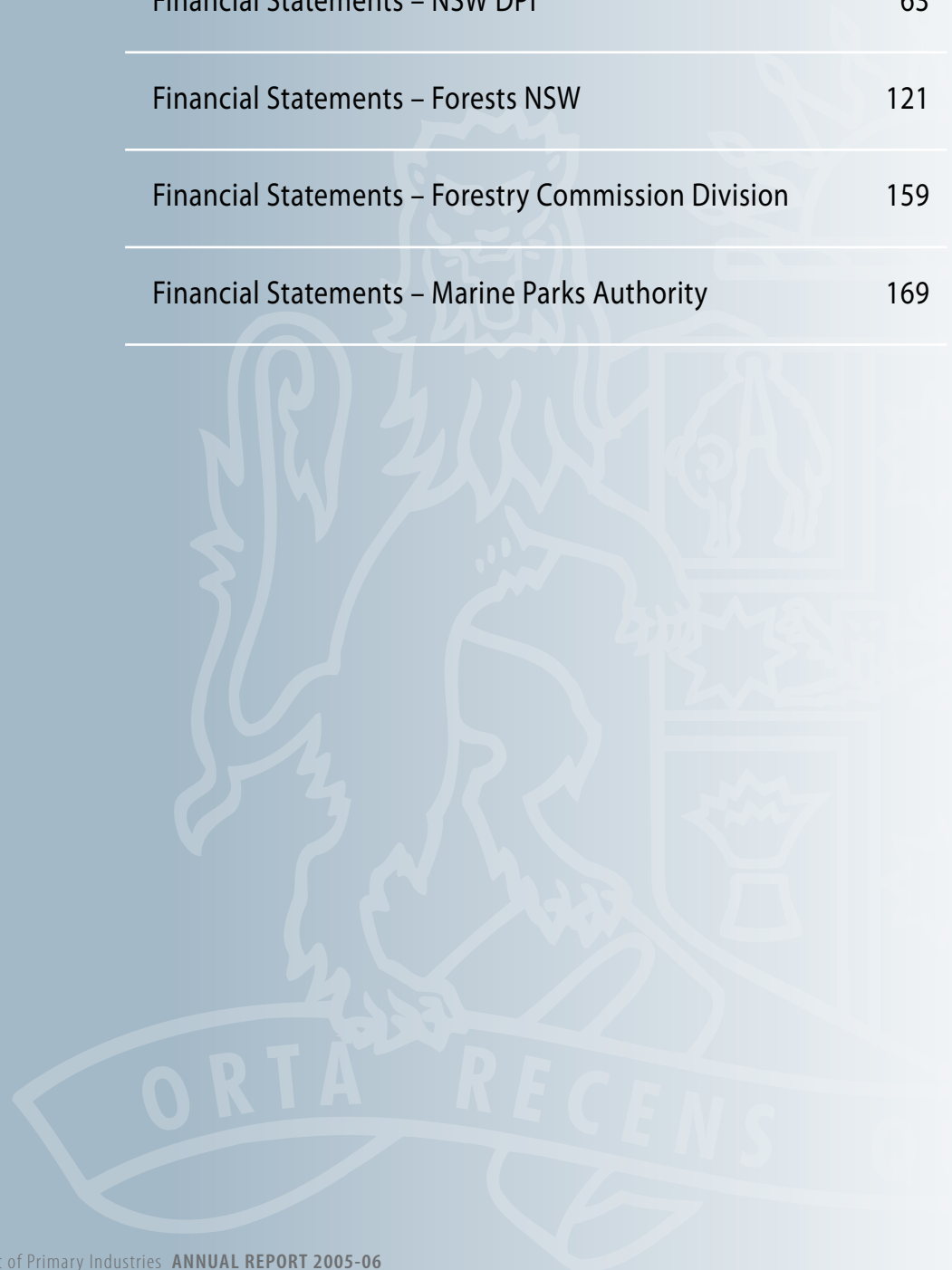


FINANCIAL STATEMENTS

Financial Statements – NSW DPI	63
Financial Statements – Forests NSW	121
Financial Statements – Forestry Commission Division	159
Financial Statements – Marine Parks Authority	169



FINANCIAL STATEMENTS – NSW DEPARTMENT OF PRIMARY INDUSTRIES

Statement by the Director-General	64
Independent Audit Report	65
Operating Statement	66
Changes in Equity	67
Balance Sheet	68
Cashflow Statement	69
Program Statement	71
Summary of Compliance with Financial Directives	72
Notes to and forming part of the financial statements	73
1. Summary of Significant Accounting Policies	73
2. Expenses Excluding Losses	84
3. Revenues	86
4. Gain/(Loss) on Disposal of Non-Current Assets	88
5. Conditions on Contributions	88
6. Income Taxes	88
7. Appropriations	89
8. Acceptance by the Crown Entity of Employee Benefits and Other Liabilities	90
9. Programs/Activities of the Department	90
10. Current Assets - Cash and Cash Equivalents	90
11. Current/Non Current Assets - Receivables	91
12. Current/Non Current Assets - Inventories	91
13. Current/Non-Current Assets - Financial Assets at Fair Value	92
14. Non-Current Assets - Property, Plant and Equipment	93
15. Investment Property	96
16. Intangible Assets	96
17. Other Financial Assets	97
18. Assets held for sale	102
19. Biological Assets	102
20. Restricted Assets	103
21. Current Liabilities - Payables	103
22. Current/Non-Current Liabilities - Borrowings	104
23. Dividend	104
24. Current/Non-Current Liabilities - Provisions	105
25. Current/Non-Current Liabilities - Other	105
26. Changes in Equity	106
27. Commitments for Expenditure	108
28. Contingent Liabilities	109
29. Budget Review	109
30. Reconciliation of Cash Flows from Operating Activities to Net Cost Services	110
31. Trust Funds	111
32. Fisheries Management Act - Special Fisheries Trust Funds	112
33. Administered Assets and Liabilities	114
34. Administered Revenues	115
35. Joint Venture Agreement	115
36. Marine Parks Fund	115
37. Financial Instruments	116
38. Impact of the Adoption of AEIFRS	117

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.

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

Audit Opinion

In my opinion, the financial report of the Department of Primary Industries:

- presents fairly the Department's and the consolidated entity's financial position as at 30 June 2006 and their performance for the year ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 45E of the *Public Finance and Audit Act 1983* (the Act) and the Public Finance and Audit Regulation 2005

My opinion should be read in conjunction with the rest of this report.

Scope

The Financial Report and Director-General's Responsibility

The financial report comprises the operating statements, statements of changes in equity, balance sheets, cash flow statements, the program statement - expenses and revenues, the summary of compliance with financial directives and accompanying notes to the financial statements for the Department and consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises the Department and the entities it controlled during the financial year.

The Director-General is responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing Standards and statutory requirements, and I:

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Director-General in preparing the financial report, and
- examined a sample of evidence that supports the amounts and disclosures in the financial report

An audit does not guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Director-General had not fulfilled his reporting obligations

My opinion does not provide assurance:

- about the future viability of the Department or its controlled entities,
- 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.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The 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.

R Hegarty FCPA
Director, Financial Audit Services

SYDNEY
18 January 2007

OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Notes	Consolidated Actual 2006 \$'000	Consolidated Actual 2005 \$'000	Parent Actual 2006 \$'000	Parent Budget 2006 \$'000	Parent Actual 2005 \$'000
Expenses excluding losses						
Operating expenses						
Employee related	2(a)	276 609	326 104	214 640	210 800	241 427
Other operating expenses	2(b)	160 222	172 705	110 635	79 646	129 619
Depreciation and amortisation	2(c) 1(o)	28 973	28 010	19 189	14 260	18 043
Grants & subsidies	2(d)	44 025	47 738	53 598	41 424	57 295
Finance Costs	2(e) 1(g)	3 653	1 390	1 941	1 145	1 390
Other expenses	2(f)	12 933	10 915	12 933	12 657	10 915
Contract Harvest and Haulage		90 002	76 893	0	0	0
Decrement in net market value of biological assets		62 759	39 992	0	0	0
Total Expenses excluding losses		679 175	703 747	412 935	359 932	458 689
Less:						
Retained Revenue						
Sale of goods and services	3(a) 1(e)	129 019	112 479	23 111	34 812	23 063
Investment revenue	3(b) 1(e)	143 301	136 012	5 272	1 917	4 470
Retained Taxes Fees and Fines	3(c)	10 902	10 032	10 902	8 801	10 032
Grants and contributions	3(d)	49 899	47 017	43 539	39 529	37 033
Other revenue	3(e)	17 271	11 006	17 271	155	11 006
Personnel Services revenue	3(f)	2 226	0	6 593	0	0
Forest Superannuation gain	3(g)	33 364	0	0	0	0
Total Revenue		385 983	316 546	106 688	85 214	85 604
Gain/(loss) on disposal	4	(1 419)	4 359	121	200	1 167
Net Cost of Services	30	294 611	382 842	306 126	274 518	371 918
Government Contributions						
Recurrent appropriation	7	275 970	300 310	275 969	241 121	300 310
Capital appropriation	7	8 798	22 911	8 798	8 840	22 911
(Asset sale proceeds transferred to the Crown Entity)	4	0	0	0	0	0
Acceptance by the Crown Entity of employee benefits and other liabilities	8	16 185	32 936	16 185	18 559	32 936
Total Government Contributions		300 953	356 157	300 952	268 520	356 157
SURPLUS/(DEFICIT) FOR THE YEAR (before Income tax expense)		6 342	(26 685)	(5 174)	(5 998)	(15 761)
Income Tax equivalent expense	6 1(i)	(8 584)	(12 937)			
SURPLUS/(DEFICIT) FOR THE YEAR (after income tax expense)		(2 242)	(39 622)	(5 174)	(5 998)	(15 761)

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2006

	Notes	Consolidated Actual 2006 \$'000	Consolidated Actual 2005 \$'000	Parent Actual 2006 \$'000	Parent Budget 2006 \$'000	Parent Actual 2005 \$'000
Net increase/(decrease) in property plant and equipment asset revaluation reserve		20 278	12 097	112	0	12 097
Other net increases/(decreases) in equity		10 740				
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		31 018	12 097	112	0	12 097
Surplus/(Deficit) for the Year (after income tax expense)		(2 242)	(39 622)	(5 174)	(5 998)	(15 761)
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR	26	28 776	(27 525)	(5 062)	(5 998)	(3 664)

