The superannuation liability in the Balance Sheet is the difference between the gross liabilities and the stake in the funds at reporting date in respect of Forests NSW employees (refer Note 18).

(g) Borrowing Costs

Parent

Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's mandate to general government sector agencies.

Forests NSW

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets (where valid).

Borrowing costs include:

- Interest on bank overdrafts and short-term and long-term borrowings
- Amortisation of discounts or premiums relating to borrowings

Borrowing costs are capitalised as these funds have been utilised for the acquisition of land and for the establishment and development of new plantations which by their nature take a substantial period of time to become commercially productive.

(h) Insurance

The Department's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past claim experience.

Forests NSW

Workers Compensation Insurance

Forests NSW are a licensed self insurer under the provisions of the *Workers Compensation Act 1987*. In accordance with regulations that govern the operations of Workers Compensation, an independent actuary has determined the value of the outstanding claims liability as at

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30th June 2007. In addition separate insurance cover is held with private insurance companies for excess total incident and total claims costs.

From 17th, March 2006 onwards, the NSW Government proclaimed the PSELAA (*Public Sector Employment Legislation Amendment Act 2006*). As of that date, all related employee costs and entitlements are recognised as Personnel Services from the supply of labour related services from either DPI or Forestry Commission Division.

Employee related liabilities are transferred from Forests NSW's statutory accounts to New South Wales Department of Primary Industries (DPI) and Forestry Commission Division in accordance with the established memorandum of understanding. In the Forests NSW's (Statutory Balance Sheet), they are disclosed as amounts due to related entities.

Upon consolidation of the year end financial statements, employee related liabilities from the Forestry Commission Division are shown as current and non current provisions.

(i) Accounting for Taxation

Revenues, expenses and assets are recognised net of the amount of GST, except where:

- the amount of GST incurred by the agency as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- receivables and payables are stated with the amount of GST included.

Forests NSW

Income Tax (Tax equivalents regime) (refer note 7)

As of 1 July 2001, Forests NSW is subject to the National Tax Equivalents Regime (NTER) which requires Government Trading Enterprises to be subject to the same taxes including income tax and goods and services tax as private sector organisations. Prior to this date Forests NSW were subject to the state based Tax Equivalents Regime.

Current tax payable is accounted by reference to the amount of income tax payables or recoverable in terms of the taxable profit and loss for the current reporting period. It is calculated by applying the applicable tax rates and laws. Tax for the current period and prior periods is recognised as a liability (or asset) to the extent that is unpaid. (or refundable)

The comprehensive balance sheet liability method is used to account for temporary differences that eventuate to deferred assets and liabilities. They arise as a result of the differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of these items.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets on the other hand, are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences and tax offsets can be utilised. Deferred tax assets items relating to tax losses will be carried forward as an asset as this benefit has largely arisen from the deductibility of plantation establishment activity. While recognising the significant period involved (to maturity of these plantation assets), as these activities constitute Forests NSW core business, there is high likelihood the benefit will be fully realised in future periods.

(j) Acquisition of assets

Parent

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Department. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Where payment for an item is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted at an asset-specific rate.

(k) Capitalisation Thresholds

Property, plant and equipment and intangible assets costing \$5 000 and above individually (or forming part of a network costing more than \$5 000) are capitalised.

(l) Revaluation of Property, Plant and Equipment

Parent

Physical non-current assets are valued in accordance with the 'Guidelines for the Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 05-03). This policy adopts fair value in accordance with AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.

Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

The Department re-values each class of property, plant and equipment at least every five years or with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The last revaluation was completed on 30 June 2004 and was based on an independent assessment.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

When revaluing non-current assets by reference to current prices for assets newer than those being re-valued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

For other assets, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reserves a revaluation decrement in respect of that class of asset previously recognised as an expense in the surplus/deficit, the increment is recognised immediately as revenue in the surplus/deficit.

Revaluation decrements are recognised immediately as expenses in the surplus/deficit, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

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

Forests NSW

Land

All land, being Crown Land and Forests NSW owned land, under forests and plantations and under administrative buildings, offices, mechanical workshops and other non-forest installations were revalued by Valuation Services which is a business unit of Department of Lands on 30 June 2007. Fair value is based on current market buying price representing value in use. The Valuation Services supported this basis of valuation by

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recognising that Forests NSW land was held for continued use and would be replaced if Forests NSW was deprived of them.

The valuation recognised areas that were currently utilised for timber producing purposes and other areas such as reserves and exclusion zones where no commercial activities are carried out by Forests NSW.

Independent valuations will be performed at least triennially for land, or earlier if significant market movements are detected, with purchases in the intervening periods taken to account at cost.

Roads & Bridges

Major Roads and Bridges have been independently revalued by Valuation Services (formerly State Valuation Office) at 30 June 2006 on the basis of written down replacement cost, which approximates fair value.

Independent valuations will be performed at least triennially or earlier if significant market movements are detected, with purchases in the intervening periods taken to account at cost.

Costs of building or significantly upgrading primary access roads (Class A) and secondary access roads (Class B) are capitalised as incurred. Maintenance costs on these higher classification roads are expensed as incurred. All other costs of maintaining and developing the rest of the roading infrastructure are expensed as incurred.

Heavy Plant and Equipment, Motor Vehicles and Mobile Plant

Heavy Plant and Equipment have been independently revalued by Slattery Auctions at 30 June 2006 on the basis of market realisable estimate which approximates fair value.

Independent valuations will be performed at least triennially or earlier if significant market movements are detected, with purchases in the intervening periods taken to account at cost.

Motor vehicles and Mobile Plant were revalued at 30 June 2006 by management. The carrying value as at 30 June 2006 approximates to the fair value. Revaluations will be performed at least triennially for motor vehicles, or earlier if significant market movements are detected, with purchases in the intervening periods taken to account at cost.

Other Assets

Radio Equipment was revalued at 30 June 2006 by management. The carrying value as at 30 June 2006 approximates to the fair value. Aircraft was revalued by Slattery Auctions at 30 June 2006. Other assets are stated at written down value as at 30 June 2006, which approximates fair value.

Investment Property

Investment Property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequently to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no further benefit is expected from its disposal.

Biological Assets (refer note 20)

Softwood Plantation Timber

The value of the Softwood Pine Plantation Growing Stock has been assessed utilising a Net Market Value model, which is based upon standing volumes and current prices less the direct costs of disposing of the timber.

The present valuation model differentiates between the following components of the plantation: Non commercial plantations are defined as those plantations which are less than 15 years of age and which have not yet undergone a commercial operation. As market prices cannot be readily determined for these plantations, they are valued on the basis of historical costs incurred in their establishment. Commercial plantations are defined as those plantations between 12 and 15 years of age which

have experienced a commercial operation, and all plantations 15 years of age or greater. A commercial operation is defined as a thinning or clear felling which produces marketable quantities of forest products for sale.

Volume increments are determined both by periodic re-measurement of samples of plantations and by modelling growth from the date of most recent measurement to the valuation date. The modelled growth estimates are generally checked to physical data at five yearly intervals. The market valuation is prepared by qualified foresters, employed by Forests NSW using techniques/methods published in scientific journals and accepted by the forestry industry. The current product proportionment models, used to determine the component product volumes on which the valuations are based, were first implemented in 2002. To better reflect the effects of recent growth conditions and the usage of more genetically advanced seedling stock in more recent years, Forests NSW has recently commenced processes to test and validate the modelling projections to recent actual harvested volumes of various timber products. Until these validation processes are completed, there may be some variation between reported modelled volumes and actual standing volumes. Recalibration of the inventory models will then be made to ensure models closely align to current actual harvest records. Should any amendment to the valuation become necessary as a result of this testing, any resulting financial effects will be incorporated into future valuations.

The net change in market value (resulting from price and volume movements) from the beginning, to the end of the year is recognised as revenue or an expense in the Operating Statement.

Costs capitalised in relation to plantations comprise the direct costs of establishment and development attributable to a new plantation of specific age class and species, and indirect costs attributable to the growing stock establishment activity. These indirect costs include fire prevention and suppression, road maintenance, forest management and planning, research, and administration and management. Other ongoing maintenance and management costs in relation to commercial pine plantations are expensed as incurred, with the exception of major post thinning fertilising and pruning programs. Where these programs are designed specifically to improve stand quality, the costs are capitalised. During 2006-2007, a change in the data volume estimates as applied in the inventory model versus actual volume harvested necessitated an additional fair value adjustment of \$105,593 586 or 9.67% of the softwood plantation base value. No additional fair value adjustment was made in the 2005-2006, as the result arising from a similar review of the data volume estimate versus actual volume harvested were inconclusive.

Hardwood Plantation Timber

These plantations are less generally than 15 years of age and have yet to undergo a commercial operation. As market prices cannot be readily determined for these plantations and as the quality of inventory and growth data has not developed to a suitable standard to support a detailed growth model for these plantations at this time, this resource is valued on the basis of historical costs incurred in their establishment, being the best indication of fair value of the standing timber. As Hardwood plantations undergo a commercial operation or reach age 15, Forests NSW intends to move to market value for this resource. Land under these plantations and integral infrastructures have been independently valued.

Native Forest Timber

The value of the Native Forest timber resource, currently available for harvesting, has been assessed utilising a Net Market Value model, which is based upon standing volumes and current prices less direct costs of disposing of the timber.

Standing volume information is derived from the most recently available resource inventory data. Only the standing volume of native forests that are available in a single harvest cycle is valued. Harvesting cycles vary between native forest types with a typical cycle of 5-30 years for native forest and 30-50 years for cypress. Where possible necessary standing volume information has been grown forward to 30 June 2007 and

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reduced by volumes sold since the inventory date

Standing volume is calculated based on data obtained from sample inventory plots. Forests covered by the South East and South Coast Regional Forest Agreements (RFAs) have used the RFA inventory data as the basis for valuation. Valuations of the north coast forests prior to 2004 were also based on RFA data. However inventory data for these forests was updated during an all-of-government review completed in 2003. As part of a comprehensive improvement of inventory procedures a new sampling regime was introduced and a substantial number of new inventory plots were created to replace those in areas transferred to National Park and areas harvested. A new approach was also developed for estimating harvestable area. Implementation of these processes provided improved information on available sawlog volumes between species, the volume of saleable species, and a reduction in available pulpwood.

As part of a continuous improvement program new biometric equations are being developed for purposes of measurement, estimating growth, estimating standing volume and for estimating product yields.

Forests NSW has commenced implementation of updating the inventory processes to other areas. At this stage, it is not known if similar affects as outlined above, may occur in inventory for those other areas. The current

estimate of volume is the best estimate available and where possible is based on formal analyses that have been prepared in consultation with other government agencies and stakeholder groups.

In determining the standing volume, the gross area of native forests is reduced by the extent where logging is excluded in certain areas. A net harvest area modifier is then applied to reflect the impact of other logging exclusions prescribed by licences that are not area specific. A further strike rate reduction factor is used to reduce the net harvest area for unmapped flora and fauna exclusions.

The table below summarises some statistical information for the highest value component of the main inventories used to determine native forest valuations. The table shows the un-adjusted standing volumes of high value sawlogs, firstly at measurement date, then at June 30 2006. The 95% confidence interval in the initial assessment is also presented. Due to the natural variability of the forests, the confidence range of this high quality product can be quite high. In all native forest examples the final 2006 volume (after growth and harvesting components are added) remains within the initial inventory confidence interval. This demonstrates that the natural variability of the resource has a bigger impact on volume than valuation growth and harvest calculations.

Assessment Area (Inventory Date)	Initial Vol HQL (Snapshot)	PLE on Initial Vol	Lower Bound	Upper Bound	HQL Volume F06	Within Confidence Interval?	Propn of F06 Valn
North Coast (1/1/2004)	5 863 672	± 6.3%	5 492 589	6 234 755	5 698 866	Yes	38%
NC Plantation (1/3/2004)	320 719	± 15.2%	272 088	369 349	401 745	No	3%
South Coast (1/1/1999)	1 340 224	± 18.5%	1 092 282	1 588 165	1 268 189	Yes	9%
SCRA Tumbarrumba (1/1/1999)	2 303 167	± 22.9%	1 775 741	2 830 592	2 382 794	Yes	16%
West CRA (30/6/2006)	1 908 759	± 14.9%	1 624 354	2 193 165	1 760 732	Yes	12%
Total	11 736 541		10 257 054	13 216 026	11 512 326		78%

The above table demonstrates that 95% of the time the volume of high quality large sawlogs in these areas will be between 10.25 million and 13.2 million cubic metres.

After adjusting the gross standing volume for the above exclusions, only 30% of the standing volume is valued, reflecting restrictions on the intensity of harvesting allowed for a native forest resource. The value of the standing timber without this restriction is \$ 1 146 473 660.

The market value for products by species was sourced from current years actual price data adjusted for marketing and selling costs.

Forests NSW older hardwood plantation resource has presently been valued as native forest until the plantations are accredited.

Forests NSW manages available native forest areas on a sustainable yield basis. Sustainable yield means that the volume harvested will approximate, over long-term harvest cycles, annual forest growth of the harvestable native forest areas. As a result, all costs incurred in managing, maintaining and developing the Native Forests timber resources are expensed as incurred on the basis that all relevant costs are incurred in maintaining a constant forest resource.

Carbon Credits

Forests NSW participated in an inaugural sale of New South Wales Greenhouse Abatement Credits in 2004-2005. For financial year ending 30 June, 2007, unsold carbon credit certificates are accounted for as inventory at lower of cost or net realisable value.

(m) Impairment of Property, Plant and Equipment

As a not-for-profit entity with no cash generating units, the Department is effectively exempted from AASB 136 Impairment of Assets and impairment testing. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated

replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

Forests

Where an indicator of impairment exists, the asset will be written down to the recoverable amount.

Recoverable amount is the greater of fair value less costs to sell. It is also used to determine assets that do not generate largely independent cash inflows.

(n) Assets Not Able to be Reliably Measured

The Department holds certain assets that have not been recognised in the Balance Sheet because the Department is unable to measure reliably the value for the assets. These assets are the insect and mite collection, the plant pathology herbarium, a collection of mineral core specimens obtained through drilling over a considerable period of time and various Marine Protected Areas, as defined in Note 37.