The accompanying notes form part of these financial statements

BALANCE SHEET AS AT 30 JUNE 2006

	Notes	Consolidated Actual 2006 \$'000	Consolidated Actual 2005 \$'000	Parent Actual 2006 \$'000	Parent Budget 2006 \$'000	Parent Actual 2005 \$'000
ASSETS						
Current Assets						
Cash and cash equivalents	10	69 105	78 059	62 118	65 300	69 682
Receivables	11	65 795	70 402	21 323	14 827	14 827
Inventories	12	9 412	9 245	2 477	7 136	2 294
Financial assets at fair value	13	0	0	0	0	0
Other financial assets	17	10 474	0	6 352	0	0
Assets held for sale	18	15 215	237	15 215	0	237
Total Current Assets		170 001	157 943	107 485	87 263	87 040
Non-Current Assets						
Financial Assets at Fair Value	13	943	798	943	798	798
Receivables	11	1 448	0	23 950	0	0
Property Plant and Equipment						
- Land and Buildings	14	934 415	985 492	192 662	212 277	218 067
- Plant and Equipment	14	71 949	84 555	39 689	57 951	49 628
- Infrastructure Systems	14	146 487	120 917	37 372	25 122	27 756
- Digital Imaging System	14	1 769	2 359	1 769	2 359	2 359
- PPE Under Construction	14	5 017	6 068	0	0	0
Total Property Plant and Equipment		1 159 637	1 199 391	271 492	297 709	297 810
Biological Assets	19	1 563 863	1 599 539	5 189	0	4 605
Investment Property		4 778	4 778	0	0	0
Intangible assets	16 1(t)	2 656	2 815	2 656	0	2 815
Deferred income tax asset	6	8,345	70 367	0	0	0
Total Non-Current Assets		2 741 670	2 877 688	304 231	298 507	306 028
Total Assets		2 911 671	3 035 631	411 716	385 770	393 068
LIABILITIES						
Current Liabilities						
Payables	21 1(ab)	62 375	58 746	14 282	14 233	12 033
Borrowings	22 1(ac)	27 748	34 980	6 939	6 470	5 615
Provisions	24	60 594	31 377	49 297	24 914	24 914
Dividend	23 1(ad)	26 332	27 254	0	0	0
Current Tax Liability	6	0	855	0	0	0
Other	25	1 928	35 538	1 928	2 334	2 334
Liabilities associated with assets held for sale		0	0	0	0	0
Total Current Liabilities		178 977	188 750	72 445	47 951	44 896
Non-Current Liabilities						
Payables	21	0	0	6 352	0	0

BALANCE SHEET AS AT 30 JUNE 2006 (continued)

	Notes	Consolidated Actual 2006 \$'000	Consolidated Actual 2005 \$'000	Parent Actual 2006 \$'000	Parent Budget 2006 \$'000	Parent Actual 2005 \$'000
Borrowings	22	140 273	138 810	22 806	25 758	30 113
Provisions	24	3 818	30 741	918	5 276	5 276
Deferred Tax Liability	6	462 641	522 205	0	0	0
Total Non-Current Liabilities		606 732	691 756	30 076	31 034	35 389
Total Liabilities		785 709	880 506	102 521	78 985	80 285
Net Assets		2 125 962	2 155 125	309 194	306 785	312 783
EQUITY						
Capital	26	421 706	421 706	0	0	0
Reserves	26	625 627	631 456	138 068	138 388	138 388
Accumulated funds	26	1 078 629	1 101 963	171 127	168 397	174 395
Amounts recognised in equity relating to assets held for sale		0	0	0	0	0
Total Equity		2 125 962	2 155 125	309 195	306 785	312 783

The accompanying notes form part of these financial statements

CASHFLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Notes	Consolidated Actual 2006 \$'000	Consolidated Actual 2005 \$'000	Parent Actual 2006 \$'000	Parent Budget 2006 \$'000	Parent Actual 2005 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(375 619)	(291 678)	(192 712)	(191 541)	(212 873)
Grants and subsidies		(44 025)	(47 738)	(53 598)	(41 424)	(57 295)
Finance Costs		(1 941)	(1 390)	(1 941)	(1 145)	(1 390)
Other		(191 584)	(295 520)	(143 818)	(103 762)	(153 337)
Income taxes Paid		(5 237)	(6 249)	0	0	0
Total Payments		(618 406)	(642 575)	(392 069)	(337 872)	(424 895)
Receipts						
Sale of goods and services		304 905	303 740	36 493	34 771	36 082
Retained taxes, fees and fines		10 902	10 032	10 902	0	10 032
Interest received		5 048	4 279	4 456	1 917	3 879
Other		60 336	34 637	60 337	61 435	47 789
Total Receipts		381 191	352 688	112 188	98 123	97 782

CASHFLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006 (continued)

	Notes	Consolidated Actual 2006 \$'000	Consolidated Actual 2005 \$'000	Parent Actual 2006 \$'000	Parent Budget 2006 \$'000	Parent Actual 2005 \$'000
Cash Flows from Government						
Recurrent appropriation		275 563	301 994	275 563	241 121	301 994
Capital appropriation		8 798	22 911	8 798	8 840	22 911
Asset sale proceeds transferred to the Crown Entity		0	0	0	0	0
Cash reimbursements from the Crown Entity		0	6 360	0	0	6 360
Cash transfers to the Consolidated Fund		0	0	0	0	0
Net Cash Flows From Government		284 361	331 265	284 361	249 961	331 265
NET CASH FLOWS FROM OPERATING ACTIVITIES	30	47 146	41 378	4 480	10 212	4 152
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of Land and Buildings, Plant and Equipment and Infrastructure Systems		25 937	5 790	6 244	2 240	3 321
Proceeds from 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		(25 697)	(35 114)	(13 557)	(13 334)	(23 146)
Purchases of investments		0	0	0	0	0
Payments for SGARAs (plantn estab)		(19 310)	(19 563)	0	0	0
Capitalised Interest on Borrowings		(7 591)	(7 232)	0	0	0
Advances made		0	0	0	0	0
NET CASH FLOWS FROM INVESTING ACTIVITIES		(26 661)	(56 119)	(7 313)	(11 094)	(19 825)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from borrowings and advances		32 000	43 789	0	0	14 000
Repayment of borrowings and advances		(36 517)	(13 804)	(4 731)	(3 500)	(804)
Dividend paid		(24 922)	(13 096)	0	0	0
NET CASH FLOWS FROM FINANCING ACTIVITIES		(29 439)	16 889	(4 731)	(3 500)	13 196
NET INCREASE/(DECREASE) IN CASH		(8 954)	2 148	(7 564)	(4 382)	(2 477)
Opening cash and cash equivalents		78 059	75 911	69 682	69 682	72 159
Cash transferred in (out) as a result of administrative restructuring		0	0	0	0	0
CLOSING CASH AND CASH EQUIVALENTS	10	69 105	78 059	62 118	65 300	69 682

The accompanying notes form part of these statements

PROGRAM STATEMENT - EXPENSES AND REVENUES FOR THE YEAR ENDED 30 JUNE 2006 ***

AGENCY'S EXPENSES & REVENUES	Agriculture & Fisheries	Mineral Resources *	Biosecurity, Compliance & Mine Safety	Science and Research 2006	Not Attributable	Total
	2006 \$'000	2006 \$'000	2006 \$'000	\$'000	2006 \$'000	2006 \$'000
Expenses excluding losses						
Operating expenses						
Employee related	57 272	29 147	38 278	83 350	6 593	214 640
Other operating expenses	32 405	14 077	17 570	46 582	0	110 635
Depreciation and amortisation	5 304	2 319	3 418	8 148	0	19 189
Grants & subsidies	8 904	3 208	30 690	10 797	0	53 598
Finance Costs	537	235	346	824	0	1 941
Other expenses	6 970	1 255	6 046	-1 338	0	12 933
Total Expenses excluding losses	111 391	50 241	96 348	148 363	6 593	412 936
Retained Revenue						
Sale of goods and services	4 885	6 842	6 072	5 312	0	23 111
Investment revenue	1 434	627	1 009	2 202	0	5 272
Retained taxes, fees and fines	3 015	1 317	1 942	4 628	0	10 902
Grants and contributions	10 649	172	3 226	29 493	0	43 539
Other revenue	4 690	2 142	3 335	7 104	0	17 271
Personnel Services Revenue	0	0	0	0	6 593	6 593
Total Revenue	24 672	11 100	15 583	48 740	6 593	106 688
Gain / (loss) on disposal	33	15	22	51	0	121
Other gains / (losses)						
Net Cost of Services	86 685	39 127	80 743	99 572	0	306 127
Government contributions **					300 952	300 952
NET EXPENDITURE/(REVENUE) FOR THE YEAR	86 685	39 127	80 743	99 572	(300 952)	(94 396)
ADMINISTERED EXPENSES & REVENUES						
Administered Expenses						
Transfer payments						
Other						
Total Administered Expenses	0	0	0	0	0	0
Administered Revenues						
Transfer receipts						
Consolidated Fund						
- Taxes, fees and fines					11 474	11 474
- Other					515 259	515 259
Total Administered Revenues	0	0	0	0	526 733	526 733
Administered Revenues less Expenses	0	0	0	0	526 733	526 733

* The name and purpose of each program is summarised in Note 9.

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

*** New Treasury programs were created for the 2005-06 year making prior year unavailable

SUMMARY OF COMPLIANCE WITH FINANCIAL DIRECTIVES

	2006				2005			
	RECURRENT APPROPRIATION	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND	CAPITAL APPROPRIATION	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND	RECURRENT APPROPRIATION	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND	CAPITAL APPROPRIATION	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ORIGINAL BUDGET APPROPRIATION / EXPENDITURE								
Appropriation Act	241121	241023	8840	8798	247413	248089	22963	22911
Additional Appropriations	0	0	0	0	0	0	0	0
s 21 A PF&AA - special appropriation	0	0	0	0	0	0	0	0
S 24 PF&AA - transfers of functions between departments	0	0	0	0	0	0	0	0
s 26 PF&AA - Commonwealth specific purpose payments	0	0	0	0	0	0	0	0
	241121	241023	8840	8798	247413	248089	22963	22911
OTHER APPROPRIATIONS / EXPENDITURE								
Treasurer's Advance	23270	23270	0	0	4060	4060	0	0
Section 22 - expenditure for certain works and services	3400	1380	0	0	0	0	0	0
Transfers to / from another agency (s28 of the Appropriation Act)	12116	10296	(42)	0	55612	48161	0	0
Total Appropriation / Expenditure / Net Claim on Consolidated Fund (includes transfer payments)	279907	275969	8798	8798	307085	300310	22963	22911
Amount drawn down against Appropriation		277897		8798		302644		22911
Liability to Consolidated Fund		1928		0		2334		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 29.

Notes to and forming part of the financial statements

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

The Department of Primary Industries comprises all the entities under its control including the agency's commercial activities namely: such processes as laboratory testing education and Fishery fees. The Department also controls activities under the *Agricultural Scientific Collections Trust Act* and the *Ovine Johnes Disease Eradication* legislation. 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. 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.

In June 2004 Forests NSW was merged with DPI but continues to operate as a self funded Public Trading Enterprise. 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.

Forests NSW is responsible for making use of its employees and resources at its own cost and must meet all expenses, taxes, duties and Government dividends from revenues earned from the business. Forests NSW operations are not economically dependent on the Department. Forests NSW are also a reporting entity.

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.

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 Department of Primary Industries is a NSW government department. The Department is a not for profit entity and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

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. Separate disclosures have been made for the parent and Forest NSW where appropriate.

This consolidated financial report has been authorised for issue by the Director-General on 7 December 2006.

(b) Basis of Preparation

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

- applicable Australian Accounting Standards (which include Australian equivalents to International Financial Reporting Standards (AIFRS));
- the requirements of the *Public Finance and Audit Act* and Regulation; and
- the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer.

Property plant and equipment investment property assets (or disposal groups) held for sale and financial assets '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

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, the *Public Finance and Audit Act 1983*, the Public Finance and Audit (General) Regulation 2005. Australian Accounting Standards include Australian equivalents to International Financial Reporting statements.

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 at fair value.

(c) Statement of Compliance

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

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly, except as stated below.

Notes to and forming part of the financial statements

In accordance with AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* and Treasury Mandates the date of transition to AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* has been deferred to 1 July 2005. As a result comparative information for these two Standards is presented under the previous Australian Accounting Standards which applied to the year ended 30 June 2005.

The basis used to prepare the 2004-05 comparative information for financial instruments is discussed in Note 1(ah) below. The financial instrument accounting policies for 2005-06 are specified in Notes 1(y)-(ad).

Reconciliations of AEIFRS equity and surplus or deficit for 30 June 2005 to the balances reported in the 30 June 2006 financial report are detailed in Note 38.

(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 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.

(i) 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 is 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 25 as part of 'Current Liabilities - Other'. The amount will be repaid and the liability will be extinguished next financial year. Any liability in respect of transfer payments is disclosed in Note 33 'Administered Assets and Liabilities'.

(ii) 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.

(iii) 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).

(iv) 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.

i) 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.

ii) 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**Parent****i) 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 5.8% 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.

Notes to and forming part of the financial statements

ii) *Long Service Leave and Superannuation*

The Department's liabilities for long service leave and 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 06/09) to employees with 5 or more years of service using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

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.

iii) *Other Provisions*

Other provisions exist where 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 a detailed formal plan and 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.

Forests NSW

Annual leave

Liability for Annual Leave is recognised and measured in respect of employees' services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled.

Employees entitlements that are expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to be apply at the time of settlement. Those entitlements that are greater than 12 months are measured at the present value of the estimated future cash outflows to be made by Forests NSW in respect of services provided by the employees up to reporting date.

Long Service Leave

A liability for Long Service Leave is recognised and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting

date. Consideration is given to expected future wage and salary levels experience of employee departures and periods of service. Expected future payments are discounted using interest rates on notional government guaranteed securities with terms to maturity that match as closely as possible the estimated future cash outflows.

Long Service Leave liability is actuarially assessed triennially with the last assessment completed at 30th June 2006.

Sick Leave

Sick leave is non-vesting and is expensed as incurred. In line with past results sick leave taken in future periods is expected to be well below entitlements in those periods.

Superannuation

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

The superannuation liability in the Statement of Financial Performance is the difference between the gross liabilities and the stake in the funds at reporting date in respect of Forests NSW employees (*refer Note 17*).

Workers Compensation Insurance

Forests NSW is 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 30th June 2006. In addition separate insurance cover is held with private insurance companies for excess total incident and total claims costs.

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

Employee related liabilities are transferred from Forests NSW's statutory accounts to DPI and Forestry Commission Division in accordance with the established memorandum of understanding.

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

(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.

Notes to and forming part of the financial statements

(h) Insurance**Parent**

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 30th June 2006. In addition separate insurance cover is held with private insurance companies for excess total incident and total claims costs.

(i) Accounting for Taxation**Parent**

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 6)**

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 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. Whilst 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

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 revalues 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 of land and buildings 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 revalued (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

Notes to and forming part of the financial statements

reserve except that to the extent that an increment reverses 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 revalued 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 the State Valuation Office (SVO) on 30 June 2004. The carrying value as at 30 June 2006 approximates to the fair value. Fair value is based on current market buying price representing value in use. The SVO supported this basis of valuation by 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 the SVO at 30 June 2006 on the basis of written down replacement cost which approximates fair value.

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 Slattey Auctions at 30 June 2006 on the basis of market realisable estimate which approximates fair value.

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 Slattey Auction 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 is property held to earn rentals or for capital appreciation is measured at its fair value at the reporting date. Gains or losses arising from changes in the fair value of the investment property are included in the profit and loss in the period 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. Investment properties are recognised at the 2004 valuation performed by the State Valuation Office.

Biological Assets (refer note 19)

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

Notes to and forming part of the financial statements

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.

Hardwood Plantation Timber

These plantations are less 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. 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 and disclosed separately in these accounts.

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 has been sourced from the most recently available resource 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 cycle of 25-30 years for native forest and 35-40 years for cypress. Where possible standing volume information has been grown forward to 30 June 2006 and reduced by volumes sold since the inventory date. Forests covered by the South East and South Coast Regional Forest Agreements (RFA's) have used the RFA data as the basis for valuation.

Standing volume is calculated based on data obtained from sample inventory plots. Inventory data for forests within the Upper and Lower North East RFA's have been updated in the current financial year. As part of a comprehensive improvement of inventory procedures a new sampling regime has been introduced and a substantial number of new inventory plots have been created to replace those lost to harvesting. Implementation of this regime has resulted in a significant shift in available sawlog volumes between species an increase in volumes of saleable species and a reduction in available pulpwood. Forests NSW proposes to apply the new inventorying regime to other RFA areas. At this stage it is not known if similar changes might result in inventory for those other areas.

A new approach has also been developed for estimating harvestable area. New biometric equations are being developed for purposes of measurement estimating growth estimating standing volume and for estimating product yields. In some cases interim models have been developed that will only apply to the current valuation. The modelling process is ongoing and the new inventory regime has been operating since 1 January 2004 and it will be continually reviewed and improved. The current estimate of volume is the best estimate available based on a sampling and modelling

regime that was designed to improve the previous methodology used in 1998 for Regional Forestry Agreement assessment. In these localities the updated inventory and resource modelling tools have been used to calculate volume.

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. 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 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 2004-05. For financial year ending 30 June 2006 unsold carbon credit certificates are accounted for as inventory at the lower of cost or net realisable value.

Forests NSW

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.

(m) Impairment of Property Plant and Equipment**Parent**

As a not-for-profit entity with no cash generating units the Parent 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.

(n) Assets Not Able to be Reliably Measured**Parent**

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 36.

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

Notes to and forming part of the financial statements

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 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 \$0.391m for 2005-06.

(o) Depreciation of Property Plant and Equipment

Parent

Except for certain heritage assets depreciation is provided 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
Business Equipment	7 years	Laboratory Equipment	7 years
Motor Cycles	7 years	Passenger Vehicles	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 and 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 and 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

Parent

The costs of 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.

Forests NSW

Forests NSW' policy is to maintain property plant and equipment in good order and condition requiring ongoing maintenance and repair. The costs of maintenance and repairs are generally charged as expenses when incurred except where they relate to the replacement of a significant component of an asset or a major upgrade of an asset in which cases the costs are capitalised and depreciated.

Other routine operating maintenance repair and minor renewal costs are also expensed as incurred.

(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.

Notes to and forming part of the financial statements

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 27(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 income 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 assets the assets are carried at cost less any accumulated amortisation.

The Department's intangible assets are amortised using the straight line method over a period of 10 years.

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 (l)).

(u) Loans and Receivables Year ended 30 June 2006**Parent**

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 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.

Forests NSW

Forest receivables are carried at cost based on the original invoice amount less a provision for any uncollectible debts. Credit sales are generally 7, 14 or 30 days settlement.

An estimate for doubtful debts is made when collection of the full debt is considered doubtful. Bad debts are written off as incurred.

(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**

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.

Due to the continuation of the Plantations Review study NSW Treasury deemed that an assessment was not required in the 2005-06 year with reference remaining to the previous rating of BBB-. Forests NSW has been assigned a qualified rating indication of 'BBB-' by Standard and Poor's Ratings Services. This is not necessarily the unqualified corporate credit rating that would otherwise apply to Forests NSW.

(x) Trust Funds**Parent**

The Department receives monies in a trustee capacity for various trusts as set out in Note 31. 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 not recognised in the financial statements.

(y) Investments- Year ended 30 June 2006

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

Notes to and forming part of the financial statements

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

Forests NSW

The amount of Dividend payable to the NSW Treasury is set at \$24,000,000. The dividend provided is payable to Treasury in the following financial year.

(ae) Budgeted Amounts

Parent

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 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

Parent

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 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 2005-06, leaving a balance of \$1.4m unexpended as at 30 June 2006.

In 2005-06, the Department received a funding allocation of \$4.427m to buyout commercial fishers in the Cape Byron Marine Park. An amount of \$4.143m had been expended as at 30 June 2006.

(ag) Fisheries Management Amendment Acts

Parent

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.

Notes to and forming part of the financial statements

Under the Department's accounting structure all revenue paid into these special fisheries trust funds and any expenditure therefrom 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.

(ah) Comparative Information

Comparative figures have been restated based on AEIFRS with the exception of financial instruments information which has been prepared under the previous AGAAP Standard (AAS 33) as permitted by AASB 1.36A. The transition to AEIFRS for financial instruments information was 1 July 2005. The impact of adopting AASB 132/139 is further discussed in Note 38.

(ai) Financial instruments accounting policy for 2004-05 comparative period
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 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
Parent

At reporting date a number of accounting standards have been issued by AASB but are not yet effective. These have not been early adopted by the organisation.

No Impact

The following is a list of standards issued identified as having no impact.

AASB Standard Affected	AASB Amendments	Application Date for the Standard	Application Date for the Group
AASB 1: First Time Adoption of AIFRS	2005-10	1/1/2007	1/7/2007
AASB 101: Presentation of Financial Statements	2004-3	1/1/2006	1/7/2006
AASB 117: Leases	2005-10	1/1/2007	1/7/2007
AASB 119: Employee Benefits	New STD	1/1/2006	1/7/2006

Impact Being Evaluated

At the time of this report the Department was in the process of evaluating the effect of the changes in the following standards. At the time of this report the impact is not reasonably estimable.

AASB Standard Affected	AASB Amendments	Application Date of the Standard	Application Date for the Group
AASB 7: Financial Instruments Disclosure	New STD	1/1/2007	1/7/2007
AASB 132: Financial Instruments: Disclosure and Presentation	2005-9	1/1/2006	1/7/2006
AASB 117: Leases	2005-10	1/1/2007	1/7/2007
AASB 139: Financial Instruments: Recognition and Measurement	2005-10	1/1/2007	1/7/2007

Notes to and forming part of the financial statements

Non Application

The following standards have been issued and have no application to the Department or its subsidiaries.

AASB Standard Affected	AASB Amendments	Application Date of the Standard	Application Date for the Group
AASB 4: Insurance Contracts	2005-10	1/1/2007	1/7/2007
AASB 1023: General Insurance Contracts	2005-10	1/1/2007	1/7/2007

Forests NSW

The following Accounting Standards are being early adopted. Any initial impacts on the first time adoption are detailed in the Statement of Changes in Equity).