Some of these assets were originally acquired in 1890 with the appointment of the first scientific officers in the Department. Since that time the assets have been augmented continuously through the addition of specimens representing records of insects, mites, fungi, bacteria, viruses, nematodes and minerals samples.

Each addition of a specimen to the collections also adds a data label bearing information on the identity, location, date of collection, name of the collector and biological information pertaining to that specimen. Each specimen provides data for the trade, quarantine, research and diagnostic functions. The identity information has been added progressively by specialist scientists and geologists, many with world authority status, over many years and much of the information is now irreplaceable because the original source is no longer available. Therefore,

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due to the irreplaceable nature of these collections, valuation would be extremely difficult.

In addition to this collection information, the collections include many unique reference specimens known as primary type specimens. These are used by taxonomists as the only valid reference point for individual scientific names and are established by the taxonomist who originally names a species.

The maintenance and preservation of these collections is estimated to cost \$0.376m for 2006-2007.

(o) Depreciation of Property, Plant and Equipment**Parent**

Except for certain heritage assets, depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Department.

All material separately identifiable components of assets are depreciated over their shorter useful lives.

Land is not a depreciable asset. Certain heritage assets have an extremely long useful life, including original artworks and collections and heritage buildings. Depreciation for these items cannot be reliably measured because the useful life and the net amount to be recovered at the end of the useful life cannot be reliably measured. In these cases, depreciation is not recognised. The decision not to recognise depreciation for these assets is reviewed annually.

The depreciation of buildings and infrastructure is calculated on a straight line basis. Due to the nature and location of its activities, a maximum useful life of 40 years is appropriate. For practical purposes and a basis of accounting treatment, useful life is expressed in 10 year increments, up to the maximum of 40 years.

Equipment and vehicles are depreciated on a straight line basis over the remaining life to scrap value (where applicable) so as to write off the depreciable amount of each asset as it is consumed over its useful life to the entity. Each class of asset has a default life which may be varied as a result of management review either at acquisition or at any time during the asset life.

Default asset class lives are:

Ocean going vessels	3 years	Computing Equipment	4 years
Commercial Vehicles	5 years	Specialised Equipment	7 years
Motor Cycles	7 years	Passenger Vehicles	7 years
Business Equipment	7 years	Laboratory Equipment	7 years
Agricultural Equipment	10 years	Furniture and Fittings	10 years
Digital Imaging System	10 years	Farm Vehicles	10 years
Trailers and Caravans	10 years	Marine Equipment	10 years
Other Marine Craft	10 years	Engineering Equipment	15 years

Forests NSW

Depreciation is charged on Property (other than land), and Plant & Equipment at rates which provide for the original cost or valuation to be written down over the expected useful life of the asset. Depreciation commences when the asset is brought into commercial operation.

Type of Asset	Depreciation Method	Useful Life
Property (other than Land)	Straight Line	10 to 50 Years
Aircraft	Straight Line	10 years
Other Plant and Equipment	Straight Line	3 to 50 Years
Roads and Bridges		
- earthworks	Straight Line	100 Years
- paving (gravel)	Straight Line	30 Years
- paving (bitumen)	Straight Line	50 Years

(p) Major Inspection Costs

The labour cost of performing major inspections for faults is recognised in the carrying amount of an asset as a replacement of a part, if the recognition criteria are satisfied.

(q) Restoration Costs

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

(r) Maintenance

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

(s) Leased Assets**Parent**

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

The Department does not hold any finance leases. It does however, lease assets on an operating lease basis.

Operating Lease payments are charged to the Operating Statement in the periods in which they are incurred. The major operating lease is that relating to the Head Office Building located in Orange. This building is covered by a 20 year lease with a nine year option. Commitment values for this lease are outlined in Note 28(c).

Forests NSW

Leases are classified as financial leases if at the end of the lease term, the risk and ownership of the leased assets substantially accrued to the lessee.

Financial leases are capitalised at the inception of the lease based on the fair value of the leased assets or the lower of, the present value of the minimum lease payments.

All other leases are classified as operating leases. Operating lease payments are recognised as expenses in the operating statement on a straight-line basis over the lease term

(t) Intangible Assets

The Department recognises intangible assets only if it is probable that future economic benefits will flow to the agency and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite. Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Department's intangible software assets, the assets are carried at cost less any accumulated amortisation. The Department's intangible software assets are amortised using the straight line method over a period of 10 years.

Water licences have been valued at fair value were there is an active market.

In general, intangible assets are tested for impairment when an indicator of impairment exists. However, as a not-for-profit entity with no cash generating units, the Department is effectively exempted from impairment testing (refer Para (m)).

(u) Loans and Receivables Year ended 30 June 2007

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based

Notes to and forming a part of the financial statements

on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are accounted for in the Operating Statement when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(v) Inventories**Parent**

Inventories held for distribution are stated at the lower of cost and current replacement cost. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost or 'first in first out' method.

The cost of inventories acquired at no cost or for nominal consideration is the current replacement cost as at the date of acquisition. Current replacement cost is the cost the Department would incur to acquire the asset on the reporting date. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Forests NSW

Inventories and Work in Progress (WIP) are stated at the lower of cost or net realisable value. In the case of materials and parts, cost comprises purchase price and incidental expenses. The valuation of WIP and finished goods is based on direct costs plus an appropriate proportion of production overheads.

(w) Guarantee Fee

Forests NSW is required to pay an annual Government Guarantee Fee to the NSW Treasury relative to the amount of loans at balance date based upon the differential between an independently assessed, stand alone, credit rating for Forests NSW and the NSW Government's AAA rating. The actual fee payable is calculated using factors provided by the NSW Treasury each year. Forests NSW has been assigned a private stand alone qualified rating indication of 'BBB-' (BBB minus) by Fitch ratings. This is not necessarily the unqualified corporate credit rating that would otherwise apply to Forests NSW.

(x) Trust Funds

The Department receives monies in a trustee capacity for various trusts as set out in Notes 32 and 33. As the Department performs only a custodial role in respect of these monies, and because the monies can not be used for the achievement of the Department's own objectives, these funds are separately identified in the financial statements.

(y) Investments- Year ended 30 June 2007

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. The agency determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

Fair value through profit or loss - The agency subsequently measures investments classified as 'held for trading' or designated 'at fair value through profit or loss' at fair value. Financial assets are classified as 'held for trading' if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the Operating Statement.

Held to maturity investments – Non-derivative financial assets with fixed or determinable payments and fixed maturity that the agency has the positive intention and ability to hold to maturity are classified as 'held to maturity'. These investments are measured at amortised cost using the effective interest method. Changes are recognised in the Operating Statement when impaired, derecognised or through the amortisation process.

Available for sale investments - Any residual investments that do not fall into any other category are accounted for as available for sale

investments and measured at fair value directly in equity until disposed or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the Operating Statement. However, interest calculated using the effective interest method and dividends are recognised in the Operating Statement.

Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date i.e. the date the entity commits itself to purchase or sell the asset.

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the balance sheet date.

(z) Impairment of financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the Operating Statement.

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the Operating Statement, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the Operating Statement.

Any reversals of impairment losses are reversed through the Operating Statement, where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as 'available for sale' must be made through the reserve. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

(aa) Other Assets

Other assets are recognised on a cost basis

(ab) Payables

These amounts represent liabilities for goods and services provided to the agency and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(ac) Borrowings**Parent**

Loans are not held for trading and are recognised at amortised cost using the effective interest method.

Forests NSW

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(ad) Dividend

The amount of Dividend payable to the NSW Treasury is set at \$16 000 000. The dividend provided is payable to Treasury in the following financial year.

(ae) Budgeted Amounts

The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year and with any adjustments for the effects of additional appropriations, s 21A, s 24 and/or s 26 of the *Public Finance*

Notes to and forming a part of the financial statements

and Audit Act 1983.

The budgeted amounts in the Operating Statement and the Cash Flow Statement are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the Balance Sheet, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts; i.e. per the audited financial statements (rather than the carry forward estimates).

(af) Buyout of commercial fishers

In September 2001 the Treasurer approved the provision of a loan of \$20 million to the Department to fund the buyout of commercial fishers affected by the creation of recreational fishing areas in the State. This loan was drawn down on 30 April 2002 at an interest rate of 6.455%. The loan is scheduled to be repaid over seventeen years at an amount of \$2 million per annum, commencing in December 2002.

Approximately \$18.6 million of this loan was expended during the period 2001-02 to 2006-07, leaving a balance of \$1.4m unexpended as at 30 June 2007.

In 2006-07 the Department received funding of \$20.103m to buyout commercial fishers in the Port Stephens-Great Lakes and Batemans marine parks. An amount of \$19.601m had been expended as at 30 June 2007.

(ag) Fisheries Management Amendment Acts

The *Fisheries Management Amendment Act 1997* ('the Act') commenced on 1 July 1998. The objects of the Act are: to provide for the payment of an access fee by recreational freshwater fishers; to establish special fisheries trust funds; and to make other miscellaneous changes to the *Fisheries Management Act 1994*. The *Fisheries Management Amendment Act 2000* also allowed for the introduction from 23 March 2001 of a general access fee payable by recreational fishers to use estuarine and marine waters.

The Act provides for the establishment of special fisheries trust funds, which are: Recreational Fishing (Freshwater) Trust Fund; Recreational Fishing (Saltwater) Trust Fund; Commercial Fishing Trust Fund; Fish Conservation Trust Fund; Aquaculture Trust Fund; and Charter Fishing Trust Fund.

Moneys in these trust funds are under the control of the Minister for Primary Industries and can be expended by the Minister only for the purposes authorised by the Act.

Under the Department's accounting structure, all revenue paid into these special fisheries trust funds and any expenditure there from is included in the Department's financial statements. NSW Treasury has agreed with this course of action. The flow of funds into and out of these special fisheries trust funds has been outlined in note 32 and 33.

(ah) Comparative Information

Comparative figures are based on AEIFRS.

(ai) Financial instruments accounting policy

Investment income

Interest revenue is recognised as it accrues. Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement. Dividend revenue is recognised when the agency's right to receive payment is established.

Receivables

Receivables are recognised and carried at cost, based on the original invoice amount less a provision for any uncollectible debts. An estimated provision for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Other Financial Assets

'Other financial assets' are generally recognised at cost, with the exception of TCorp Hour-Glass Facilities and Managed Fund Investments, which are measured at market value.

For non-current 'other financial assets', revaluation increments and decrements are recognised in the same manner as physical non-current assets.

For current 'other financial assets', revaluation increments and decrements are recognised in the Statement of Financial Performance.

Payables

These amounts represent liabilities for goods and services provided to the agency and other amounts, including interest. Interest is accrued over the period it becomes due.

Interest Bearing Liabilities

Interest-bearing loans and borrowings are carried at current capital value, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(aj) New Australian Accounting Standards issued but not effective

At reporting date all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (The AASB) that are relevant to its operations and effective for the current annual reporting period have been adopted. The adoption of these new and revised Standards and Interpretations has resulted in changes to the entity's accounting policies in the following areas that have affected the amounts reported for the current or prior years:

- Investments classified as at fair value through profit or loss (AASB 2005-04 'Amendments to Australian Accounting Standards'); and
- financial guarantee contracts (AASB 2005-09 'Amendments to Australian Accounting Standards').

There has been no impact arising as a result of these changes in accounting policies.

At the date of authorisation of the financial report, the following Standards and Interpretations were on issue but yet effective:

AASB 7 'Financial Instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue.	Effective for annual reporting periods beginning on or after 1 January 2007.
AASB 8 'Operating Segments' and consequential amendments to other accounting standards resulting from its issue.	Effective for annual reporting periods beginning on or after 1 January 2007.
AASB 101 'Presentation of Financial Statements' – revised standard.	Effective for annual reporting periods beginning on or after 1 January 2007.
Interpretation 10 'Interim Financial Reporting and Impairment'.	Effective for annual reporting periods beginning on or after 1 November 2006.
Interpretation 11 'Group and Treasury Share Transactions and consequential amendments to other accounting standards resulting from its issue.	Effective for annual reporting periods beginning on or after 1 March 2007.
Interpretation 12 'Service Concession Arrangements' and consequential amendments to other accounting standards resulting from its issue.	Effective for annual reporting periods beginning on or after 1 January 2008.

Notes to and forming a part of the financial statements

Early adoption of new or revised Accounting Standards/Interpretation. The following Australian Accounting Standards/Interpretations have been mandated by NSW Treasury not to be adopted early in this financial report:

- AASB 7 & AASB 2005-10 regarding financial instrument disclosures;
- AASB 8 & AASB 2007-3 regarding operating segments;
- AASB 101 (Oct 2006) regarding presentation of financial statements;
- AASB 123 (June 2007) and AASB 2007-6 regarding borrowing costs;
- AASB 1049 regarding the general government sector and GFS/GAAP convergence;
- AASB 2007-4 regarding Australian additions to and deletions from IFRSs;
- AASB 2007-5 regarding inventories held for distribution by not-for-profit entities;
- Interpretation 4 (Feb 2007) regarding determining whether an arrangement contains a lease;
- Interpretation 10 regarding interim financial reporting;
- Interpretation 11 & AASB 2007-1 regarding group and treasury share

transactions;

- Interpretation 12 & AASB 2007-2 regarding service concession arrangements;
- Interpretation 129 (Feb 2007) regarding service concession disclosures.

(ak) Equity Transfers

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector agencies is designated as a contribution by owners and recognised as an adjustment to 'Accumulated Funds'. This treatment is consistent with Urgent Issues Group Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.

Transfers arising from an administrative restructure between government departments are recognised at the amount at which the asset was recognised by the transferor government department immediately prior to the restructure. In most instances this will approximate fair value. All other equity transfers are recognised at fair value.