AASB Amendment	Affected Standards
2005-4	AASB 139: Financial Instruments: Recognition and Measurement - Issued June 2005.

In this reporting period, the following recent Australian Accounting Standards that are not yet effective were not used in preparing this report.

AASB Amendment	Affected Standards
2005-1	AASB 139: Financial Instruments: Recognition and Measurement. Issued May 2005.
2005-5	AASB 1 First-time adoption of AIFRS
	AASB 139: Financial Instruments: Recognition and Measurement. Issued June 2006.
2005-9	AASB 132: Financial Instruments: Presentation
	AASB 139: Financial Instruments: Recognition and Measurement. Issued September 2005.
2005-10	AASB 101 Presentation of Financial Statements. AASB 117 Leases. AASB 132: Financial Instruments: Presentation.
	AASB 139: Financial Instruments: Recognition and Measurement. Issued September 2005.
2005-11	AASB 101 Presentation of Financial Statements. AASB 132: Financial Instruments: Presentation.
	AASB 139: Financial Instruments: Recognition and Measurement. Issued September 2005.
AASB 7	AASB 7 Financial Instruments: Disclosures Issued August 2005.

All AASB amendments above are applicable for the year commencing 1 July 2006 with the exception of AASB 7 which is applicable for the year commencing 1 July 2007. No assessment has been made of the change in accounting policy in the year of change, or the financial impact of adoption of any of the amendments above.

Notes to and forming part of the financial statements

2. EXPENSES EXCLUDING LOSSES	Consolidated 2006 \$'000	Consolidated 2005 \$'000	Parent 2006 \$'000	Parent 2005 \$'000
(a) Employee Related Expenses				
Salaries and wages (including recreation leave)	217 032	229 242	161 149	167 177
Superannuation - defined benefit plans	2 038	8 983	7 891	8 796
Superannuation - defined contribution plans	11 864	18 906	10 077	6 431
Long service leave	13 016	20 430	8 468	17 705
Workers compensation insurance	3 512	4 173	3 513	3 742
Payroll tax and fringe benefits tax	17 372	16 927	12 464	13 265
Redundancy Payments	2 966	25 355	2 270	22 223
Other - Miscellaneous	8 808	2 088	8 808	2 088
	276 609	326 104	214 640	241 427
(b) Other operating expenses include the following:				
Auditor's remuneration - audit or review of financial reports	848	383	573	136
Cost of inventories held for distribution	3 025	4 070	3 025	4 070
Operating lease rental expense - minimum lease payments	9 505	8 981	8 237	8 981
Maintenance*	8 830	7 046	8 673	7 046
Insurance	2 169	2 677	1 476	1 880
Other - Motor Vehicles	10 027	8 544	10 027	8 544
- Internal Audit	311	240	311	240
- Marine Craft Expenses	236	169	236	169
- Travel	9 914	10 383	7 919	8 305
- Advertising	678	1 216	627	1 150
- Fees	20 299	47 146	20 402	39 270
- Consultancy	611	1 732	154	1 098
- Gas, Electricity	3 225	2 535	2 803	2 535
- Printing	1 989	1 448	1 989	899
- Payments to Other Organisations	6 260	5 790	6 646	8 851
- Overseas Expenses	624	82	624	82
- Postal & Telephone	6 840	6 285	5 200	4 395
- Refunds	674	496	674	496
- Stores, Consumables	11 548	20 194	11 553	20 194
- Rates, Charges etc.	708	931	618	578
- Freight	208	420	208	420
- Cleaning	2 330	2 196	2 330	2 196
- F.B. Taxable Expenditure	15	297	15	16
- National Livestock Identification Scheme	1 476	3 289	1 476	3 289
- Miscellaneous	18 408	762	6 784	762
- Bad and Doubtful Debts	511	371	483	328
- Training Costs	904	634	908	634
- Legal Fees	735	918	735	393
- Minor Plant and Equipment	3 136	1 827	3 136	1 806
- Distribution of Joint Project Funds	2 668	711	2 668	711
- Disaster Welfare Relief	6	14	6	14

Notes to and forming part of the financial statements

2. EXPENSES EXCLUDING LOSSES (continued)	Consolidated 2006 \$'000	Consolidated 2005 \$'000	Parent 2006 \$'000	Parent 2005 \$'000
- Agricultural Scientific Collections Trust	15	15	15	15
- Maintenance & Relocation of Travelling Stock Routes	70	70	70	70
- Chicken Meat Industry Committee	4	19	4	19
- NSW Institute of Rural Studies	4	4	4	4
- Total Homestead Maintenance	26	23	26	23
- Contractors	12 104	12 143	0	0
- Materials	18 902	18 176	0	0
- Stamp Duty	379	468	0	0
	160 222	172 705	110 635	129 619
Maintenance Reconciliation				
*Maintenance expense as above	8 830	7 046	8 673	7 046
Maintenance related employee expenses included in Note 2 (a)	5 329	0	2 254	0
Total maintenance expenses included in Note 2(a) + (b)	14 159	7 046	10 927	7 046
No employee related costs have been capitalised.				
(c) Depreciation and amortisation expense				
Buildings	6 365	7 140	5 431	5 673
Infrastructure	6 893	2 841	3 188	2 841
Motor Vehicles	1 112	1 163	1 112	1 163
Marine Craft	433	389	433	389
Other - Computer equipment	590	795	590	795
- General plant & equipment	13 294	12 054	8 149	7 002
- Other	0	3 553	0	75
Amortisation of Intangible assets	286	75	286	105
	28 973	28 010	19 189	18 043
(d) Grants and subsidies				
Destruction of Noxious Weeds	7 727	7 377	7 727	7 377
Wild Dog Destruction Board	60	60	60	60
Animal Welfare Organisations	512	321	512	321
Rural Lands Protection Boards	475	1 694	475	1 694
Rural Counsellors Contribution	876	1 656	876	1 656
Grants to Government Bodies	3 716	42	13 273	9 599
Grant to Other Non-Government Bodies	314	3 076	330	3 076
Safe Food Production	12 523	11 676	12 523	11 676
Fisheries Grants & Subsidies	0	431	0	431
Drought Transport Subsidies	17 821	21 405	17 821	21 405
	44 025	47 738	53 598	57 295
(e) Finance Costs				
Interest on Treasury Advance	3 653	1 390	1 941	1 390
	3 653	1 390	1 941	1 390
(f) Other expenses				
Beekeepers' Compensation	23	7	23	7
Plant Chemical Residue Monitoring	0	491	0	491
Citrus Canker	1 121	1 030	1 121	1 030

Notes to and forming part of the financial statements

2. EXPENSES EXCLUDING LOSSES (continued)	Consolidated 2006 \$'000	Consolidated 2005 \$'000	Parent 2006 \$'000	Parent 2005 \$'000
Salvinia Weed	0	200	0	200
Shark Meshing	693	610	693	610
Buyout of Commercial Fisheries	4414	286	4414	286
Remedial Works to Mined Areas	1722	1701	1722	1701
Australian Standing Committee on Agriculture:				
Publications & Databases Committee	63	63	63	63
Vet Serology Quality Assurance	0	23	0	23
National Abrovirus Monitoring	60	41	60	41
Eradication of Siam Weed	24	40	24	40
CCRP CCRVDE & CCRVDF Meetings	0	4	0	4
National Animal Health Information System	244	242	244	242
Fruit Fly Suppression	0	163	0	163
Oriental Fruit Fly Eradication - Torres Strait	18	13	18	13
Australian Plant Health Council - NSW Contribution	140	135	140	135
Branched Broomrape Eradication	151	148	151	148
Environmental Management Systems in Australian Agriculture	0	10	0	10
Queensland Fruit Fly Tri-State Review	0	19	0	19
Australian Weeds Committee	31	0	31	0
Grapevine Leaf Rust - Northern Territory	19	57	19	57
Red Imported Fire Ant in Queensland	4181	5271	4181	5271
Eradication of Tropical Weeds	17	17	17	17
Ovine Johnes Disease - NSW Contribution	10	344	10	344
	12933	10915	12933	10915

3. REVENUES	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
--------------------	------------------------	------------------------	------------------------	------------------------

(a) Sale of goods and services

Sale of goods:				
Sale of produce	5076	5419	5076	5419
Sale of publications	966	1082	966	1082
Sale of seized products	21	2	21	2
Rendering of services:				
Laboratory testing	3434	5451	3434	5451
Board & lodgings	856	733	856	733
Education	1549	1162	1610	1162
Fees for services rendered	95477	82003	5309	3639
Fishery Application and Management Fees	4744	4411	4744	4411
Rental Income	139	0	0	0
Fishing Clinic Income	11	6	11	6
Tour Guide Fees	23	23	23	23
Commonwealth Inspections	199	492	199	492
Contributions for Aquaculture Administration	222	216	222	216

Notes to and forming part of the financial statements

3. REVENUES (continued)	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Aquaculture Lease Bonds	117	138	117	138
Other Services	16 186	11 341	524	289
	129 019	112 479	23 111	23 063
(b) Investment revenue				
Interest	3 646	2 526	3 054	2 126
Rents	3 586	4 121	816	1 167
Royalties General	1 340	1 118	1 340	1 118
Royalties from the sale of timber and related products	134 668	128 188	0	0
Dividends	63	59	63	59
	143 301	136 012	5 272	4 470
(c) Retained taxes, fees and fines				
Recreational Fishing Fees	10 902	10 032	10 902	10 032
	10 902	10 032	10 902	10 032
(d) Grants and Contributions				
Grants - Industry/Private Bodies	36 753	26 937	36 769	26 937
Grants - Public Authorities	455	574	455	574
Grants - Other State Governments	906	1 215	906	1 215
Grants - Dept of Infrastructure, Planning and Natural Resources	1 991	605	1 991	605
Grants - Other Employment Schemes	0	64	0	64
Grants - Commonwealth Government	2 626	4 308	2 626	4 308
Grants - Dept of Education and Training	443	752	443	752
Grants - Budget Sector Agencies	6 698	12 477	322	2 493
Grants from Local Government	27	85	27	85
	49 899	47 017	43 539	37 033
(e) Other revenue				
Refunds received	1 825	667	1 825	667
Administration charges	0	25	0	25
Rural Lands Protection Board Levies	4 396	4 377	4 396	4 377
Mine Safety Levy	5 285	0	5 285	0
Trade ins	0	251	0	251
Other:				
- Sales	256	1 525	256	1 525
- Intellectual property	14	76	14	76
- Crown Grants - Natural Disaster Relief	337	14	337	14
- Dairy Structural Adjustment scheme	0	118	0	118
- Miscellaneous	5 158	3 953	5 158	3 953
	17 271	11 006	17 271	11 006
(f) Personnel Services Revenue	2 226	0	6 593	0
(g) Forest Superannuation Gain	33 364	0	0	0

Notes to and forming part of the financial statements

4. GAIN/(LOSS) ON DISPOSAL	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Gain/(loss) on disposal of property, plant and equipment				
Proceeds from sale	8 337	22 920	6 244	3 321
Written down value of assets sold	(9 756)	(18 561)	(6 123)	(2 154)
Net gain on disposal of property, plant and equipment	(1 419)	4 359	121	1 167

5. CONDITIONS ON CONTRIBUTIONS

Contributions of \$36.769m during 2005-06 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. Refer Note 20.

The total amounts of contributions which were unexpended at 30 June 2006 (including those received in prior years) were \$8.864m (30 June 2005 - \$7.784m). These funds will be carried forward to the next financial year.

6. INCOME TAXES	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000

(a) Income Tax recognised in Operating Statement

Tax expense/(income) comprises:				
Current tax expense/(income)	3 765	5 290	0	0
Deferred income tax Relating to origination and reversal of timing differences that are part of;				
Deferred tax liability	(57 203)	12 319	0	0
Deferred tax asset	62 022	(4 672)	0	0
Total expense/(income)	8 584	12 937	0	0
Attributable to:				
Continuing operations	8 584	12 937	0	0
Discontinued operations	0	0	0	0
	8 584	12 937	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	11 420	(10 925)	0	0
Accounting Profit/(Loss) from discontinued operations	0	0	0	0
At the statutory income tax rate of 30 per cent	3 426	(3 278)	0	0
Excess/(Deficit) of accounting depreciation over tax	231	307	0	0
Non revenue expenditures	23	266	0	0
Loss on discontinued assets	1 665	1 588	0	0
Provisions and accruals expenses	791	(727)	0	0
Unearned revenue	(210)	1 026	0	0
Decrement in net market value of biological assets	18 828	11 999	0	0
Non Assessable Income	(12 919)	2 295	0	0

Notes to and forming part of the financial statements

6. INCOME TAXES (continued)	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Capitalised finance costs	(2 277)	(2 318)	0	0
Capital Expenditures on Plantation Establishment	(5 793)	(5 868)	0	0
Deferred Income Tax relating to origination and reversal of timing differences	4 819	7 647	0	0
Income tax expense reported in income statement	8 584	12 937	0	0

Income Tax Equivalents	Consolidated Actual			
	Balance Sheet		Income Statement	
Deferred Income tax equivalent at 30 June relates to the following:	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Deferred Income Tax equivalent liabilities				
Property Plant & Equipment	(234 047)	(235 248)	1 160	1 327
Biological Assets	(228 594)	(239 472)	(10 878)	5 816
Superannuation	0	(47 485)	(47 485)	5 139
Gross deferred income tax equivalent liabilities	(462 641)	(522 205)		
Deferred Income Tax equivalent Assets				
Superannuation	0	57 446	57 446	(3 716)
Provision of expenses	650	9 172	8 522	107
revenue in advance	7 695	3 749	(3 946)	(1 026)
Gross deferred income tax equivalent assets	8 345	70 367		
Deferred income tax equivalent charge			4 819	7 647

7. APPROPRIATIONS	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Recurrent appropriations				
Total recurrent draw-downs from Treasury (per Summary of Compliance)	277 897	302 644	277 897	302 644
Less: Liability to Consolidated Fund (per Summary of Compliance)	(1 927)	(2 334)	(1 927)	(2 334)
	275 970	300 310	275 970	300 310
Comprising:				
Recurrent appropriations (per Operating Statement)	275 970	300 310	275 970	300 310
Transfer payments	0	0	0	0
	275 970	300 310	275 970	300 310
Capital appropriations				
Total capital draw-downs from Treasury (per Summary of Compliance)	8 798	22 911	8 798	22 911
Less: Liability to Consolidated Fund (per Operating Statement)	0	0	0	0
	8 798	22 911	8 798	22 911
Comprising:				
Capital appropriations (per Operating Statement)	8 798	22 911	8 798	22 911
Transfer payments	0	0	0	0
	8 798	22 911	8 798	22 911

Notes to and forming part of the financial statements

8. ACCEPTANCE BY THE CROWN ENTITY OF EMPLOYEE BENEFITS AND OTHER LIABILITIES	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
--	----------------	----------------	----------------	----------------

The following liabilities and/or expenses have been assumed by the Crown Entity or other government agencies:

Superannuation	7 952	15 016	7 952	15 016
Long service leave	7 755	17 019	7 755	17 019
Payroll tax	477	901	477	901
	16 185	32 936	16 185	32 936

9. 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.

10. CURRENT ASSETS - CASH AND CASH EQUIVALENTS	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Cash at bank and on hand*	66 330	75 799	62 118	69 682
Short Term deposits	525	0	0	0
NSW Treasury Corporation Hourglass Investments	2 250	2 018	0	0
Other Financial Assets	0	242	0	0
	69 105	78 059	62 118	69 682

Notes to and forming part of the financial statements

10. CURRENT ASSETS - CASH AND CASH EQUIVALENTS (continued)	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
---	----------------	----------------	----------------	----------------

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)	69 105	78 059	62 118	69 682
Closing cash and cash equivalents (per Cash Flow Statement)	69 105	78 059	62 118	69 682

The Department has credit facilities of \$6.3 million of which \$5.803 million remains unused at 30 June 2006.

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

Agricultural Scientific Collections Trust	19	20	19	20
---	----	----	----	----

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*.

11. CURRENT/NON-CURRENT ASSETS - RECEIVABLES	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
--	----------------	----------------	----------------	----------------

CURRENT

Sale of goods and services	58 411	43 966	16 239	10 045
Less: Allowance for impairment	(723)	(1 354)	(695)	(1 255)
Prepayments - Rental/Lease	3 555	1 259	1 291	1 259
Prepayments - Other	1 248	3 673	1 248	518
Interest Receivable	1 704	921	1 704	921
Miscellaneous	1 536	21 931	1 536	3 333
Accrued Income	64	6	0	6
	65 795	70 402	21 323	14 827

NON CURRENT

Personnel Services	1 448	0	23 950	0
	1 448	0	23 950	0

12. CURRENT/NON-CURRENT ASSETS - INVENTORIES	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
--	----------------	----------------	----------------	----------------

CURRENT

Valued at Cost				
Publications	1 211	1 499	1 211	1 499
Insecticide	729	671	729	671
Stores/Fuel	537	124	537	124
Materials and Parts	4 892	4 541	0	0
Work in Progress and Finished Goods	2 056	2 423	0	0
Less: Provision for Stock Losses	(13)	(13)	0	0
	9 412	9 245	2 477	2 294

Notes to and forming part of the financial statements

13. CURRENT/NON-CURRENT ASSETS - FINANCIAL ASSETS AT FAIR VALUE	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
CURRENT				
	0	0	0	0
NON-CURRENT				
Gold Exhibits	351	239	351	239
Shares in Co-Operatives	592	559	592	559
	943	798	943	798

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. Valuations are based on the gold price of AUD\$825.24 per Troy Oz. These exhibits are as follows:

	Weight (Troy Oz)				
Maitland Bar	344.41	284	193	284	193
Lucky Hit	42.64	35	24	35	24
Woods Flat	20.85	17	12	17	12
Alluvial Gold	18	15	10	15	10
TOTAL	425.9	351	239	351	239
The value of shares represents holdings in:					
Australian Co-Operative Foods Ltd		481	450	481	450
Norco Co-Operative Ltd		92	89	92	89
Rice Growers Co-Operative Mills Ltd		10	10	10	10
Rice Marketing Board of NSW		9	10	9	10
TOTAL		592	559	592	559

14. NON-CURRENT ASSETS - PROPERTY PLANT AND EQUIPMENT

	Land and Buildings		Plant & Equipment		Infrastructure Systems		Digital Imaging System (DIGS)		Forest Plant and 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)	(4 413)	(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	949 783	204 508	124 324	92 064	154 207	45 092	5 899	5 899	5 017	0	1 239 229	347 562
Accumulated Depreciation and impairment	(15 368)	(11 845)	(52 374)	(52 374)	(7 720)	(7 720)	(4 130)	(4 130)	0	0	(79 592)	(76 070)
Net Carrying Amount	934 415	192 662	71 949	39 689	146 487	37 372	1 769	1 769	5 017	0	1 159 637	271 492

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		DIGS		Forest Plant and 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 18)	(14 978)	(14 978)	0	0	0	0	0	0	0	0	14 987	14 987
Disposals	(5 594)	(5 418)	(7 153)	(5 020)	(1 402)	(78)	0	0	0	(1 051)	(14 149)	(10 516)
Transfers	(11)	(11)	11	11	0	0	0	(1 051)	0	0	0	0
Opening balance addition	58	58	0	0	0	0	0	0	0	0	58	58

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

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	
Revocation	(35 414)	0	0	0	0	0	0	0	0	0	(35 414)	0
Transfer to Intangibles				2 815	2 815	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

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*.

	Land and Buildings		Plant & Equipment		Infrastructure Systems		Digital Imaging System (DIGS)		Forest Plant and 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 2004												
At Fair Value	1 001 368	219 246	134 416	91 650	218 636	31 620	5 899	5 899	3 686	0	1 364 005	348 415
Accumulated Depreciation and impairment	(6 698)	(6 698)	(51 698)	(47 172)	(95 895)	(1 585)	(2 950)	(2 950)	0	0	(157 241)	(58 405)
Net Carrying Amount	994 670	212 548	82 718	44 478	122 741	30 035	2 949	2 949	3 686	0	1 206 764	290 010
At 30 June 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)	(4 413)	(3 540)	(3 540)	0	0	(1771 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

Reconciliation

A reconciliation of the carrying amount of each class of property plant and equipment at the beginning and end of the previous reporting period is set out below.