2. EXPENSES EXCLUDING LOSSES

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
(a) Employee Related Expenses				
Salaries and wages (including recreation leave)	229622	217375	203416	161492
Superannuation – defined benefit plans	1518	2099	8169	7952
Superannuation – defined contribution plans	13898	11802	12773	10015
Long service leave	9775	13024	9429	8468
Workers compensation insurance	3819	3492	2604	3514
Payroll tax and fringe benefits tax	21232	17703	15727	12464
Redundancy payments	4964	3109	4866	2270
Other - Miscellaneous	22173	20570	9585	8465
	307001	289174	266569	214640
(b) Other operating expenses include the following:				
Auditor's remuneration – audit or review of financial reports	644	848	346	573
Cost of inventories held for distribution	16038	15179	16038	15184
Operating lease rental expense – minimum lease payments	15091	14799	13889	13531
Maintenance*	12430	9704	12311	9547
Insurance	2049	2169	1498	1476
Other – Advertising and promotion	895	679	822	628
- Bank charges	180	143	180	143
- Consultancy	724	611	514	154
- Courier and freight	603	357	603	357
- Electricity	2983	3042	2592	2620
- Rates	462	405	378	315
- Materials	16063	18576	0	0
- Telephone	5467	5987	3962	4347
- Travel	11767	9914	9146	7919
- Water	84	90	0	0
- Land Tax	491	356	0	0
- Stamp duty	33	23	0	0
- Fuel	2939	2759	2939	2759
- Legal Fees	237	735	237	735
- Training	1151	904	1151	908
- Fees	26331	20795	26408	20898

Notes to and forming a part of the financial statements

2. EXPENSES EXCLUDING LOSSES (continued)

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
- Printing	1 890	1 989	1 890	1 989
- Other operating expenses	26 204	31 551	23 005	23 056
	144 756	141 615	117 909	107 139
Maintenance Reconciliation				
*Maintenance expense as above	12 430	9 704	12 311	9 547
Maintenance related employee expenses included in Note 2(a)	2 187	3 075	2 344	2 254
Total maintenance expenses included in Note 2(a) + (b)	14 617	12 779	14 655	11 801
No employee related costs have been capitalised.				
(c) Depreciation and amortisation expense				
Buildings	6 255	6 365	5 263	5 431
Infrastructure	7 261	6 893	3 216	3 188
Plant and Equipment	16 190	15 429	10 973	10 284
Amortisation of intangible assets	314	286	314	286
	30 020	28 973	19 766	19 189
(d) Grants and subsidies				
Destruction of Noxious Weeds	7 854	7 727	7 854	7 727
Wild Dog Destruction Board	60	60	60	60
Animal Welfare Organisations	512	512	512	512
Rural Lands Protection Boards	740	475	740	475
Rural Counsellors Contribution	701	876	701	876
Grants to Government Bodies	165	3 967	9 722	13 524
Grants to Other Non-Government Bodies	156	63	156	79
Safe Food Production	12 426	12 524	12 426	12 523
Brigalow Structural Adjustment	1 761	0	1 761	0
Drought Transport Subsidies	33 389	17 821	33 389	17 822
	57 764	44 025	67 321	53 598
(e) Finance Costs				
Interest on Treasury Advance	3 169	3 653	1 716	1 941
	3 169	3 653	1 716	1 941
(f) Other expenses				
Beekeepers' Compensation	62	23	62	23
Marine Parks commercial fisheries buyout	19 258	4 414	19 258	4 414
Shark Meshing	881	693	881	693
Buyout of Commercial fisheries	1 308	3 619	1 308	3 619
Remedial Works to Mine Areas	1 732	1 722	1 732	1 722
Australian Standing Committee on Agriculture	3 187	6 081	3 187	6 081
Forest Industry Restructure Package	237	0	237	0
	26 665	16 552	26 665	16 552

Notes to and forming a part of the financial statements

3. REVENUES

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
(a) Sale of goods and services				
Sale of goods:				
Sale of produce	4 958	5 076	4 958	5 074
Sale of publications	755	965	755	966
Minor sales of goods and services	333	387	333	387
Rendering of services:				
Education	3 009	2 405	3 011	2 466
Fees for services rendered	105 476	99 035	10 361	8 867
Fishery Application & Management Fees	3 985	4 744	3 985	4 744
Mine Safety Levy	18 686	5 285	18 686	5 285
Other Services	34 615	27 903	12 384	12 242
	171 817	145 800	54 473	40 031
(b) Investment revenue				
Interest	2 242	3 647	2 622	3 054
Rents	3 668	3 725	884	816
Royalties from the sale of timber and related products	128 420	134 667	0	0
Dividends	80	62	80	62
	135 410	142 101	3 586	3 932
(c) Retained taxes fees and fines				
Recreational Fishing Fees	10 507	10 905	10 507	10 905
	10 507	10 905	10 507	10 905
(d) Grants and Contributions				
Grants – Industry/Private Bodies	43 137	36 780	43 154	36 796
Grants – Public Authorities	6 778	6 064	0	0
Grants – Other Employment Schemes	(300)	443	(300)	443
Grants – Commonwealth Government	2 495	2 626	2 495	2 626
Grants – Budget Sector Agencies	27 257	3 417	27 257	3 104
Grants from Local Government	1 331	906	1 331	907
	80 698	50 236	73 937	43 876
(e) Other revenue				
Other Revenue	921	1 003	921	1 003
	921	1 003	921	1 003
(f) Personnel Services Revenue				
	1 618	2 226	47 637	6 593
(g) Forest Superannuation Gain				
	0	33 364	0	0

Notes to and forming a part of the financial statements

4. GAIN/(LOSS) ON DISPOSAL

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
Gain/(loss) on disposal of property plant and equipment				
Proceeds from sale	9 281	8 810	2 810	6 717
Written down value of assets sold	(10 136)	(9 756)	(3 087)	(6 122)
Net gain on disposal of property plant and equipment	(855)	(946)	(277)	595

5. OTHER GAINS /(LOSSES)

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
Gain on fair value of borrowings	551	0	551	0
Impairment of Receivables	(2 427)	(28)	0	0
Gain/(loss) – fair value pf property plant and equipment	(166)	(2 335)	0	0
Gain/(loss) – investment properties	4 261	0	0	0
Increment/(decrement) in net market value of biological assets	(185 251)	(62 942)	335	0
Net Other gains/(losses)	(183 032)	(65 305)	886	0

6. CONDITIONS ON CONTRIBUTIONS

Contributions of \$48.343m during 2006-07 were provided for specific purposes associated with industry funded research with the Department having an obligation to use these funds as specified by the donor body. Expenditure of these contributions has been made in the manner specified by the contributors. Any funds that are not used on the specific project must be refunded to the donor body unless the body agrees to redirect the funds to another project. Refer Note 21.

The total amounts of contributions which were unexpended at 30 June 2007 (including those received in prior years) were \$19.770m (30 June 2006 - \$8.864m). These funds will be carried forward to the next financial year.

7. INCOME TAXES

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
(a) Income Tax recognised in Operating Statement				
Tax expense/(income) comprises:				
Current tax expense/(income)	5 190	3 765	0	0
Deferred income tax Relating to origination and reversal of timing differences that are part of;				
Deferred tax liability	(42 886)	(57 203)	0	0
Deferred tax asset	(2 269)	62 022	0	0
Total expense/(income)	(39 965)	8 584	0	0
Attributable to:				
Continuing operations	(39 965)	8 584	0	0
Discontinued operations	0	0	0	0
	(39 965)	8 584	0	0

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Accounting Profit/(Loss) from continuing operations	(138 320)	(11 420)	0	0
Accounting Profit/(Loss) from discontinued operations	0	0	0	0
At the statutory income tax rate of 30 per cent	41 496	(3 426)	0	0
Excess/(Deficit) of accounting depreciation over tax	(208)	(231)	0	0
Non revenue expenditures	(52)	(23)	0	0
Loss on discontinued assets	(72)	(1 665)	0	0
Provisions and accruals expenses	(1 338)	(791)	0	0

Notes to and forming a part of the financial statements

7. INCOME TAXES (continued)

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
Unearned revenue	311	210	0	0
Decrement in net market value of biological assets	(51 792)	(18 828)	0	0
Non Assessable Income	1 885	12 919	0	0
Capitalised finance costs	2 616	2 277	0	0
Sundry Items	(760)	0	0	0
Capital Expenditures on Plantation Establishment	2 723	5 793	0	0
Deferred Income Tax relating to origination and reversal of timing differences	45 156	(4 819)	0	0
Income tax benefit/(expense) reported in operating statement	39 965	(8 584)	0	0

	Consolidated Actual			
	Balance Sheet		Operating Statement	
Income Tax Equivalents	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Deferred Income tax equivalent at 30 June relates to the following:				
Deferred Income Tax equivalent Liabilities				
Property Plant & Equipment	(330 770)	(234 047)	96 723	1 160
Biological Assets	(182 141)	(228 594)	(46 453)	(10 878)
Superannuation	0	0	0	(47 485)
Gross deferred income tax equivalent liabilities	(512 911)	(462 641)		
Deferred Income Tax equivalent Assets				
Superannuation	0	0	0	57 446
Provision of expenses	1 948	650	1 298	8 522
Revenue in advance	8 666	7 695	971	(3 946)
Gross deferred income tax equivalent assets	10 614	8 345	0	0
Deferred income tax equivalent charge			52 539	4 819

8. APPROPRIATIONS

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
Recurrent appropriations				
Total recurrent draw-downs from Treasury (per Summary of Compliance)	263 378	277 897	263 378	277 897
Less: Liability to Consolidated Fund (per Summary of Compliance)	(214)	(1 927)	(214)	(1 927)
	263 164	275 970	263 164	275 970
Comprising:				
Recurrent appropriations (per Operating Statement)	263 164	275 970	263 164	275 970
Transfer payments	0	0	0	0
	263 164	275 970	263 164	275 970
Capital appropriations				
Total capital draw-downs from Treasury (per Summary of Compliance)	12 098	8 798	12 098	8 798
Less: Liability to Consolidated Fund (per Summary of Compliance)	0	0	0	0
	12 098	8 798	12 098	8 798
Comprising:				
Capital appropriations (per Operating Statement)	12 098	8 798	12 098	8 798
Transfer payments	0	0	0	0
	12 098	8 798	12 098	8 798

9. ACCEPTANCE BY THE CROWN ENTITY OF EMPLOYEE BENEFITS AND OTHER LIABILITIES

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
The following liabilities and/or expenses have been assumed by the Crown Entity or other Government agencies				
Superannuation	8 189	7 953	8 189	7 953
Long Service Leave	7 384	7 755	7 384	7 755
Payroll tax	491	477	491	477
	16 064	16 185	16 064	16 185

10. PROGRAMS/ACTIVITIES OF THE DEPARTMENT**Agriculture and Fisheries**

Program objective: To assist sustainable development of the State's agricultural and fishing industries whilst ensuring conservation of fisheries resources and maintaining a high standard of animal welfare.

Program description: Extension and educational services fisheries management licensing and inspection of animal exhibits and animal research activities building productive relationships with regional organisations and agencies.

Mineral Resources

Program objective: To manage mineral resources sustainably for high and stable economic growth; employment from exploration and mining; and a safe healthy environmentally responsible exploration and mining industry.

Program description: Assessment of the State's geology and mineral resources their allocation to private interests for exploration and mining and regulation of exploration and mining activities for safety and environmental performance.

Biosecurity Compliance and Mine Safety

Program objective: To provide a bio-security framework to support and improve domestic and international market access for New South Wales primary industries products. To coordinate and where necessary implement emergency management planning and response. To help the mining industry continually to improve industry safety.

Program description: Development of industry safety bio-security and emergency response plans. Preparing Department of Primary Industries staff and others for a role in implementing these plans when needed. Development of appropriate legislative and regulatory structures to support improved primary industry bio-security.

Science and Research

Program objective: To provide strategic science that enhances growth sustainability and bio-security of NSW Primary industries.

Program description: Provide science research and innovative technologies to increase the international competitiveness of the State's primary industries in an environmentally sustainable way. Provide the science to underpin effective bio-security policy and implementation.

Personnel Services

Program objective: To provide personnel services to selected agencies as part of the State's WorkChoices insulation legislation.

Program description: Personnel services are provided to Forests NSW and Mine Subsidence Board.

11. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
Cash at bank and on hand*	45 356	66 330	42 241	62 118
Short term deposits	434	525	0	0
NSW Treasury Corporation Hourglass Investments	2 066	2 250	0	0
	47 856	69 105	42 241	62 118

For the purpose of the Cash Flow Statement cash and cash equivalents include cash at bank cash on hand short term deposits and bank overdraft.

Cash and cash equivalent assets recognised in the Balance Sheet are reconciled at the end of the financial year to the Cash Flow Statement as follows:

Cash and cash equivalents (per Balance Sheet)	47 856	69 105	42 241	62 118
Closing cash and cash equivalents (per Cash Flow Statement)	47 856	69 105	42 241	62 118

The Department has credit facilities of \$6.3 million of which \$5.803 million remains unused at 30 June 2007.

NOTE:*Included in this balance is the following special deposit accounts

Agricultural Scientific Collections Trust	24	19	24	19
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Transactions of the Agricultural Scientific Collections Trust are recognised in relevant amounts recorded in these financial statements.

A separate general purpose financial report is prepared for the Agricultural Scientific Collections Trust as required in the *Agricultural Scientific Collections Trust Act 1983*.