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

	Land and Buildings		Plant and Equipment		Infrastructure Systems		DIGS		Forest Plant and 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 2005												
Net carrying amount at start of year	994 671	212 549	82 725	44 485	122 741	30 035	2 949	2 949	3 686	0	1 206 772	290 018
Reversal of work-in-progress as at 30 June 2005	0	0	(4 687)	(4 687)	0	0	0	0	0	0	4 687	4 687
Additions	4 991	3 689	25 677	19 011	4 701	694	0	0	2 382	0	37 751	23 394
Assets held for sale	0	0	0	0	0	0				0	0	
Transfers	(18)	(18)	18	18	0	0	0	0			0	0
Asset Dedications	1	0	0	0	0	0	0	0			1	0
Disposals	(15 526)	(1 675)	(5 607)	(3 051)	(145)	(145)	0	0			(21 278)	(4 871)
Asset Revocations	(471)	0	0	0	0	0	0	0			(471)	0
Acquisitions through administrative restructures	0	0	0	0	0	0	0	0	0	0	0	0
Net revaluation increment less revaluation decrements recognised in reserves	9 182	9 182	2 916	2 916	0	0	0	0	0	0	12 098	12 098
Impairment losses (recognised in 'other gains/losses')	0	0	0	0	0	0	0	0	0	0	0	0
Transfer to Intangibles			(2 815)	(2 815)	0	0		0	0	0	(2 815)	(2 815)
Depreciation Expense	(7 351)	(5 673)	(13 974)	(8 940)	(6 393)	(2 841)	(590)	(590)	0	0	(28 308)	(18 044)
Writeback on disposal	13	13	2 691	2 691	13	13	0	0			2 717	2 717
Net Carrying amount at end 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

Notes to and forming part of the financial statements

15. INVESTMENT PROPERTY	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'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	0	0	0	0
Closing balance as at 30 June	4 778	4 778	0	0
16. INTANGIBLE ASSETS				
	Consolidated		Parent	
	Software	Total	Software	Total
	\$ '000	\$ '000	\$ '000	\$ '000
At 1 July 2005				
Cost (gross carrying amount)	7 068	7 068	7 068	7 068
Accumulated amortisation and impairment	(4 253)	(4 253)	(4 253)	(4 253)
Net carrying amount	2 815	2 815	2 815	2 815
At 30 June 2006				
Cost (gross carrying amount)	7 181	7 181	7 181	7 181
Accumulated amortisation and impairment	(4 525)	(4 525)	(4 525)	(4 525)
Net carrying amount	2 656	2 656	2 656	2 656
Year ended 30 June 2006				
	Software	Total	Software	Total
	\$ '000	\$ '000	\$ '000	\$ '000
Net carrying amount at start of year	2 815	2 815	2 815	2 815
Additions	126	126	126	126
Disposals	(13)	(13)	(13)	(13)
Impairment losses	0	0	0	0
Amortisation (recognised in 'depreciation and amortisation')	(272)	(272)	(272)	(272)
Net carrying amount at end of year	2 656	2 656	2 656	2 656
At 1 July 2004				
	Software	Total	Software	Total
	\$ '000	\$ '000	\$ '000	\$ '000
Cost (gross carrying amount)	847	847	847	847
Accumulated amortisation and impairment	(403)	(403)	(403)	(403)
Net carrying amount	444	444	444	444
At 30 June 2005				
Cost (gross carrying amount)	7 067	7 067	7 067	7 067
Accumulated amortisation and impairment	(4 252)	(4 252)	(4 252)	(4 252)
Net carrying amount	2 815	2 815	2 815	2 815

Notes to and forming part of the financial statements

16. INTANGIBLE ASSETS (continued)	Consolidated		Parent	
	Software \$ '000	Total \$ '000	Software \$ '000	Total \$ '000
Year ended 30 June 2005	Software \$ '000	Total \$ '000	Software \$ '000	Total \$ '000
Net carrying amount at start of year	444	444	444	444
Additions	6 624	6 624	6 624	6 624
Assets held for sale	0	0	0	0
Impairment losses	0	0	0	0
Amortisation (recognised in 'depreciation and amortisation')	(4 253)	(4 253)	(4 253)	(4 253)
Net carrying amount at end of year	2 815	2 815	2 815	2 815

17. OTHER FINANCIAL ASSETS	2006 \$ '000	2005 \$ '000	2006 \$ '000	2005 \$ '000
Tax Asset	616	0	0	0
Employee Superannuation Funds	9 858	0	6 352	0
	10 474	0	6 352	0

EMPLOYEE BENEFITS JUNE 2005

The Employee Benefits liability for June 2005 was determined by the Fund's actuary based upon membership information as at 31 March 2005.

Consolidated Actual	SASS \$ '000	SANCS \$ '000	SSS \$ '000	Total \$ '000
Estimated Reserve Account balance	32 313	9 074	116 895	158 282
Accrued Employees Benefits Liability	(38 189)	(10 121)	(143 176)	(191 486)
	(5 876)	(1 047)	(26 281)	(33 204)

All references are to the July 2004 version of AASB 119.

Accounting policy for recognising actuarial gains/losses.

Actuarial gains and losses are recognised in profit or loss in the year they occur.

General description of the type of plan

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 part of the financial statements

17. OTHER FINANCIAL ASSETS (continued)	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Reconciliation of the assets and liabilities recognised in the balance sheet				
Consolidated Actual 2005	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Present Value of defined benefit obligations	58 608	10 121	162 344	231 073
Fair Value of plan assets	(52 732)	(9 074)	(136 063)	(197 869)
	5 876	1 047	26 281	33 204
Surplus in excess of recovery available from schemes				
Unrecognised past service cost				
Net (asset)/liability to be disclosed in balance sheet	5 876	1 047	26 281	33 204
Parent Actual 2005	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Present Value of defined benefit obligations	0	0	0	0
Fair Value of plan assets	0	0	0	0
	0	0	0	0
Surplus in excess of recovery available from schemes				
Unrecognised past service cost				
Net (asset)/liability to be disclosed in balance sheet	0	0	0	0
Movement in net liability/asset recognised in balance sheet				
Consolidated Actual 2005	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Net (asset)/liability at start of year	4 848	831	20 217	25 896
Net expense recognised in the income statement	2 930	906	7 534	11 370
Contributions	(1 902)	(690)	(1 470)	(4 062)
Net (asset)/liability to be disclosed in balance sheet	5 876	1 047	26 281	33 204
Net (asset)/liability at start of year	0	0	0	0
Net expense recognised in the income statement	0	0	0	0
Contributions	0	0	0	0
Net (asset)/liability to be disclosed in balance sheet	0	0	0	0
Total expense recognised in income statement				
Consolidated Actual 2005	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Current Service cost	1 628	581	1 231	3 440
Interest on obligation	3 280	535	8 621	12 436
Expected return on plan assets	(3 419)	(613)	(8 717)	(12 749)
Net actuarial losses (gains) recognised in year	1 442	403	6 398	8 243
Change in surplus in excess of recovery available from scheme	0	0	0	0
Past service cost	0	0	0	0
Total included in 'employee benefits expense'	2 931	906	7 533	11 370

Notes to and forming part of the financial statements

17. OTHER FINANCIAL ASSETS (continued)	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Parent Actual 2005	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Current Service cost	0	0	0	0
Interest on obligation	0	0	0	0
Expected return on plan assets	0	0	0	0
Net actuarial losses (gains) recognised in year	0	0	0	0
Change in surplus in excess of recovery available from scheme	0	0	0	0
Past service cost	0	0	0	0
Total included in 'employee benefits expense'	0	0	0	0
Actual return on plan assets				
Consolidated Actual 2005	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Actual return on plan assets	6 146	1 080	15 845	23 071
Parent Actual 2005	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Actual return on plan assets	0	0	0	0

Valuation method and principal actuarial assumptions at the reporting 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 June 2005
Discount rate at 30 June	5.2% pa
Expected return on plan assets at 30 June	7.3%
Expected salary increases	4.0% pa
Expected rate of CPI increase	2.5%

EMPLOYEE BENEFITS FOR JUNE 2006

Consolidated Actual	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Estimated Reserve Account balance	63 758	11 441	148 775	223 974
Accrued Employees Benefits Liability	(58 015)	(9 277)	(146 824)	(214 116)
	5 743	2 164	1 951	9 858
Parent Actual	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Estimated Reserve Account balance	25 626	7 518	148 775	181 919
Accrued Employees Benefits Liability	(22 823)	(5 920)	(146 824)	(175 567)
	2 803	1 598	1 951	6 352

Notes to and forming part of the financial statements

17. OTHER FINANCIAL ASSETS (continued)	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000

SASS - State Authorities Superannuation Scheme

SANCS - State Authorities Non-Contributory Superannuation Scheme

SSS - State Superannuation Scheme

All references are to the July 2004 version of AASB 119.

Accounting policy for recognising actuarial gains/losses.

Actuarial gains and losses are recognised in profit or loss in the year they occur.

General description of the type of plan

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 assets and liabilities recognised in the balance sheet

Consolidated Actual 2006	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Present Value of defined benefit obligations	58 015	9 277	146 824	214 116
Fair Value of plan assets	(63 758)	(11 441)	(148 775)	(223 974)
	(5 743)	(2 164)	(1 951)	(9 858)
Surplus in excess of recovery available from schemes				
Unrecognised past service cost				
Net (asset)/liability to be disclosed in balance sheet	(5 743)	(2 164)	(1 951)	(9 858)

Parent Actual 2006	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Present Value of defined benefit obligations	22 823	5 920	146 824	175 567
Fair Value of plan assets	(25 626)	(7 518)	(148 775)	(181 919)
	(2 803)	(1 598)	(1 951)	(6 352)
Surplus in excess of recovery available from schemes				
Unrecognised past service cost				
Net (asset)/liability to be disclosed in balance sheet	(2 803)	(1 598)	(1 951)	(6 352)

Movement in net liability/asset recognised in balance sheet

Consolidated Actual 2006	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Net (asset)/liability at start of year	5 876	1 047	26 281	33 204
Net expense recognised in the income statement	(6 158)	(1 481)	(31 578)	(39 217)
Contributions	(5 461)	(1 730)	0	(7 191)
Net (asset) / liability transferred on 17 March 2006	0	0	3 346	3 346

Notes to and forming part of the financial statements

17. OTHER FINANCIAL ASSETS (continued)	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Net (asset)/liability to be disclosed in balance sheet	(5 743)	(2 164)	(1 951)	(9 858)
Parent Actual 2006	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Net (asset) / liability at start of year	3 162	688	26 281	30 131
Net expense recognised in the income statement	(3 655)	(1 149)	(31 578)	(36 382)
Contributions	(2 310)	(1 137)	0	(3 447)
Net (asset) / liability transferred on 17 March 2006	0	0	3 346	3 346
Net (asset)/liability to be disclosed in balance sheet	(2 803)	(1 598)	(1 951)	(6 352)
Total expense recognised in income statement				
Consolidated Actual 2006	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Current Service cost	1 700	587	1 271	3 558
Interest on obligation	3 443	505	8 701	12 649
Expected return on plan assets	(3 943)	(681)	(10 129)	(14 753)
Net actuarial losses (gains) recognised in year	(7 359)	(1 893)	(31 422)	(40 674)
Change in surplus in excess of recovery available from scheme	0	0	0	0
Past service cost	0	0	0	0
Total included in "employee benefits expense"	(6 159)	(1 482)	(31 579)	(39 220)
Parent Actual 2006	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Current Service cost	809	387	1 271	2 467
Interest on obligation	1 480	332	8 701	10 513
Expected return on plan assets	(1 658)	(448)	(10 129)	(12 235)
Net actuarial losses (gains) recognised in year	(4 287)	(1 420)	(31 422)	(37 129)
Change in surplus in excess of recovery available from scheme	0	0	0	0
Past service cost	0	0	0	0
Total included in "employee benefits expense"	(3 656)	(1 149)	(31 579)	(36 384)
Actual return on plan assets				
Consolidated Actual 2006	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Actual return on plan assets	8 281	1 504	21 014	30 799
Parent Actual 2006	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Actual return on plan assets	3 485	988	21 014	25 487

Notes to and forming part of the financial statements

17. OTHER FINANCIAL ASSETS (continued)	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000

Valuation method and principal actuarial assumptions at the reporting 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 June 2006
Discount rate at 30 June	5.9% pa
Expected return on plan assets at 30 June	7.6%
Expected salary increases	4.0% pa to 2008 3.5% pa there after
Expected rate of CPI increase	2.5%

18. ASSETS HELD FOR SALE	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000

Assets held for sale

Land and Buildings	15 215	237	15 215	237
	15 215	237	15 215	237

Amounts recognised in equity relating to assets held for sale

Property, plant and equipment asset revaluation reserve increments/
decrements

	15 215	237	15 215	237
--	--------	-----	--------	-----

19. BIOLOGICAL ASSETS	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000

(a) Softwood Plantation Timber

Net market value of timber at beginning of reporting period	1 132 909	1 178 350	0	0
Capital expenditure - plantation establishment and development	17 343	17 458	0	0
Capitalisation of borrowing costs	7 591	7 724	0	0
Write-off of growing stock and/or establishment costs	0	(102)	0	0
Sale of Plantations	0	(972)	0	0
Carrying amount as at the reporting date (prior to adjusting for changes in net market value)	1 157 843	1 202 458	0	0
Net market value at reporting date	1 110 668	1 132 909	0	0
Net increment/(decrement) in the net market value of timber	(47 175)	(69 549)	0	0

Notes to and forming part of the financial statements

19. BIOLOGICAL ASSETS (continued)	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
(b) Hardwood Plantation Timber				
Carrying amount of timber at beginning of reporting period - at fair value	60 094	58 665	0	0
Capital expenditure - plantation establishment and development	1 967	2 105	0	0
Sale of Plantations	(219)	(29)	0	0
Write off of failed plantations	(183)	(647)	0	0
Carrying amount as at the reporting date - at fair value	61 659	60 094	0	0
(c) Native Forest Timber				
Net market value of timber at beginning of reporting period	401 931	372 374	0	0
Net market value at reporting date	386 347	401 931	0	0
Net increment (decrement) in the net market value of timber	(15 584)	29 557	0	0
(d) Livestock and fodder				
Net market value of livestock and fodder at beginning of reporting period	4 655	5 249	4 655	5 249
Net market value at reporting date	5 189	4 605	5 189	4 605
Net increment in the net market value of livestock and fodder	534	(644)	534	(644)
Total Net Biological Assets	1 563 863	1 599 359	5 189	4 605

20. 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.

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

21. CURRENT LIABILITIES - PAYABLES	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
CURRENT				
Accrued Salaries, wages and on-costs	5 207	1 207	4 101	0
Accrued Redundancy payments	0	0	0	794
Receipts in Advance	25 650	26 349	0	0
Other Accrued Expenses	10 338	2 759	4 775	2 759
Lightning Ridge Residential Claims	453	453	453	453
Accrued Leave Loading	0	680	0	680
Creditors	20 727	27 298	4 953	7 347
	62 375	58 746	14 282	12 033

Notes to and forming part of the financial statements

21. CURRENT LIABILITIES - PAYABLES (continued)	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
NON-CURRENT				
Forest Superannuation liability	0	0	6 352	0
	0	0	6 352	0

22. CURRENT/NON-CURRENT LIABILITIES - BORROWINGS	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
CURRENT				
Secured/Unsecured				
Treasury Advance Repayable - Ovine Johnes Disease Loan	2 981	1 260	2 981	1 260
TCorp borrowings - Forests NSW	20 809	29 365	0	0
Treasury Advance Repayable - Locust Loan	3 047	3 500	3 047	3 500
Treasury Advance Repayable - Buyout of Commercial Fishers	911	855	911	855
	27 748	34 980	6 939	5 615
NON-CURRENT				
Secured/Unsecured				
Treasury Advance Repayable - Ovine Johnes Disease Loan	0	2 520	0	2 520
TCorp borrowings - Forests NSW	117 467	108 697	0	0
Treasury Advance Repayable - Locust Loan	6 624	10 500	6 624	10 500
Treasury Advance Repayable - Buyout of Commercial Fishers	16 182	17 093	16 182	17 093
	140 273	138 810	22 806	30 113
Repayment of Borrowings (excluding finance leases)				
Not later than one year	27 748	34 980	6 939	5 615
Between one and five years	60 506	43 662	10 905	17 038
Later than five years	79 767	95 148	11 901	13 075
Total borrowings at face value (excluding finance leases)	168 021	173 790	29 745	35 728

NSW Treasury Corporation outstanding loan interest rates ranged between 5.08% and 6.73% (2005: 5.08% and 6.73%)

23. DIVIDEND	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Provision for dividend at beginning of year	(27 254)	(13 096)	0	0
Dividend paid	(24 922)	(13 096)	0	0
Dividend provided	(24 000)	(27 254)	0	0
Provision for dividend at end of the year	(26 332)	(27 254)	0	0

Notes to and forming part of the financial statements

24. CURRENT/NON-CURRENT LIABILITIES - PROVISIONS	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
CURRENT				
Employee benefits and related on-costs				
Recreation Leave	26 140	21 157	24 441	18 336
Long Service Leave	30 217	3 378	22 592	1 578
Workers Compensation	770	1 020	0	0
Other	2 000	822	796	0
Redundancy	1 467	5 000	1 467	5 000
	60 594	31 377	49 297	24 914
NON-CURRENT				
Employee benefits and related on-costs				
Recreation Leave	0	2 345	0	0
Long Service Leave	1 015	24 720	715	5 276
Workers Compensation	2 600	3 310	0	0
Other	203	366	203	0
	3 818	30 741	918	5 276
Aggregate employee benefits and related on-costs				
Provisions - current	60 594	31 377	49 297	24 914
Provisions - non-current	3 818	30 741	918	5 276
Accrued salaries, wages, and on-costs (Note 21)	5 207	1 207	4 101	0
Accrued Redundancy payments (Note 21)	0	0	0	794
Accrued Leave Loading (Note 21)	0	680	0	680
	69 619	64 005	54 315	31 664
Movements in provisions (other than employee benefits)				
	Make Good	Total	Make Good	Total
Carrying amount at beginning of financial year	0	0	0	0
Additional provisions recognised	517	517	517	517
Carrying amount at end of financial year	517	517	517	517
25. CURRENT/NON-CURRENT LIABILITIES - OTHER				
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
CURRENT				
Employee Superannuation Funds (see note 17)	0	33 204	0	0
Liability to Consolidated Fund	1 928	2 334	1 928	2 334
	1 928	35 538	1 928	2 334

26. CHANGES IN EQUITY

	Capital				Accumulated Funds				Asset Revaluation Reserve				Total Equity			
	Consolidated		Parent		Consolidated		Parent		Consolidated		Parent		Consolidated		Parent	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Balance at the beginning of the financial year	421 706	421 706			1 101 963	1 147 552	174 395	189 256	631 456	634 531	138 388	127 191	2 155 125	2 203 789	312 783	316 447
AASB 139 first-time adoption	0	0	0	0	1 446	0	1 446	0	0	0	0	0	1 446	0	1 446	0
Other changes in accounting policy	0	0	0	0	1	0	0	0	0	6 115	0	0	0	6 115	0	0
Correction of errors	0	0	0	0	(30)	0	(30)	0	0	0	0	0	(30)	0	(30)	0
Restated opening balance	421 706	421 706	0	0	1 103 380	1 147 552	175 811	189 256	631 456	640 646	138 388	127 191	2 156 542	2 209 904	314 199	316 447
Changes in equity - transactions with Owners as Owners																
Increase/decrease in net assets from equity transfers (Note 28)	0	0	0	0	(35 356)	0	58	0	0	0	0	0	(35 356)	0	58	0
Dividend Provided	0	0	0	0	(24 000)	(27 254)	0	0	0	0	0	0	(24 000)	(27 254)	0	0
Total	0	0	0	0	(59 356)	(27 254)	58	0	0	0	0	0	(59 356)	(27 254)	58	0
Changes in Equity-other than transactions with owners as owners																
Surplus/(deficit) for the year	0	0	0	0	(2 242)	(39 622)	(5 174)	(15 761)	0	0	0	0	(2 242)	(39 622)	(5 174)	(15 761)
Increment/decrement on revaluation of:																
Land and buildings	0	0	0	0	432	0	432	0	19 734	9 182	(432)	9 182	20 166	9 182	0	9 182
Plant & Equipment	0	0	0	0	0	0	0	0	0	721	0	721	0	721	0	721
Library Books	0	0	0	0	0	0	0	0	0	2 195	0	2 195	0	2 195	0	2 195
Other Assets - Gold Exhibits	0	0	0	0	0	0	0	0	112	(1)	112	(1)	112	(1)	112	(1)

Notes to and forming part of the financial statements

FINANCIAL STATEMENTS - NSW DEPARTMENT OF PRIMARY INDUSTRIES

26. CHANGES IN EQUITY (continued)

	Capital				Accumulated Funds				Asset Revaluation Reserve				Total Equity			
	Consolidated		Parent		Consolidated		Parent		Consolidated		Parent		Consolidated		Parent	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Transfer to surplus/ (deficit) on disposal of available for sale financial assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other increases/ (decreases)	0	0	0	0	10 740	0	0	0	0	0	0	0	10 740	0	0	0
Total	0	0	0	0	8 930	(39 622)	(4 742)	(15 761)	19 846	12 097	(320)	12 097	28 776	(27 525)	(5 062)	(3 664)
Transfers within equity																
Asset revaluation reserve balance transferred to accumulated funds on disposal of asset	0	0	0	0	25 675	21 287	0	900	(25 675)	(21 287)	0	(900)	0	0	0	0
Total	0	0	0	0	25 675	21 287	0	900	(25 675)	(21 287)	0	(900)	0	0	0	0
Balance at the end of the financial year	421 706	421 706	0	0	1 078 629	1 101 963	171 127	174 395	625 627	631 456	138 068	138 388	2 125 962	2 155 125	309 195	312 783

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 part of the financial statements

27. COMMITMENTS FOR EXPENDITURE	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'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	0	0	0	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)	0	0	0	0
Infrastructure				
Aggregate capital expenditure for the acquisition of Infrastructure contracted for at balance date but not provided for:				
Not later than one year	205	116	205	116
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)	205	116	205	116
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	10 129	11 864	220	3 381
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)	10 129	11 864	220	3 381
(b) Other Expenditure Commitments				
Aggregate other expenditure contracted for the acquisition of goods and services contracted for at balance date but not provided for:				
Not later than one year	4 670	11 763	4 648	11 201
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)	4 670	11 763	4 648	11 201
(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	5 448	6 269	5 448	6 269
Later than one year but not later than 5 years	23 393	28 229	23 393	28 229
Later than 5 years	54 706	74 206	54 706	74 206
Total (including GST)	83 547	108 704	83 547	108 704
Representing:				
Non-cancellable operating leases	83 547	108 704	83 547	108 704
Other				
Future non-cancellable operating lease rentals not provided for and payable:				
Not later than one year	4 608	6 801	3 155	5 270

Notes to and forming part of the financial statements

27. COMMITMENTS FOR EXPENDITURE (continued)	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Later than one year but not later than 5 years	4 643	4 502	3 935	2 786
Later than five years	3 528	545	3 085	0
Total (including GST)	12 779	11 848	10 175	8 056
Representing:				
Non-cancellable operating leases	12 779	11 848	10 175	8 056

The total commitments includes input tax credits of \$1 161 217, 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, 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.