Notes to and forming a part of the financial statements

12. CURRENT/NON-CURRENT ASSETS-RECEIVABLES

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
CURRENT				
Sale of goods and services	55 867	58 411	11 313	16 239
Less: Allowance for impairment	(3 334)	(723)	(907)	(695)
Prepayments	5 981	4 803	3 030	2 539
Interest Receivable	1 379	1 704	1 379	1 704
Miscellaneous	8 379	1 600	8 207	1 536
	68 272	65 795	23 022	21 323
NON-CURRENT				
Personnel Services	1 285	1 448	25 699	23 950
	1 285	1 448	25 699	23 950

13. CURRENT/NON-CURRENT ASSETS – INVENTORIES

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
CURRENT				
Valued at Cost				
Materials and Parts	6 861	6 131	1 861	1 357
Work in Progress and Finished Goods	3 200	3 281	257	1 120
	10 061	9 412	2 118	2 477

14. CURRENT/NON-CURRENT ASSETS – FINANCIAL ASSETS AT FAIR VALUE

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
NON-CURRENT				
Gold Exhibits	1 190	351	1 190	351
Shares in Co-Operatives	613	592	613	592
	1 803	943	1 803	943

Gold Exhibits

The Department has control and custody of certain gold exhibits which were transferred following the closure of the Earth Exchange (Mining Museum) in 1995. The 2007 valuations are based on the estimated specimen value as at 4 July 2007. These exhibits are as follows:

	Weight (Troy Oz)				
Maitland Bar	344.41	1 010	284	1 010	284
Lucky Hit	42.64	119	35	119	35
Woods Flat	20.85	47	17	47	17
Alluvial Gold	18	14	15	14	15
TOTAL	425.9	1 190	351	1 190	351
The value of shares represents holdings in:					
Australian Co-Operative Foods Ltd	502	481	502	481	481
Norco Co-Operative Ltd	92	92	92	92	92
Rice Growers Co-Operative Mills Ltd	10	10	10	10	10
Rice Marketing Board of NSW	9	9	9	9	9
	613	592	613	613	592

15. NON-CURRENT ASSETS – PROPERTY PLANT AND EQUIPMENT

	Land and Buildings		Plant & Equipment		Infrastructure Systems		Digital Imaging System (DIGS)		Forest Plant & Equipment under construction		Total	
	Consolidated \$'000	Parent \$'000	Consolidated \$'000	Parent \$'000	Consolidated \$'000	Parent \$'000	Consolidated \$'000	Parent \$'000	Consolidated \$'000	Parent \$'000	Consolidated \$'000	Parent \$'000
At 1 July 2006												
At Fair Value	948557	204508	124323	92063	154207	45092	5899	5899	5017	0	1238003	347562
Accumulated Depreciation and Impairment	(14145)	(11845)	(52374)	(52374)	(7720)	(7720)	(4130)	(4130)	0	0	(78369)	(76070)
Net Carrying Amount	934412	192662	71949	39689	146487	37372	1769	1769	5017	0	1159634	271492
At 30 June 2007												
At Fair Value	1267317	210344	134657	98305	158311	45410	5899	5899	8180	0	1574365	359958
Accumulated Depreciation and Impairment	(18346)	(18346)	(63487)	(58497)	(14963)	(10918)	(4719)	(4719)	0	0	(101515)	(92480)
Net Carrying Amount	1248971	191988	71170	39808	143348	34492	1180	1180	8180	0	1472849	267478
Reconciliation												
A reconciliation of the carrying amount of each class of property plant and equipment at the beginning and end of the current reporting period is set out below.												
	Land and Buildings		Plant & Equipment		Infrastructure Systems		Digital Imaging System (DIGS)		Forest Plant & Equipment under construction		Total	
	Consolidated \$'000	Parent \$'000	Consolidated \$'000	Parent \$'000	Consolidated \$'000	Parent \$'000	Consolidated \$'000	Parent \$'000	Consolidated \$'000	Parent \$'000	Consolidated \$'000	Parent \$'000
Year ended 30 June 2007												
Net carrying amount at start of year	934412	192662	71949	39689	146487	37372	1769	1769	5017	0	1159634	271492
Additions	12960	6063	21269	12109	4908	1122	0	0	0	0	39137	19294
Assets held for sale (Note 19)	0	0	0	0	0	0	0	0	0	0	0	0
Disposals	(4122)	(951)	(8611)	(4733)	(290)	(290)	0	0	0	0	(13023)	(5974)
Transfers	(638)	(638)	(346)	(346)	(513)	(513)	0	0	3163	0	1666	(1497)
Opening balance addition	(2631)	0	0	0	0	0	0	0	0	0	(2631)	0
Transfer	(147)	(147)	507	507	(48)	(48)	0	0	0	0	312	312
Acquisitions through administrative restructures	140	140	(801)	(801)	0	0	0	0	0	0	(661)	(661)
Net revaluation increment less revaluation decrements recognised in reserves	315316	0	(875)	0	0	0	0	0	0	0	314441	0
Transfer to intangibles	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation expense	(6451)	(5263)	(15688)	(10383)	(7261)	(3216)	(589)	(589)	0	0	(29989)	(19451)
Writeback on disposal	132	132	3766	3766	65	65	0	0	0	0	3963	3963
Net Carrying amount at end of year	1248971	191988	71170	39808	143348	34492	1180	1180	8180	0	1472849	267478

The Department holds assets in the form of scientific collections which are not included in the financial statements as they cannot be measured reliably; see Note 1(n). These assets are protected by the *Agricultural Scientific Collections Trust Act 1983*.

Note: Consolidated depreciation expense differs from the operating statement by \$284,000 (2006 \$276,000). This amount represents depreciation held in inventories work in progress as a cost of production of nursery seedlings.

Notes to and forming a part of the financial statements

15. NON-CURRENT ASSETS – PROPERTY PLANT AND EQUIPMENT (continued)

	Land and Buildings		Plant & Equipment		Infrastructure Systems		Digital Imaging System (DIGS)		Forest Plant & Equipment under construction		Total	
	Consolidated \$'000	Parent \$'000	Consolidated \$'000	Parent \$'000	Consolidated \$'000	Parent \$'000	Consolidated \$'000	Parent \$'000	Consolidated \$'000	Parent \$'000	Consolidated \$'000	Parent \$'000
At 1 July 2005												
At Fair Value	994 636	226 035	141 274	97 310	223 192	32 169	5 899	5 899	6 068	0	1 371 069	361 413
Accumulated Depreciation and Impairment	(9 144)	(7 968)	(56 719)	(47 682)	(102 275)	(44 13)	(3 540)	(3 540)	0	0	(171 678)	(63 603)
Net Carrying Amount	985 492	218 067	84 555	49 628	120 917	27 756	2 359	2 359	6 068	0	1 199 391	297 810
At 30 June 2006												
At Fair Value	948 557	204 508	124 323	92 063	154 207	45 092	5 899	5 899	5 017	0	1 238 003	347 562
Accumulated Depreciation and Impairment	(14 145)	(11 846)	(52 374)	(52 374)	(7 720)	(7 720)	(4 130)	(4 130)	0	0	(78 369)	(76 070)
Net Carrying Amount	934 412	192 662	71 949	39 689	146 487	37 372	1 769	1 769	5 017	0	1 159 634	271 492
Reconciliation												
A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the prior reporting period is set out below.												
	Land and Buildings		Plant & Equipment		Infrastructure Systems		Digital Imaging System (DIGS)		Forest Plant & Equipment under construction		Total	
	Consolidated \$'000	Parent \$'000	Consolidated \$'000	Parent \$'000	Consolidated \$'000	Parent \$'000	Consolidated \$'000	Parent \$'000	Consolidated \$'000	Parent \$'000	Consolidated \$'000	Parent \$'000
Year ended 30 June 2006												
Net carrying amount at start of year	985 492	218 067	84 555	49 628	120 917	27 756	2 359	2 359	6 068	0	1 199 391	297 810
Additions	5 021	2 980	16 254	9 673	5 765	974	0	0	0	0	27 040	13 627
Assets held for sale (Note 19)	(14 978)	(14 978)	0	0	0	0	0	0	0	0	(14 978)	(14 978)
Disposals	(5 594)	(5 418)	(7 153)	(5 020)	(1 402)	(78)	0	0	0	0	(14 149)	(10 516)
Transfers	(11)	(11)	11	11	0	0	0	0	(1 051)	0	(1 051)	0
Opening balance addition	58	58	0	0	0	0	0	0	0	0	58	58
Transfer through fishery restructures	0	0	(9 093)	(9 093)	9 093	9 093	0	0	0	0	0	0
Acquisitions through administrative restructures	(2 797)	(2 797)	(2 815)	(2 815)	2 797	2 797	0	0	0	0	(2 815)	(2 815)
Net revaluation increment less revaluation decrements recognised in reserves	9 005	0	(1 891)	0	16 192	0	0	0	0	0	23 306	0
Revocation	(35 414)	0	0	0	0	0	0	0	0	0	(35 414)	0
Transfer to intangibles	0	0	2 815	2 815	0	0	0	0	0	0	2 815	2 815
Depreciation expense	(6 563)	(5 432)	(14 918)	(9 694)	(6 893)	(3 188)	(590)	(590)	0	0	(28 964)	(18 904)
Writeback on disposal	193	193	4 184	4 184	18	18	0	0	0	0	4 395	4 395
Net Carrying amount at end of year	934 412	192 662	71 949	39 689	146 487	37 372	1 769	1 769	5 017	0	1 159 634	271 492

16. INVESTMENT PROPERTY

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
FAIR VALUE				
Opening Balance as at 1 July	4 778	4 778	0	0
Additions	0	0	0	0
Disposals and assets held for sale	0	0	0	0
Net gain/(loss) from fair value adjustment	4 261	0	0	0
Closing balance as at 30 June (a)	9 039	4 778	0	0

(a) At Valuation 2007: Land \$2 984 000 Buildings \$6 055 000 by Valuation Services

17. INTANGIBLE ASSETS

	Consolidated Software \$000	Consolidated Other \$000	Consolidated Total \$000	Parent Software \$000	Parent Other \$'000	Parent Total \$000
At 1 July 2006						
Cost (gross carrying amount)	7 181	6 147	13 328	7 181	6 147	13 328
Accumulated amortisation and impairment	(4 525)	0	(4 525)	(4 525)	0	(4 525)
Net Carrying amount	2 656	6 147	8 803	2 656	6 147	8 803
At 30 June 2007						
Cost (gross carrying amount)	8 950	6 147	15 097	8 950	6 147	15 097
Accumulated amortisation and impairment	(4 917)	0	(4 917)	(4 917)	0	(4 917)
Net Carrying amount	4 033	6 147	10 180	4 033	6 147	10 180
Year ended 30 June 2007						
Net carrying amount at start of year	2 656	6 147	8 803	2 656	6 147	8 803
Additions	1 769	0	1 769	1 769	0	1 769
Disposals	(78)	0	(78)	(78)	0	(78)
Impairment losses	0	0	0	0	0	0
Amortisation (recognised in 'depreciation and amortisation')	(314)	0	(314)	(314)	0	(314)
Net carrying amount at end of year	4 033	6 147	10 180	4 033	6 147	10 180
At 1 July 2005						
Cost (gross carrying amount)	7 068	6 147	13 215	7 068	6 147	13 215
Accumulated amortisation and impairment	(4 253)	0	(4 253)	(4 253)	0	(4 253)
Net Carrying amount	2 815	6 147	8 962	2 815	6 147	8 962
At 30 June 2006						
Cost (gross carrying amount)	7 181	6 147	13 328	7 181	6 147	13 328
Accumulated amortisation and impairment	(4 525)	0	(4 525)	(4 525)	0	(4 525)
Net Carrying amount	2 656	6 147	8 803	2 656	6 147	8 803
Year ended 30 June 2006						
Net carrying amount at start of year	2 815	6 147	8 962	2 815	6 147	8 962
Additions	127	0	127	127	0	127
Disposals	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0
Amortisation (recognised in 'depreciation and amortisation')	(286)	0	(286)	(286)	0	(286)
Net carrying amount at end of year	2 656	6 147	8 803	2 656	6 147	8 803

Notes to and forming a part of the financial statements

18. OTHER FINANCIAL ASSETS

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
Tax Asset	0	616	0	0
Employee Superannuation Funds	16 926	9 858	11 692	6 352
	16 926	10 474	11 692	6 352

EMPLOYEE BENEFITS JUNE 2007*Fund Information*

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

State Authorities Superannuation Scheme (SASS)

State Superannuation Scheme (SSS)

Police Superannuation Scheme (PSS)

State Authorities Non-contributory Superannuation Scheme (SANCS)

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership.

All the schemes are closed to new members.

Reconciliation of the present value of the defined benefit obligation

Consolidated - Financial Year to June 2007	SASS \$000	SANCS \$000	SSS \$000
<i>Present value of partly funded defined benefit obligations at beginning of year</i>	59 303	9 669	154 375
Current service cost	1 508	559	879
Interest cost	3 404	547	8 909
Contributions by fund participants	887	0	975
Actuarial (gains)/losses	2 775	(21)	(5 282)
Benefits paid	(2 947)	(586)	(8 257)
Past service cost	0	0	0
Curtailements	0	0	0
Settlements	0	0	0
Business Combinations	0	0	0
Exchange rate changes	0	0	0
<i>Present value of partly funded defined benefit obligations at end of the year</i>	64 930	10 168	151 599

Parent - Financial Year to June 2007	SASS \$000	SANCS \$000	SSS \$000
<i>Present value of partly funded defined benefit obligations at beginning of year</i>	24 110	6 312	154 375
Current service cost	625	365	879
Interest cost	1 381	357	8 909
Contributions by fund participants	339	0	975
Actuarial (gains)/losses	353	(33)	(5 282)
Benefits paid	(614)	(489)	(8 257)
Past service cost	0	0	0
Curtailements	0	0	0
Settlements	0	0	0
Business Combinations	0	0	0
Exchange rate changes	0	0	0
<i>Present value of partly funded defined benefit obligations at end of the year</i>	26 194	6 512	151 599

Notes to and forming a part of the financial statements

18. OTHER FINANCIAL ASSETS (continued)

Reconciliation of the fair value of fund assets

Consolidated - Financial Year to June 2007	SASS \$000	SANCS \$000	SSS \$000
<i>Fair value of Fund assets at beginning of year</i>	65 146	11 873	155 940
Expected return on fund assets	4 892	895	11 652
Actuarial gains/(losses)	5 262	792	10 806
Employer contributions	1 671	596	1 644
Contributions by Fund participants	887	0	975
Benefits paid	(2 947)	(586)	(8 257)
Settlements	0	0	0
Business Combinations	0	0	0
Exchange rate changes	0	0	0
<i>Fair value of Fund assets at end of the year</i>	74 911	13 570	172 760

Parent - Financial Year to June 2007	SASS \$000	SANCS \$000	SSS \$000
<i>Fair value of Fund assets at beginning of year</i>	27 014	7 949	155 940
Expected return on fund assets	2 026	599	11 652
Actuarial gains/(losses)	2 373	524	10 806
Employer contributions	735	398	1 644
Contributions by Fund participants	339	0	975
Benefits paid	(614)	(489)	(8 257)
Settlements	0	0	0
Business Combinations	0	0	0
Exchange rate changes	0	0	0
<i>Fair value of Fund assets at end of the year</i>	31 873	8 981	172 760

Reconciliation of the assets and liabilities recognised in the balance sheet

Consolidated - Financial Year to June 2007	SASS \$000	SANCS \$000	SSS \$000
Present value of partly funded defined benefit obligations at end of year	64 929	10 168	151 601
Fair value of fund assets at end of year	(74 909)	(13 571)	(172 761)
Subtotal	(9 980)	(3 403)	(21 160)
Unrecognised past service cost	0	0	0
Unrecognised gain/(loss)	0	0	0
Adjustment for limitation on net asset	3 389	1 485	12 742
<i>Net Liability/(Asset) recognised in balance sheet at end of year</i>	(6 591)	(1 918)	(8 418)

Parent - Financial Year to June 2007	SASS \$000	SANCS \$000	SSS \$000
Present value of partly funded defined benefit obligations at end of year	26 192	6 511	151 601
Fair value of fund assets at end of year	(31 871)	(8 982)	(172 761)
Subtotal	(5 679)	(2 471)	(21 160)
Unrecognised past service cost	0	0	0
Unrecognised gain/(loss)	0	0	0
Adjustment for limitation on net asset	3 389	1 485	12 742
<i>Net Liability/(Asset) recognised in balance sheet at end of year</i>	(2 290)	(986)	(8 418)

Notes to and forming a part of the financial statements

18. OTHER FINANCIAL ASSETS (continued)

Expense recognised in income statement

Consolidated - Financial Year to June 2007	SASS \$000	SANCS \$000	SSS \$000
Components Recognised in Income Statement			
Current service cost	1 508	559	879
Interest cost	3 404	547	8 909
Expected return on Fund assets (net of expenses)	(4 892)	(895)	(11 652)
Actuarial losses/(gains) recognised in year	(2 486)	(813)	(16 088)
Past service cost	0	0	0
Movement in adjustment for limitation on net asset	3 389	1 485	12 742
Curtailment or settlement (gain)/loss	0	0	0
Expense/(income) recognised	(923)	883	(5 210)

Parent - Financial Year to June 2007	SASS \$000	SANCS \$000	SSS \$000
Components Recognised in Income Statement			
Current service cost	625	365	879
Interest cost	1 381	357	8 909
Expected return on Fund assets (net of expenses)	(2 026)	(599)	(11 652)
Actuarial losses/(gains) recognised in year	(2 020)	(557)	(16 088)
Past service cost	0	0	0
Movement in adjustment for limitation on net asset	3 389	1 485	12 742
Curtailment or settlement (gain)/loss	0	0	0
Expense/(income) recognised	1 349	1 051	(5 210)

Amounts recognised in the statement of recognised income and expense

Consolidated - Financial Year to June 2007	SASS \$000	SANCS \$000	SSS \$000
Actuarial (gains)/losses	0	0	0
Adjustment for limitation on net asset	0	0	0

Parent - Financial Year to June 2007	SASS \$000	SANCS \$000	SSS \$000
Actuarial (gains)/losses	0	0	0
Adjustment for limitation on net asset	0	0	0

Cumulative amount recognised in the statement of recognised income and expense

Consolidated - Financial Year to June 2007	SASS \$000	SANCS \$000	SSS \$000
Cumulative amount of actuarial (gains)/losses	0	0	0
Cumulative adjustment for limitation on net asset	0	0	0

Parent - Financial Year to June 2007	SASS \$000	SANCS \$000	SSS \$000
Cumulative amount of actuarial (gains)/losses	0	0	0
Cumulative adjustment for limitation on net asset	0	0	0

Notes to and forming a part of the financial statements

18. OTHER FINANCIAL ASSETS (continued)

The percentage invested in each asset class at the balance sheet date

	30 Jun 07
Australian equities	33.6%
Overseas equities	26.5%
Australian fixed interest securities	6.8%
Overseas fixed interest securities	6.4%
Property	10.1%
Cash	9.8%
Other	6.8%

Fair value of Fund assets

All Fund assets are invested by STC at arm's length through independent fund managers.

Expected rate of return on assets

The expected return on assets assumption is determined by weighing the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

Actual return on Fund Assets

Consolidated - Financial Year to June 2007	SASS \$000	SANCS \$000	SSS \$000
Actual return on Fund assets	9 417	1 687	21 920

Parent - Financial Year to June 2007	SASS \$000	SANCS \$000	SSS \$000
Actual return on Fund assets	3 948	1 123	21 920

Valuation method and principal actuarial assumptions at the balance sheet date**a) Valuation Method**

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

b) Economic Assumptions

	30 Jun 07
Salary increase rate (excluding promotional increases)	4.0% pa to June 2008; 3.5% thereafter
Rate of CPI Increase	2.5% pa
Expected rate of return on assets backing current pension liabilities	7.6%
Expected rate of return on assets backing other liabilities	7.6%
Discount rate	6.4% pa

Notes to and forming a part of the financial statements

18. OTHER FINANCIAL ASSETS (continued)*c) Demographic Assumptions*

The demographic assumptions at 30 June 2007 are those used in the 2006 triennial actuarial valuation. A selection of the most financially significant assumptions is shown below:

(i) SASS Contributors – the number of SASS contributors expected in any one year (out of 10 000 members) at the ages shown to leave the fund as a result of death disability resignation retirement and redundancy. Promotional salary increase rates are also shown.

Age nearest Birthday	Number of members expected in any one year out of 10 000 members at the age shown to leave the fund as a result of:								Additional promotional salary increase rate %
	Death	Total & Permanent Disability	Retirement		Resignation		Redundancy		
			Part 1	Part 3	Part 1	Part 3	Part 1	Part 3	
Males									
30	4	8	-	-	280	395	150	-	2.90
40	6	10	-	-	150	285	150	-	1.80
50	11	30	-	-	112	172	150	-	0.00
60	30	-	1 400	950	-	-	150	-	0.00
Females									
30	2	2	-	-	372	700	150	-	2.90
40	3	6	-	-	175	320	150	-	1.80
50	7	28	-	-	144	270	150	-	0.00
60	18	-	1 500	1 500	-	-	150	-	0.00

(ii) SSS Contributors – the number of SSS contributors expected in any one year (out of 10 000 members) at the ages shown to leave the fund as a result of death disability resignation retirement and preservation. Promotional salary increase rates are also shown.

Age nearest birthday	Number of members expected in any one year out of 10 000 members at the age shown to leave the fund as a result of:					Additional promotional salary increase rate %
	Death	Ill-health Retirement	Retirement (R60 for females)	Cash Resignation (R60 for females)	Preservation (R60 for females)	
Males						
30	4	42	-	178	95	2.90
40	6	54	-	80	140	1.80
50	11	144	-	20	50	0.00
60	30	-	6 500	-	-	0.00
Females						
30	2	6	-	204	124	2.90
40	3	21	-	72	105	1.80
50	7	103	-	30	90	0.00
60	18	-	6 300	-	-	0.00

(iii) SSS Commutation – the proportion of SSS members assumed to commute their pension to a lump sum in any one year.

Age	Proportion of pension commuted	
	Retirement	Breakdown
Later of commencement or age 55	.15	.20
	Widow	Widower
55	.2500	.2500
65	.5380	.5800
75	.4825	.5160
85	.3928	.3728

Notes to and forming a part of the financial statements

18. OTHER FINANCIAL ASSETS (continued)

(iv) SSS Pensioner Mortality – assumed mortality rates (in 2006-07) for SSS pensioners (separately for normal retirement/spouses and invalidity).

Age	Retirement Pensioners and Spouses and Widows		Invalidity Pensioners	
	Males	Females	Males	Females
55	0.0025	0.0014	0.0081	0.0066
65	0.0070	0.0055	0.0112	0.0125
75	0.0194	0.0157	0.0505	0.0314
85	0.0945	0.0634	0.1134	0.1268

(v) SSS Pensioner Mortality Improvements – per annum assumed rates of mortality improvement for SSS pensioner

Age	Improvement rates – (for years post 2006)	
	Males	Females
55	0.0152	0.0113
65	0.0101	0.0065
75	0.0087	0.0068
85	0.0052	0.0080

Historical Information

Consolidated - Financial Year to June 2007	SASS \$000	SANCS \$000	SSS \$000
Present value of defined benefit obligation	64 929	10 168	151 601
Fair value of Fund assets	(74 909)	(13 571)	(172 761)
(Surplus)/Deficit in Fund	(9 980)	(3 403)	(21 160)
Experience adjustments – Fund liabilities	2 775	(22)	(5 282)
Experience adjustments – Fund assets	(5 262)	(792)	(10 806)

Parent - Financial Year to June 2007	SASS \$000	SANCS \$000	SSS \$000
Present value of defined benefit obligation	26 192	6 511	151 601
Fair value of Fund assets	(31 871)	(8 982)	(172 761)
(Surplus)/Deficit in Fund	(5 679)	(2 471)	(21 160)
Experience adjustments – Fund liabilities	353	(34)	(5 282)
Experience adjustments – Fund assets	(2 373)	(524)	(10 806)

Expected contributions

Consolidated - Financial Year to June 2007	SASS \$000	SANCS \$000	SSS \$000
Expected employer contributions	1 688	612	1 560

Parent - Financial Year to June 2007	SASS \$000	SANCS \$000	SSS \$000
Expected employer contributions	697	399	1 560

EMPLOYEE BENEFITS JUNE 2006**Fund Information**

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

State Authorities Superannuation Scheme (SASS)

State Superannuation Scheme (SSS)

Police Superannuation Scheme (PSS)

State Authorities Non-contributory Superannuation Scheme (SANCS)

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership.

All the schemes are closed to new members.

Notes to and forming a part of the financial statements

18. OTHER FINANCIAL ASSETS (continued)

Reconciliation of the present value of the defined benefit obligation

Consolidated - Financial Year to June 2006	SASS \$000	SANCS \$000	SSS \$000
Present value of partly funded defined benefit obligations at beginning of year	0	0	0
Current service cost	494	171	369
Interest cost	1 000	147	2 527
Contributions by fund participants	271	0	268
Actuarial (gains)/losses	(893)	(311)	(5 884)
Benefits paid	(1 043)	(252)	(1 787)
Past service cost	0	0	0
Curtailements	0	0	0
Settlements	0	0	0
Business Combinations	0	0	0
Exchange rate changes	0	0	0
Transfer in on 17 March 2006	58 188	9 522	151 331
Present value of partly funded defined benefit obligations at end of the year	58 017	9 277	146 824
Parent - Financial Year to June 2006	SASS \$000	SANCS \$000	SSS \$000
Present value of partly funded defined benefit obligations at beginning of year	0	0	0
Current service cost	235	113	369
Interest cost	430	97	2 527
Contributions by fund participants	125	0	268
Actuarial (gains)/losses	(1 075)	(256)	(5 884)
Benefits paid	(443)	(166)	(1 787)
Past service cost	0	0	0
Curtailements	0	0	0
Settlements	0	0	0
Business Combinations	0	0	0
Exchange rate changes	0	0	0
Transfer in on 17 March 2006	23 551	6 132	151 331
Present value of partly funded defined benefit obligations at end of the year	22 823	5 920	146 824

Reconciliation of the fair value of fund assets

Consolidated - Financial Year to June 2006	SASS \$000	SANCS \$000	SSS \$000
Fair value of Fund assets at beginning of year	0	0	0
Expected return on fund assets	1 145	198	2 941
Actuarial gains/(losses)	1 244	239	3 241
Employer contributions	1 586	502	(972)
Contributions by Fund participants	271	0	268
Benefits paid	(1 042)	(251)	(1 787)
Settlements	0	0	0
Business Combinations	0	0	0
Exchange rate changes	0	0	0
Transfer in on 17 March 2006	60 556	10 754	145 083
Fair value of Fund assets at end of the year	63 760	11 442	148 774
Parent - Financial Year to June 2006	SASS \$000	SANCS \$000	SSS \$000
Fair value of Fund assets at beginning of year	0	0	0
Expected return on fund assets	481	130	2 941
Actuarial gains/(losses)	170	157	3 241
Employer contributions	671	330	(972)
Contributions by Fund participants	125	0	268

Notes to and forming a part of the financial statements

18. OTHER FINANCIAL ASSETS (continued)

Benefits paid	(442)	(165)	(1 787)
Settlements	0	0	0
Business Combinations	0	0	0
Exchange rate changes	0	0	0
Transfer in on 17 March 2006	24 622	7 066	145 083
Fair value of Fund assets at end of the year	25 627	7 518	148 774

Reconciliation of the assets and liabilities recognised in the balance sheet

Consolidated - Financial Year to June 2006	SASS \$000	SANCS \$000	SSS \$000
Present value of partly funded defined benefit obligations at end of year	58 016	9 277	146 824
Fair value of fund assets at end of year	(63 759)	(11 441)	(148 775)
Subtotal	(5 743)	(2 164)	(1 951)
Unrecognised past service cost	0	0	0
Unrecognised gain/(loss)	0	0	0
Adjustment for limitation on net asset	0	0	0
Net Liability/(Asset) recognised in balance sheet at end of year	(5 743)	(2 164)	(1 951)

Parent - Financial Year to June 2006	SASS \$000	SANCS \$000	SSS \$000
Present value of partly funded defined benefit obligations at end of year	22 823	5 920	146 824
Fair value of fund assets at end of year	(25 627)	(7 517)	(148 775)
Subtotal	(2 804)	(1 597)	(1 951)
Unrecognised past service cost	0	0	0
Unrecognised gain/(loss)	0	0	0
Adjustment for limitation on net asset	0	0	0
Net Liability/(Asset) recognised in balance sheet at end of year	(2 804)	(1 597)	(1 951)

Expense recognised in income statement

Consolidated - Financial Year to June 2006	SASS \$000	SANCS \$000	SSS \$000
Components Recognised in Income Statement			
Current service cost	494	171	369
Interest cost	1 000	147	2 527
Expected return on Fund assets (net of expenses)	(1 145)	(198)	(2 941)
Actuarial losses/(gains) recognised in year	(2 137)	(549)	(9 125)
Past service cost	0	0	0
Movement in adjustment for limitation on net asset	0	0	0
Curtailment or settlement (gain)/loss	0	0	0
Expense/(income) recognised	(1 788)	(429)	(9 170)

Parent - Financial Year to June 2006	SASS \$000	SANCS \$000	SSS \$000
Components Recognised in Income Statement			
Current service cost	235	113	369
Interest cost	430	97	2 527
Expected return on Fund assets (net of expenses)	(481)	(130)	(2 941)
Actuarial losses/(gains) recognised in year	(1 245)	(412)	(9 125)
Past service cost	0	0	0
Movement in adjustment for limitation on net asset	0	0	0
Curtailment or settlement (gain)/loss	0	0	0
Expense/(income) recognised	(1 061)	(332)	(9 170)

Notes to and forming a part of the financial statements

18. OTHER FINANCIAL ASSETS (continued)

Amounts recognised in the statement of recognised income and expense

	SASS \$000	SANCS \$000	SSS \$000
Consolidated - Financial Year to June 2006			
Actuarial (gains)/losses	0	0	0
Adjustment for limitation on net asset	0	0	0

	SASS \$000	SANCS \$000	SSS \$000
Parent - Financial Year to June 2006			
Actuarial (gains)/losses	0	0	0
Adjustment for limitation on net asset	0	0	0

Cumulative amount recognised in the statement of recognised income and expense

	SASS \$000	SANCS \$000	SSS \$000
Consolidated - Financial Year to June 2006			
Cumulative amount of actuarial (gains)/losses	0	0	0
Cumulative adjustment for limitation on net asset	0	0	0

	SASS \$000	SANCS \$000	SSS \$000
Parent - Financial Year to June 2006			
Cumulative amount of actuarial (gains)/losses	0	0	0
Cumulative adjustment for limitation on net asset	0	0	0

The percentage invested in each asset class at the balance sheet date

	30 Jun 06
Australian equities	37.4%
Overseas equities	27.9%
Australian fixed interest securities	9.9%
Overseas fixed interest securities	6.8%
Property	8.6%
Cash	5.0%
Other	4.4%

Fair value of Fund assets

All Fund assets are invested by STC at arm's length through independent fund managers.

Expected rate of return on assets

The expected return on assets assumption is determined by weighing the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

Actual return on Fund Assets

	SASS \$000	SANCS \$000	SSS \$000
Consolidated - Financial Year to June 2006			
Actual return on Fund assets	2 405	437	6 103

	SASS \$000	SANCS \$000	SSS \$000
Parent - Financial Year to June 2006			
Actual return on Fund assets	1 012	287	6 103

Valuation method and principal actuarial assumptions at the balance sheet date

d) Valuation Method

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current

Notes to and forming a part of the financial statements

18. OTHER FINANCIAL ASSETS (continued)

service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

e) Economic Assumptions

30 Jun 06	
Salary increase rate (excluding promotional increases)	4.0% pa to June 2008; 3.5% thereafter
Rate of CPI Increase	2.5% pa
Expected rate of return on assets backing current pension liabilities	7.6%
Expected rate of return on assets backing other liabilities	7.6%
Discount rate	5.9% pa

f) Demographic Assumptions

The demographic assumptions at 30 June 2006 are those used in the 2006 triennial actuarial valuation. A selection of the most financially significant assumptions is shown below:

(i) SASS Contributors – the number of SASS contributors expected in any one year (out of 10 000 members) at the ages shown to leave the fund as a result of death disability resignation retirement and redundancy. Promotional salary increase rates are also shown.

Age nearest Birthday	Number of members expected in any one year out of 10 000 members at the age shown to leave the fund as a result of:								Additional promotional salary increase rate %
	Death	Total & Permanent Disability	Retirement		Resignation		Redundancy		
			Part 1	Part 3	Part 1	Part 3	Part 1	Part 3	
Males									
30	4	8	-	-	280	395	150	-	2.90
40	6	10	-	-	150	285	150	-	1.80
50	11	30	-	-	112	172	150	-	0.00
60	30	-	1 400	950	-	-	150	-	0.00
Females									
30	2	2	-	-	372	700	150	-	2.90
40	3	6	-	-	175	320	150	-	1.80
50	7	28	-	-	144	270	150	-	0.00
60	18	-	1 500	1 500	-	-	150	-	0.00

(ii) SSS Contributors – the number of SSS contributors expected in any one year (out of 10 000 members) at the ages shown to leave the fund as a result of death disability resignation retirement and preservation. Promotional salary increase rates are also shown.

Age nearest birthday	Number of members expected in any one year out of 10 000 members at the age shown to leave the fund as a result of:					Additional promotional salary increase rate %
	Death	Ill-health Retirement	Retirement (R60 for females)	Cash Resignation (R60 for females)	Preservation (R60 for females)	
Males						
30	4	42	-	178	95	2.90
40	6	54	-	80	140	1.80
50	11	144	-	20	50	0.00
60	30	-	6 500	-	-	0.00
Females						
30	2	6	-	204	124	2.90
40	3	21	-	72	105	1.80
50	7	103	-	30	90	0.00
60	18	-	6 300	-	-	0.00

Notes to and forming a part of the financial statements

18. OTHER FINANCIAL ASSETS (continued)

(iii) SSS Commutation – the proportion of SSS members assumed to commute their pension to a lump sum in any one year.

Age	Proportion of pension commuted	
	Retirement	Breakdown
Later of commencement or age 55	.15	.20
	Widow	Widower
55	.2500	.2500
65	.5380	.5800
75	.4825	.5160
85	.3928	.3728

(iv) SSS Pensioner Mortality – assumed mortality rates (in 2006-07) for SSS pensioners (separately for normal retirement/spouses and invalidity).

Age	Retirement Pensioners and Spouses and Widows		Invalidity Pensioners	
	Males	Females	Males	Females
55	0.0025	0.0014	0.0081	0.0066
65	0.0070	0.0055	0.0112	0.0125
75	0.0194	0.0157	0.0505	0.0314
85	0.0945	0.0634	0.1134	0.1268

(v) SSS Pensioner Mortality Improvements – per annum assumed rates of mortality improvement for SSS pensioner

Age	Improvement rates – (for years post 2006)	
	Males	Females
55	0.0152	0.0113
65	0.0101	0.0065
75	0.0087	0.0068
85	0.0052	0.0080

Historical Information

Consolidated - Financial Year to June 2006	SASS \$000	SANCS \$000	SSS \$000
Present value of defined benefit obligation	58 016	9 277	146 824
Fair value of Fund assets	(63 759)	(11 441)	(148 775)
(Surplus)/Deficit in Fund	(5 743)	(2 164)	(1 951)
Experience adjustments – Fund liabilities	(893)	(311)	(5 884)
Experience adjustments – Fund assets	(1 244)	(239)	(3 241)

Parent - Financial Year to June 2006	SASS \$000	SANCS \$000	SSS \$000
Present value of defined benefit obligation	22 823	5 920	146 824
Fair value of Fund assets	(25 627)	(7 517)	(148 775)
(Surplus)/Deficit in Fund	(2 804)	(1 597)	(1 951)
Experience adjustments – Fund liabilities	(1 075)	(256)	(5 884)
Experience adjustments – Fund assets	(170)	(157)	(3 241)

Expected contributions

Consolidated - Financial Year to June 2006	SASS \$000	SANCS \$000	SSS \$000
Expected employer contributions	514	178	429

18. OTHER FINANCIAL ASSETS (continued)

Parent - Financial Year to June 2006	SASS \$000	SANCS \$000	SSS \$000
Expected employer contributions	237	117	429

19. ASSETS HELD FOR SALE

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
Assets held for sale				
Land and Buildings	15 542	15 215	15 542	15 215
	15 542	15 215	15 542	15 215
Amounts recognised in equity relating to assets held for sale				
Property plant and equipment asset revaluation reserve increments/ decrements	15 542	15 215	15 542	15 215

20. BIOLOGICAL ASSETS

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
(a) Softwood Plantation Timber				
Net market value of timber at beginning of reporting period	1 110 668	1 132 909	0	0
Capital expenditure – plantation establishment and development	19 735	17 343	0	0
Capitalisation of borrowing costs	8 721	7 591	0	0
Write-off of growing stock and/or establishment costs	(12 884)	0	0	0
Sale of Plantations	0	0	0	0
Carrying amount as at the reporting date (prior to adjusting for changes in net market value)	1 126 240	1 157 843	0	0
Net market value at reporting date	986 465	1 110 668	0	0
Net increment/(decrement) in the net market value of timber	(139 775)	(47 175)	0	0
(b) Hardwood Plantation Timber				
Carrying amount of timber at the beginning of reporting period – at fair value	61 659	60 094	0	0
Capital expenditure – plantation establishment and development	2 297	1 967	0	0
Sale of Plantations	(10)	(219)	0	0
Write off of failed plantations	(61)	(183)	0	0
Carrying amount as at the reporting date – at fair value	63 885	61 659	0	0
(c) Native Forest Timber				
Net market value of timber at beginning of reporting period	386 347	401 931	0	0
Net market value at reporting date	353 481	386 347	0	0
Net increment/(decrement) in the net market value of timber	(32 866)	(15 584)	0	0
(d) Livestock and fodder				
Net market value of livestock and fodder at beginning of reporting period	5 189	4 655	5 189	4 655

Notes to and forming a part of the financial statements

20. BIOLOGICAL ASSETS (continued)

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
Net market value at reporting date	5 524	5 189	5 524	5 189
Net increment/(decrement) in the net market value of livestock and fodder	335	534	335	534
Total Net Biological Assets	1 409 355	1 563 863	5 524	5 189

21. RESTRICTED ASSETS

The Department conducts research projects on behalf of a wide range of donor bodies. These bodies provide funds that are restricted to use on projects specified by the donor body. Strict terms and conditions apply to the use of these funds. Any unspent funds are returned to the donor bodies unless their prior approval has been obtained to use the funds on another project.

The Agricultural Scientific Collections Trust is controlled by separate legislation. That being the *Agricultural Scientific Collections Trust Act 1983*.

22. CURRENT/NON CURRENT LIABILITIES - PAYABLES

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
CURRENT				
Accrued Salaries wages and on-costs	4 276	3 937	2 474	2 289
Receipts in Advance	28 888	25 650	0	0
Creditors	34 227	33 555	11 139	11 991
	67 391	63 142	13 613	14 280
NON-CURRENT				
Personnel Services liability	677	0	11 692	6 352
	677	0	11 692	6 352

23. CURRENT/NON-CURRENT LIABILITIES – BORROWINGS

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
CURRENT				
Secured/Unsecured				
Treasury Advance Repayable – Ovine Johnes Disease Loan	993	2 980	993	2 980
TCorp borrowings – Forests NSW	31 211	20 809	0	0
Treasury Advance Repayable – Locust Loan	3 046	3 047	3 046	3 047
Treasury Advance Repayable – Buyout of Commercial Fishers	970	911	970	911
	36 220	27 747	5 009	6 938
NON-CURRENT				
Secured/Unsecured				
Treasury Advance Repayable – Ovine Johnes Disease Loan	0	0	0	0
TCorp borrowings – Forests NSW	128 532	117 467	0	0
Treasury Advance Repayable – Locust Loan	6 624	6 624	6 624	6 624
Treasury Advance Repayable – Buyout of Commercial Fishers	15 213	16 182	15 213	16 182
	150 369	140 273	21 837	22 806
Repayment of Borrowings (excluding finance leases)				
Not later than one year	36 220	27 747	5 009	6 938
Between one and five years	80 789	60 506	11 186	10 905
Later than five years	69 580	79 767	10 651	11 901
Total borrowings at face value (excluding finance leases)	186 589	168 020	26 846	29 744

NSW Treasury Corporation outstanding loan interest rates ranged between 5.79% and 6.76% (2006: 5.08% and 6.17%)

Notes to and forming a part of the financial statements

24. DIVIDEND

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
Provision for dividend at beginning of year	(26 332)	(27 254)	0	0
Dividend paid	26 332	24 922	0	0
Dividend provided	(16 000)	(24 000)	0	0
Provision for dividend at end of the year	(16 000)	(26 332)	0	0

25. CURRENT/NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
CURRENT				
Employee benefits and related on-costs				
Recreation Leave	28 800	26 140	26 864	24 441
Long Service Leave	26 087	26 362	18 480	18 737
Workers Compensation	820	770	0	0
Other	5 181	4 807	4 748	4 372
Redundancy	3 500	1 746	3 500	1 746
	64 388	59 825	53 592	49 296
NON-CURRENT				
Employee benefits and related on-costs				
Recreation Leave	0	0	0	0
Long Service Leave	1 136	999	918	715
Workers Compensation	3 320	2 600	0	0
Other	223	218	211	203
	4 679	3 817	1 129	918
Aggregate employee benefits and related on-costs				
Provisions – current	64 388	59 825	53 592	49 296
Provisions – non-current	4 679	3 817	1 129	918
Accrued salaries wages and on-costs (Note 22)	4 276	3 937	2 474	2 289
	73 343	67 579	57 195	52 503
Movements in provisions (other than employee benefits)	Make Good	Total	Make Good	Total
Carrying amount at beginning of financial year	517	0	517	0
Additional provisions recognised	218	517	218	517
Carrying amount at end of financial year	735	517	735	517

26. CURRENT/NON-CURRENT LIABILITIES - OTHER

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
CURRENT				
Liability to Consolidated Fund	214	1 928	214	1 928
	214	1 928	214	1 928

Notes to and forming a part of the financial statements

27. CHANGES IN EQUITY

	Capital			Accumulated Funds			Asset Revaluation Reserve			Total Equity						
	Consolidated		Parent	Consolidated		Parent	Consolidated		Parent	Consolidated		Parent				
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000				
Balance at the beginning of the financial year	421 706	421 706	0	0	1 084 777	1 101 963	177 277	174 395	625 627	631 456	138 068	138 388	2 132 110	2 155 125	315 345	312 783
AASB 139 first-time adoption	0	0	0	0	0	1 446	0	1 446	0	0	0	0	0	1 446	0	1 446
Other changes in accounting policy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Correction of errors	0	0	0	0	(98)	6 117	(3)	6 117	(1 146)	0	0	0	(1 244)	6 117	(3)	6 117
Restated Opening Balance	421 706	421 706	0	0	1 084 679	1 109 526	177 274	181 958	624 481	631 456	138 068	138 388	2 130 866	2 162 688	315 342	320 346
Changes in equity – transactions with Owners as Owners																
Increase/decrease in net asset from equity transfers (Note 28)	0	0	0	0	(2 310)	(35 356)	(1 017)	58	315 135	0	0	0	312 825	(35 356)	(1 017)	58
Dividend provided	0	0	0	0	(16 000)	(24 000)	0	0	0	0	0	0	(16 000)	(24 000)	0	0
Total	0	0	0	0	(18 310)	(59 356)	(1 017)	58	315 135	0	0	0	296 825	(59 356)	(1 017)	58
Changes in Equity – other than transactions with Owners as Owners																
Surplus/(deficit) for the year	0	0	0	0	(115 305)	(2 240)	(16 950)	(5 171)	0	0	0	0	(115 305)	(2 240)	(16 950)	(5 171)
Increment/decrement on revaluation of:																
Land and buildings	0	0	0	0	0	432	0	432	(1 276)	19 374	0	(432)	(1 276)	20 166	0	0
Plant & Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Library Books	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Assets – Gold Exhibits	0	0	0	0	0	0	0	0	838	112	838	112	838	112	838	112
Transfer to surplus/ (deficit) on disposal of available for sale financial assets	0	0	0	0	0	0	0	0	(92 630)	0	0	0	(92 630)	0	0	0
Other increases/ (decreases)	0	0	0	0	0	10 740	0	0	0	0	0	0	0	10 740	0	0
Total	0	0	0	0	(115 305)	8 932	(16 950)	(4 739)	(93 068)	19 846	838	(321)	(208 373)	28 778	(16 112)	(5 059)

27. CHANGES IN EQUITY (continued)

	Capital		Accumulated Funds		Asset Revaluation Reserve		Total Equity	
	Consolidated	Parent	Consolidated	Parent	Consolidated	Parent	Consolidated	Parent
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Transfers within equity								
Asset revaluation reserve balance transferred to accumulated funds on disposal of asset	0	0	3,704	25,675	934	0	0	0
Total	0	0	3,704	25,675	934	0	0	0
Balance at the end of the financial year	421,706	421,706	954,768	1,084,777	160,241	177,277	2,219,318	2,132,110
			842,844	625,627	137,972	138,067	298,213	315,345

Asset Revaluation Reserve

The Asset Revaluation Reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with NSW Department of Primary Industries' policy on the 'Revaluation of Physical Non-Current Assets' and 'Investments' as discussed in Note 1.

Notes to and forming a part of the financial statements

28. COMMITMENTS FOR EXPENDITURE

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
(a) Capital Commitments				
Land and Buildings				
Aggregate capital expenditure for the acquisition of Land and Buildings contracted for at balance date but not provided for:				
Not later than one year	200	0	200	0
Later than one year and not later than five years	0	0	0	0
Later than five years	0	0	0	0
Total (including GST)	200	0	200	0
Infrastructure				
Aggregate capital expenditure for the acquisition of Infrastructure contracted for at balance date but not provided for:				
Not later than one year	905	205	905	205
Later than one year and not later than five years	0	0	0	0
Later than five years	0	0	0	0
Total (including GST)	905	205	905	205
Plant and Equipment				
Aggregate capital expenditure for the acquisition of Plant and Equipment contracted for at balance date but not provided for:				
Not later than one year	5 022	10 129	1 696	220
Later than one year and not later than five years	0	0	0	0
Later than five years	0	0	0	0
Total (including GST)	5 022	10 129	1 696	220
(b) Other Expenditure Commitments				
Aggregate other expenditure for the acquisition of goods and services contracted for at balance date but not provided for:				
Not later than one year	12 479	4 670	12 462	4 648
Later than one year and not later than five years	0	0	0	0
Later than five years	0	0	0	0
Total (including GST)	12 479	4 670	12 462	4 648
(c) Operating Lease Commitments				
Head Office and Maitland Buildings				
Future non-cancellable operating lease rentals not provided for and payable:				
Not later than one year	6 010	5 448	6 010	5 448
Later than one year and not later than five years	25 811	23 393	25 811	23 393
Later than five years	52 713	54 706	52 713	54 706
Total (including GST)	84 534	83 547	84 534	83 547
Representing:				
Non-cancellable operating leases	84 534	83 547	84 534	83 547
Other				
Future non-cancellable operating lease rentals not provided for and payable:				
Not later than one year	3 428	4 608	2 780	3 155
Later than one year and not later than five years	4 466	4 643	3 756	3 935
Later than five years	3 951	3 528	3 642	3 085
Total (including GST)	11 845	12 779	10 178	10 175
Representing:				
Non-cancellable operating leases	11 845	12 779	10 178	10 175

The total commitments includes input tax credits of \$10 001 818 that are expected to be recoverable from the Australian Taxation Office.

Operating Leases predominantly comprise office accommodation computer equipment and motor vehicles. Some contingent rental payments are arrived at by increasing the base rental by the annual CPI. Other lease agreements approximately 50% which do not include annual CPI increments.

28. COMMITMENTS FOR EXPENDITURE (continued)

have annual set increases detailed in the lease agreements. Lease renewal options for office accommodation exist in the large majority of cases. There are no renewal or purchase options for motor vehicles or computer equipment except by negotiation at the end of the lease term. This usually does not occur.

29. CONTINGENT LIABILITIES

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
As at 30 June 2007 the Department has \$4.258m of outstanding court cases as set out by category below:				
Negligence	1 927	0	1 927	0
Contamination	5	5	5	5
Minerals and mine safety	2 600	2 600	2 600	2 600
Personal injury	272	1 380	272	1 380
Licence validity	0	15	0	15
Appeals	180	35	180	35
Disputed fish seizure	179	90	179	90
Compulsory acquisition	0	0	0	0
Disputed legislation	1 700	1 468	1 700	1 468
	6 863	5 593	6 863	5 593

DPI Is insured by the Treasury Managed Fund.

During 2006 the Victorian Court of Appeal allowed Forests NSW to appeal against a decision of the Victorian Supreme Court in finding for an individual (plaintiff) who had sustained an injury in a diving accident against both a Shire Council and Forests NSW.

The Court of Appeal had subsequently made orders in relation to the following:

- a) A Shire Council is to pay Forests NSW and plaintiff's costs of the Shire Council's appeal;
- b) A Shire Council and the plaintiff's are to pay Forests NSW's costs of the Forests NSW appeal
- c) The plaintiff is to pay the Shire Council's and Forests NSW's costs of the plaintiff cross appeal
- d) A Shire Council is to pay the costs of Forests NSW cross claim against the Shire Council
- e) The plaintiff is to pay Forests NSW's costs including any reserved costs and the Shire Council is to the plaintiff's costs.

These potential claims can't be easily quantified and Forests NSW considers that it has no liability associated with the above case.

At balance sheet date various areas of Forests NSW (approx. 235 524 hectares) have been subject to claims under the Native Title Act. Additionally 82 850 hectares of Timber Reserves are within areas covered by active claims. The impact of these claims on the carrying values of the assets cannot be quantified at this time.

30. DPI BUDGET REVIEW

The budget process is finalised prior to the beginning of each financial year. Events can arise after that date that necessitates variations to the planned activities of the Department for that year. This in turn may cause variations to the financial activities. Major variations between the original budget and actual amounts are outlined below.

Net Cost of services

The Net Cost of Services result was \$39.670m over the original budget. This is due mainly to expenditure supplementation associated with the continuance of the drought assistance program (\$33.5m), Port Jackson Commercial Fisher buyout of 1.072m and Voluntary Redundancies (\$3.020m).

Assets and liabilities have no major variation from budget

Cash flows from operating activities varied from budget as a result of provision of personnel services to other agencies of \$47.637m. This also caused an equal variation in Receipts. Also budget supplementations were received from with the continuance of the drought assistance program (\$33.5m), Marine park Fisher buyout of \$9.523 and Voluntary Redundancies (\$3.020m).

Cash flows from Investing Activities are under budget by \$17.4745m. This is due to lower than anticipated Proceeds of sales of Property, Plant and Equipment because of delayed property sales.

Cash flows from financing activities are \$3.499m lower than budget because of a deferral in the repayment of a loan.

Notes to and forming a part of the financial statements

31. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET COST OF SERVICES

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
Net cash used on operating activities	51 976	56 936	1 194	4 927
Adjusted for tax paid	2 961	5 040	0	0
Cash Flows from Government/Appropriations	(273 548)	(284 362)	(273 548)	(284 362)
Acceptance by the Crown Entity of employee benefits and other liabilities	(16 041)	(16 155)	(16 041)	(16 155)
Depreciation and amortisation	(30 020)	(28 973)	(19 766)	(19 189)
Non cash expenses	(183 377)	(63 328)	(2 331)	19 693
Non cash revenues	3 244	32	3 244	33
Decrease/(Increase) in provisions	(5 425)	30 807	0	(20 024)
Increase/(Decrease) in receivables	2 314	(3 159)	3 448	30 446
Increase/(Decrease) in other financial assets	6 452	10 474	5 340	6 352
Increase/(Decrease) in other assets	649	4 945	(359)	183
Decrease/(Increase) in creditors	(4 926)	(4 397)	(4 673)	(8 599)
Increase/(Decrease) in other current liabilities	0	(1 524)	(4 507)	(20 024)
Net gain/(loss) in sale of plant and equipment	(855)	(945)	(277)	595
Net cost of services	(446 596)	(294 609)	(308 276)	(306 124)

As at 30 June 2007 Forests NSW had nil available in unused credit a 'Come and Go' Facility held with NSW T-Corp.

32. TRUST FUNDS

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
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a) Fisheries Related Trust Funds

The Department holds money in a trust fund that is used for fisheries research by various independent organisations. These monies are separately identified in the financial statements as the Department cannot use them for the achievement of its own objectives. The following is a summary of the transactions in these trust accounts.

Fisheries Research Development Corporation**Oyster Fishery Research Levy:**

Cash balance at the beginning of the Financial Year	(7)	(13)	(7)	(13)
Add: Receipts	82	85	82	85
Less Expenditure	(79)	(79)	(79)	(79)
Cash balance at the end of the reporting period	(4)	(7)	(4)	(7)

Aquaculture Fishery Research Levy:

Cash balance at the beginning of the Financial Year	41	45	41	45
Add: Receipts	27	32	27	32
Less Expenditure	(32)	(36)	(32)	(36)
Cash balance at the end of the reporting period	36	41	36	41

Fisher Research Levy:

Cash balance at the beginning of the Financial Year	90	113	90	113
Add: Receipts	107	190	107	190
Less Expenditure	(120)	(213)	(120)	(213)
Cash balance at the end of the reporting period	77	90	77	90

32. TRUST FUNDS (continued)**b) Minerals Related Trust Funds – Deposits under the Mining Acts**

Cash deposits are received in respect of various forms of titles issued under the provisions of the State's mining legislation. Such cash deposits are held by the Department during the currency of titles and are normally refunded to registered holders upon cessation providing certain title conditions have been observed.

These monies are excluded from the financial statements as the Department cannot use them for the achievement of its objectives.

The following is a summary of the transactions in the trust account.

Balance at the beginning of the Financial Year	11 369	12 206	11 369	12 206
Add: Receipts	3 545	2 895	3 545	2 895
Less Expenditure	(1 948)	(3 732)	(1 948)	(3 732)
Balance at the end of the reporting period	12 966	11 369	12 966	11 369

33. FISHERIES MANAGEMENT ACT – SPECIAL FISHERIES TRUST FUNDS

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
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Amendments to the Fisheries Management Amendment Act in 1997 and 2000 have provided for the establishment of six special fisheries trust funds. Under the Department's accounting structure all revenue paid into these trust funds and any expenditure there from is included in the Department's Financial Statements. While a separate bank account for each of these trusts is not kept the Department maintains separate cost centres.

A summary of the accrual transactions relating to these special fisheries trust funds is outlined in the following table.

The 'balance' of each of these special fisheries trust funds comprises cash and receivables.

Recreational Fishing (Freshwater) Trust Fund				
Balance at the beginning of the Financial Year	636	814	636	814
Add: Revenue				
Sale of goods and services	24	19	24	19
Investment income	30	21	30	21
Transfer from Saltwater Trust	3 000	2 500	3 000	2 500
Grants and contributions	0	0	0	0
Sub total	3 054	2 540	3 054	2 540
Less: Projects Funded*	(3 292)	(2 718)	(3 292)	(2 718)
Sub total	(3 292)	(2 718)	(3 292)	(2 718)
Balance at the end of the reporting period	398	636	398	636

* Of the 'projects funded' in 2007 and in prior periods a net amount of \$0.397m was unexpended at 30 June 2007. This amount will be carried forward into the various approved project budgets for 2007-08.

Recreational Fishing (Saltwater) Trust Fund				
Balance at the beginning of the Financial Year	5 608	4 073	5 608	4 073
Add: Revenue				
Sale of goods and services	25	10	25	10
Investment income	263	249	263	249
Grants and contributions	0	0	0	0
Retained fees grants and contributions	10 642	10 897	10 642	10 897
Sub total	10 930	11 156	10 930	11 156
Less: Projects Funded*	(5 773)	(5 064)	(5 773)	(5 064)
Transfer to Freshwater Trust	(3 000)	(2 500)	(3 000)	(2 500)
Loan repayment transfer	(2 000)	(2 000)	(2 000)	(2 000)
Other	(192)	(57)	(192)	(57)
Sub total	(10 965)	(9 621)	(10 965)	(9 621)
Balance at the end of the reporting period	5 573	5 608	5 573	5 608

* Of the 'projects funded' in 2007 and in prior periods an amount of \$1.544m was unexpended at 30 June 2007. This amount will be carried forward into the various approved project budgets for 2007-08.

Notes to and forming a part of the financial statements

33. FISHERIES MANAGEMENT ACT – SPECIAL FISHERIES TRUST FUNDS (continued)

Commercial Fishing Trust Fund				
Balance at the beginning of the Financial Year	4 474	3 816	4 474	3 816
Add: Revenue				
Sale of goods and services	3 261	3 970	3 261	3 970
Investment income	246	264	246	264
Sub total	3 507	4 234	3 507	4 234
Less: Projects Funded*	(58)	0	(58)	0
Less: Contribution to Department activities*	(3 542)	(3 576)	(3 542)	(3 576)
Sub total	(3 600)	(3 576)	(3 600)	(3 576)
Balance at the end of the reporting period	4 381	4 474	4 381	4 474

* Of the 'projects funded' in 2007 and in prior periods an amount of \$,040m was unexpended at 30 June 2007. This amount will be carried forward into the various approved project budgets for 2007-08.

Fish Conservation Trust Fund				
Balance at the beginning of the Financial Year	80	201	80	201
Add: Revenue				
Sale of goods and services	102	92	102	92
Investment income*	5	10	5	10
Sub total	107	102	107	102
Less: Projects Funded*	0	(223)	0	(223)
Sub total	0	(223)	0	(223)
Balance at the end of the reporting period	187	80	187	80

* Of the 'projects funded' in 2007 and in prior periods an amount of \$0,004m was unexpended at 30 June 2007. This amount will be carried forward into the various approved project budgets for 2007-08.

Aquaculture Trust Fund				
Balance at the beginning of the Financial Year	101	177	101	177
Add: Revenue				
Sale of goods and services	275	267	275	267
Investment income	17	26	17	26
Grants and contributions	207	222	207	222
Sub total	499	515	499	515
Less: Contribution to Department activities*	(499)	(586)	(499)	(586)
Other (Bad debts expense)	(5)	(5)	(5)	(5)
Sub total	(504)	(591)	(504)	(591)
Balance at the end of the reporting period	96	101	96	101

* All expenditure by the Department on existing activities related to commercial fishing is funded from a combination of Consolidated revenue user charges and a contribution from the Commercial Fishing Trust Fund. As a result monies allocated from this trust fund are not 'project specific' and thus there is no carry forward into the next financial year.

33. FISHERIES MANAGEMENT ACT – SPECIAL FISHERIES TRUST FUNDS (continued)

Charter Fishing Trust Fund				
Balance at the beginning of the Financial Year	185	93	185	93
Add: Revenue				
Sale of goods and services	161	149	161	149
Investment income	10	8	10	8
Sub total	171	157	171	157
Less: Projects Funded*	(155)	(65)	(155)	(65)
Sub total	(155)	(65)	(155)	(65)
Balance at the end of the reporting period	201	185	201	185

* Of the 'projects funded' in 2007 and in prior periods an amount of \$0.143m was unexpended at 30 June 2007. This amount will be carried forward into the various approved project budgets for 2007-08.

34. ADMINISTERED ASSETS AND LIABILITIES

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
The Department administers certain activities on behalf of other bodies. The assets and liabilities associated with these activities are listed below:				
Administered Assets				
Receivables – Royalties/Mining lease (less Provision for Doubtful Debts)	1 811	2 255	1 811	2 255
	1 811	2 255	1 811	2 255
Administered Liabilities				
Payables – Royalties	1 816	1 844	1 816	1 844
Income received in Advance	69 039	92 055	69 039	92 055
Payables – NSW Treasury Corporation	993	2 980	993	2 980
	71 848	96 879	71 848	96 879

35. ADMINISTERED REVENUES

	Consolidated 2007 \$000	Consolidated 2006 \$000	Parent 2007 \$000	Parent 2006 \$000
The following monies have been collected on behalf of the Crown Entity and forwarded to NSW Treasury:				
Fees	700	10 978	700	10 978
Fines	493	496	493	496
Licences	134	107	134	107
Plant Disease Inspections	66	14	66	14
Reimbursement of Employers Superannuation	579	277	579	277
Unclaimed monies	45	12	45	12
Payment of Long Service Leave	976	628	976	628
Royalty on Minerals	512 592	514 221	512 592	514 221
	515 585	526 733	515 585	526 733
The following monies have been collected on behalf of the NSW Treasury Corporation:				
Repayments of NSW Grains Board Loan	0	1 297	0	1 297

Notes to and forming a part of the financial statements

36. JOINT VENTURE AGREEMENT

In July 2001, the Treasurer of NSW granted approval for the former Department of Mineral resources to enter into a joint venture with the Commonwealth and nine other participants, entitled the Cooperative Research Centre for Landscape Environments and Mineral Exploration (CRC LEME).

The joint venture is a non commercial, non profit entity established to conduct strategic research, education and training in regolith geoscience and its applications in mineral exploration and environmental issues.

The CRC LEME has a total budget of up to \$124 million over seven years with direct contributions from the participants of \$10 million, in kind contributions of \$94 million and a Commonwealth government grant of \$20 million.

The Department is to contribute \$1 million in cash and more than \$2 million in kind over this period. No additional cash contributions are required from the Department.

There are no assets arising from the Department's participation in the joint venture or any liabilities arising from its interest in the joint venture. The Department does not have a percentage share in the output or assets of the joint venture and no revenue is probable.

The Department is also engaged with several other joint ventures. These include the Australian Cotton Co-Operative Research Centre, The Australian Sheep Industry Co-Operative Research Centre, the Co-Operative Research Centre for Plant Based Dryland Salinity, and the Quality Wheat Co-Operative Research Centre.

37. MARINE PARKS FUND

The Department previously administered jointly with the Department of Environment and Conservation, certain assets on behalf of the Marine parks Authority. These assets were the areas covered by the four established marine parks at Jervis Bay, Solitary Islands, Cape Byron and Lord Howe Island. The Marine Parks Fund was established under the provisions of the *Marine Parks Act 1997*.

The receipts and payments of the Fund administered by the Department in 2006-07 were \$11.498m and \$11.498m respectively, leaving a balance of \$0.075m as at 30 June 2007 (balance as at 30 June 2006 was \$0.075m).

As at 27 April these functions were transferred to DECC. Refer note 39.

38. FINANCIAL INSTRUMENTS**Parent**

The Department's principal financial instruments are outlined below. These financial instruments arise directly from the Department's operations or are required to finance the Department's operations. The Department does not enter into or trade financial instruments for speculative purposes. The Department does not use financial derivatives.

Cash

Cash comprises cash on hand and bank balances within the Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate, adjusted for a management fee to Treasury. The value of cash as at 30 June 2007 was \$42.241m.

Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. The credit risk is the carrying amount (net of any allowance for impairment). No interest is earned on trade debtors. The carrying amount approximates net fair value. Sales are made on thirty day terms. The value of Receivables as at 30 June 2007 was \$23.022m.

Investments (Unlisted Shares)

In order for the Department to sell certain commodities, it is obliged to have shares in various co-operatives. Depending upon the trading results,

bonus shares are distributed by these co-operatives periodically. The shares cannot be redeemed, unless the Department opts not to supply commodities to these co-operatives in the future. The carrying amount approximates net fair value. The value of Investments (Unlisted Shares) as at 30 June 2007 was \$0.613m. There is no interest rate risk associated with these investments.

Bank Overdraft

The Department does not have any bank overdraft facility.

Trade Creditors and Accruals

The liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. The rate of interest applied during the year was zero. The value of Trade Creditors and Accruals as at 30 June 2007 was \$13.613m.

Treasury Advances

The Department has advances of \$26.846m (2006 - \$29.745m) from the New South Wales Treasury. Interest was calculated based on the TCorp interest rate at the time of payment of the advance, plus a small margin for administrative costs. The department expects to repay Treasury advances as follows:

	2007	2006
	\$'000	\$'000
Less than one year	5 009	6 939
One to five years	11 186	10 905
Greater than five years	10 651	11 901
	26 846	29 745

38. FINANCIAL INSTRUMENTS (continued)**Fair Value**

Financial instruments are carried at (amortised) cost, with the exception of TCorp Hour Glass facilities, which are carried at fair value.

However, the fair value of the other classes of financial instruments approximates their carrying value.

Forests NSW**(a) Credit Risk Exposures**

The credit risk on the financial assets of Forests NSW has been recognised in the Balance Sheet at the carrying amount, net of any provision for doubtful debts. Forests NSW has a Credit Policy, which aims to mitigate

the credit risk exposure to our sales customers. Customers are assessed with some required to lodge suitable security for the estimated maximum credit exposure based on average monthly sales. The policy requires stringent credit assessment of customers before the granting of any unsecured credit.

(b) Interest Rate Exposures

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Forests NSW intends to hold fixed interest assets and liabilities to maturity. Interest rate exposure is limited to interest rates available at the time of entering into arrangements with NSW Treasury Corporation. The assets or liabilities are held until maturity.

	2007	2006
	\$'000	\$'000
Less than one year	5 009	6 939
One to five years	11 186	10 905
Greater than five years	10 651	11 901
	26 846	29 745

DPI 2006	1 Year or Less	Over 1 to 5 Years	More than 5 Years	Non Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000

Financial Assets

Cash and Cash Equivalents	62 118	0	0	0	62 118
Receivables	0	0	0	45 273	45 273
Total Financial Assets	62 118	0	0	45 273	107 391

Financial Liabilities

Bank Overdraft and Loans	6 938	10 905	11 901	0	29 744
Trade and Other Creditors	0	0	0	20 632	20 632
Total Financial Liabilities	6 938	10 905	11 901	20 632	50 376
Net Financial Liabilities	55 180	(10 905)	(11 901)	24 641	57 015

DPI 2007	1 Year or Less	Over 1 to 5 Years	More than 5 Years	Non Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000

Financial Assets

Cash and Cash Equivalents	42 241	0	0	0	42 241
Receivables	0	0	0	48 721	48 721
Total Financial Assets	42 241	0	0	48 721	90 962

Financial Liabilities

Bank Overdraft and Loans	5 009	11 186	10 651	0	26 846
Trade and Other Creditors	0	0	0	25 306	25 306
Total Financial Liabilities	5 009	11 186	10 651	25 306	52 152
Net Financial Liabilities	37 232	(11 186)	(10 651)	23 415	38 810

Notes to and forming a part of the financial statements

38. FINANCIAL INSTRUMENTS (continued)

Consolidated 2006	1 Year or Less	Over 1 to 5 Years	More than 5 Years	Non Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash and Cash Equivalents	69 105	0	0	0	69 105
Receivables	0	0	0	67 423	67 423
Total Financial Assets	69 105	0	0	67 423	136 528
Financial Liabilities					
Bank Overdraft and Loans	27 747	60 506	79 767	0	168 020
Trade and Other Creditors	0	0	0	63 143	63 143
Total Financial Liabilities	27 747	60 506	79 767	63 143	231 163
Net Financial Liabilities	41 358	(60 506)	(79 767)	4 280	(94 635)

The carrying values of financial instruments equal to the fair value except for forest loans where the fair value is \$140 332 693

2006	Weighted Average Rate
Commonwealth Bank Rate	5.00%
T-Corp hour Glass Cash Facility	5.60%

Consolidated 2007	1 Year or Less	Over 1 to 5 Years	More than 5 Years	Non Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash and Cash Equivalents	47 856	0	0	0	47 856
Receivables	0	0	0	69 557	69 557
Total Financial Assets	47 856	0	0	69 557	117 413
Financial Liabilities					
Bank Overdraft and Loans	36 220	80 789	69 580	0	186 589
Trade and Other Creditors	0	0	0	68 069	68 069
Total Financial Liabilities	36 220	80 789	69 580	68 069	254 658
Net Financial Liabilities	11 636	(80 789)	(69 580)	1 488	(137 245)

The carrying values of Forest financial instruments equal to the fair value except for loans where the fair value is \$158 468 025

2007	Weighted Average Rate
Commonwealth Bank Rate	5.64%
T-Corp hour Glass Cash Facility	6.05%

(c) Net Fair Value of Financial Assets and Liabilities**(i) On Balance Sheet**

The net fair value of cash and cash equivalents the non interest bearing monetary financial assets and the financial liabilities of Forests NSW approximate their carrying value. Monetary dealing of the financial assets and liabilities are restricted to trading with and by the NSW Treasury Corporation.

All Balance Sheet assets are disclosed in the above table.

(ii) Off Balance Sheet

Forests NSW have potential financial liabilities which may arise from certain contingencies disclosed in Note 29- Contingent Liabilities. As explained in the note some of the claims can't be quantified in terms of the likely impact on the carrying value of the Forests NSW asset

Notes to and forming a part of the financial statements

39. TRANSFER OF PROGRAMS (see Note 1(ak))**Plantation Assessment from Department of Natural Resources to Department of Primary Industries**

As a consequence of a restructure of administrative arrangements effective 27 April 2007 certain activities relating to Plantation assessment were transferred to DPI from the Department of Natural Resources.

The following summaries the expenses and revenues recognised by the transferor agencies up to the date of transfer i.e. 27 April 2007.

Comparisons have not been included as they are not readily available.

	DNR 1 July 2006 to 26 April 2007 \$'000	DPI 27 April to 30 June 2007 \$'000	2007 Program \$'000
Expenses			
Operating expenses			
Employee related	790	200	990
Other operating expenses	52	6	58
Grants and subsidies	8 976	1 761	10 737
Other expenses	1 869	279	2 148
Total expenses	11 687	2 246	13 933
Less: retained revenue			
Investment income	39	5	44
Total retained revenue	39	5	44
Net cost of services	11 648	2 241	13 889

Marine Park from Department of Primary Industries to Department of Environment and Climate Change

As a consequence of a restructure of administrative arrangements effective 27 April 2007 certain activities relating to marine park operations were transferred to the Department of Environment and Climate Change from NSW DPI.

The following summaries the expenses and revenues recognised by the transferor agencies up to the date of transfer i.e. 27 April 2007.

Comparisons have not been included as they are not readily available.

	DPI 1 July 2006 to 26 April 2007 \$'000	DECC 27 April to 30 June 2007 \$'000	2007 Total Program \$'000
Expenses			
Operating expenses			
Employee related	189	40	229
Other operating expenses	142	33	175
Depreciation and amortisation	48	13	61
Grants and subsidies	1 285	343	1 628
Other expenses	0	0	0
Total expenses	1 664	429	2 093
Less: retained revenue			
Total retained revenue	0	0	0
Net cost of services	1 664	429	2 093

END OF AUDITED FINANCIAL STATEMENTS