28. CONTINGENT LIABILITIES	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000

As at 30 June 2006 the Department has \$5.593m of outstanding court cases as set out by category below:

Negligence	0	80	0	80
Contamination	5	745	5	745
Minerals and mine safety	2 600	3 455	2 600	3 455
Personal Injury	1 380	1 533	1 380	1 380
Licence Validity	15	1 100	15	1 100
Appeals	35	3 250	35	3 250
Disputed Fish Seizure	90	100	90	100
Compulsory Acquisition	0	198	0	198
Disputed Legislation	1 468	0	1 468	0
	5 593	10 461	5 593	10 308

DPI is insured by the Treasury Managed Fund.

Forests NSW had several matters before the courts subject to due process under the law. These matters include amounts, which may or may not be incurred dependent on the court's determination. At balance date, potential claims can't be quantified. (2005: \$153 000).

29. BUDGET REVIEW

The budget process is finalised prior to the beginning of each financial year. Events can arise after that date that necessitate 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 \$31.608m over original budget. This is due mainly to expenditure supplementation associated with the continuance of the drought assistance program (\$8.327m), Caroonia expression of interest cost recovery (\$11.565m) and Voluntary Redundancies (\$6m).

Assets and liabilities

Current Assets are over budget as at 30 June 2005 by \$20.220m. Non Current Assets Held for Sale has contributed to this to the extent of \$15.215m. Receivables are over budget, principally because of the unbudgeted sales of goods and services towards the end of the year.

Current Liabilities are over budget by \$24.494m. This is largely due to liabilities associated with the provision of Personnel Services which were unbudgeted of (\$27.342m).

Cash flows

Cash Flows from Investing Activities is under budget by \$4.127m. This is due to higher than anticipated Proceeds of sales of Property, Plant and Equipment.

Notes to and forming part of the financial statements

30. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET COST OF SERVICES	2006 \$'000	2005 \$'000
Net cash used on operating activities	4 480	4 152
Cash Flows from Government/Appropriations	(284 361)	(331 265)
Acceptance by the Crown Entity of employee benefits and other liabilities	(16 185)	(26 576)
Depreciation and amortisation	(19 189)	(18 043)
Provision for doubtful debts	(695)	(110)
Non cash expenses	0	(4 687)
Non cash revenues/trade-ins received	473	251
Decrease/(Increase) in provisions	(29 003)	(2 875)
Increase/(Decrease) in receivables	37 493	2 196
Increase/(Decrease) in other financial assets	33	32
Increase/(Decrease) in prepayments and other assets	328	(691)
Decrease/(Increase) in creditors	378	3 854
(Increase)/Decrease in other current liabilities	0	677
Net gain/(loss) in sale of plant and equipment	121	1 167
Net cost of services	(306 126)	(371 918)
Forests		
Net/(loss) after income tax	2 836	(23 862)
	2 836	(23 862)
Adjusted for non-cash items:		
Depreciation	10 060	10 264
Loss/(Profit) on disposal of non-current assets	1 540	(3 193)
Write-down of plantation Asset Revocations and	5 383	1 750
Decrement to Profit and Loss from Revaluation	0	0
Revaluation (Increment)/Decrement - Native Forests	15 584	(29 557)
- Softwood Plantations	47 175	69 549
	79 742	48 813
Change in operating assets and liabilities		
Movement in receivables	(7 892)	(4 632)
Movement in inventories	24	609
Movement in creditors	3 459	3 491
Movement in provisions	(38 850)	5 160
Movement in Income tax	3 348	7 647
	(39 911)	12 275
Net cash inflow from operating activities	42 667	37 226

As at 30 June 2006 Forests NSW had \$5 000 000 available in unused credit a 'Come and Go' Facility held with NSW T-Corp.

Notes to and forming part of the financial statements

31. TRUST FUNDS	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000

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 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 these trust accounts.

Fisheries Research Development Corporation -				
Oyster Fishery Research Levy:				
Cash Balance at the beginning of the Financial Year	(13)	(26)	(13)	(16)
Add: Receipts	85	91	85	91
Less: Expenditure	(79)	(88)	(79)	(88)
Cash Balance at the end of the reporting period	(7)	(23)	(7)	(13)

Shellfish Quality Assurance Program Levy:				
Cash Balance at the beginning of the Financial Year	0	1	0	1
Add: Receipts	0	0	0	0
Less: Expenditure	0	(1)	0	(1)
Cash Balance at the end of the reporting period	0	0	0	0

Aquaculture Fishery Research Levy:				
Cash Balance at the beginning of the Financial Year	45	45	45	45
Add: Receipts	32	33	32	33
Less: Expenditure	(36)	(36)	(36)	(33)
Cash Balance at the end of the reporting period	41	42	41	45

Fisher Research Levy:				
Cash Balance at the beginning of the Financial Year	113	86	113	86
Add: Receipts	190	235	190	235
Less: Expenditure	(213)	(208)	(213)	(208)
Cash Balance at the end of the reporting period	90	113	90	113

b) Minerals Related Trust Funds 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	12 647	8 932	12 647	8 909
Add: Receipts -	2 895	4 743	2 895	4 743
Less: Expenditure	(3 732)	(1 005)	(3 732)	(1 005)
Balance at the end of the reporting period	11 810	12 670	11 810	12 647

Notes to and forming part of the financial statements

32. FISHERIES MANAGEMENT ACT - SPECIAL FISHERIES TRUST FUNDS	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
---	------------------------	------------------------	------------------------	------------------------

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 therefrom 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	814	568	814	568
Add: Revenue -				
Sales of goods and services	19	0	19	0
Investment income	21	(2)	21	(2)
Transfer from Saltwater Trust	2 500	2 500	2 500	2 500
Grants and contributions	0	148	0	148
	2 540	2 646	2 540	2 646
Less: Projects Funded*	(2 718)	(2 400)	(2 718)	(2 400)
	(2 718)	(2 400)	(2 718)	(2 400)
Balance at the end of the reporting period	636	814	636	814

* Of the 'projects funded' in 2006 and in prior periods, an amount of \$0.288m was unexpended at 30 June 2006. This amount will be carried forward into the various approved project budgets for 2006-7.

Recreational Fishing (Saltwater) Trust Fund				
Balance at the beginning of the Financial Year	4 073	1 661	4 073	1 661
Add: Revenue -				
Sales of goods and services	10	18	10	18
Investment income	249	58	249	58
Grants and contributions	0	1 424	0	1 424
Retained fees, Grants and contributions	10 897	10 032	10 897	10 032
	11 156	11 532	11 156	11 532
Less: Projects Funded*	(5 064)	(4 575)	(5 064)	(4 575)
Transfer to Freshwater Trust	(2 500)	(2 500)	(2 500)	(2 500)
Loan Repayment Transfer	(2 000)	(2 000)	(2 000)	(2 000)
Other	(57)	(45)	(57)	(45)
	(9 621)	(9 120)	(9 621)	(9 120)
Balance at the end of the reporting period	5 608	4 073	5 608	4 073

* Of the 'projects funded' in 2006 and in prior periods, an amount of \$1.040m was unexpended at 30 June 2006. This amount will be carried forward into the various approved project budgets for 2006-7.

Notes to and forming part of the financial statements

32. FISHERIES MANAGEMENT ACT - SPECIAL FISHERIES TRUST FUNDS (continued)	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Commercial Fishing Trust Fund				
Balance at the beginning of the Financial Year	3 816	3 959	3 816	3 959
Add: Revenue -				
Sales of goods and services	3 970	3 899	3 970	3 899
Investment income	264	172	264	172
	4 234	4 071	4 234	4 071
Less: Contribution to Department activities*	(3 576)	(4 214)	(3 576)	(4 214)
	(3 576)	(4 214)	(3 576)	(4 214)
Balance at the end of the reporting period	4 474	3 816	4 474	3 816

* 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, moneys allocated from this trust fund are not 'project specific' and thus there is no carry forward into the next financial year.

Fish Conservation Trust Fund				
Balance at the beginning of the Financial Year	201	118	201	118
Add: Revenue -				
Sales of goods and services	92	97	92	97
Investment income	10	11	10	11
	102	108	102	108
Less: Projects Funded*	(223)	(25)	(223)	(25)
	(223)	(25)	(223)	(25)
Balance at the end of the reporting period	80	201	80	201

* Of the 'projects funded' in 2006 and in prior periods, an amount of \$0.029m was unexpended at 30 June 2006. This amount will be carried forward into the various approved project budgets for 2006-07.

Aquaculture Trust Fund				
Balance at the beginning of the Financial Year	177	217	177	217
Add: Revenue -				
Sales of goods and services	267	501	267	501
Investment income	26	11	26	11
Grants and Contributions	222	100	222	100
	515	612	515	612
Less: Contribution to Department activities*	(586)	(648)	(586)	(648)
Other (Bad debts expense)	(5)	(4)	(5)	(4)
	(591)	(652)	(591)	(652)
Balance at the end of the reporting period	101	177	101	177

Notes to and forming part of the financial statements

32. FISHERIES MANAGEMENT ACT - SPECIAL FISHERIES TRUST FUNDS (continued)	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
---	------------------------------	------------------------------	------------------------------	------------------------------

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

Charter Fishing Trust Fund				
Balance at the beginning of the Financial Year	93	75	93	75
Add: Revenue -				
Sales of goods and services	149	120	149	120
Investment income	8	3	8	3
	157	123	157	123
Less: Projects Funded*	(65)	(105)	(65)	(105)
	(65)	(105)	(65)	(105)
Balance at the end of the reporting period	185	93	185	93

* Of the 'projects funded' in 2006 and in prior periods, an amount of \$0.108m was unexpended at 30 June 2006. This amount will be carried forward into the various approved project budgets for 2006-07.

33. ADMINISTERED ASSETS AND LIABILITIES	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'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 - Loan made to the Administrator of NSW Grains Board	0	2 743	0	2 743
Receivables - Royalties/Mining lease (less Provision for Doubtful Debts)	2 255	100	2 255	100
Receivables - Fisheries	0	94	0	94
	2 255	2 937	2 255	2 937
Administered Liabilities				
Payables - Royalties	1 844	1 227	1 844	1 227
Income received in Advance	92 055	0	92 055	0
Payables - NSW Treasury Corporation	2 980	2 966	2 980	2 966
	96 879	4 193	96 879	4 193

Notes to and forming part of the financial statements

34. ADMINISTERED REVENUES	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000

The following monies have been collected on behalf of the Crown Entity and forwarded to NSW Treasury:

Fees	10 978	3 224	10 978	3 224
Fines	496	646	496	646
Licences	107	436	107	436
Plant Disease Inspections	14	50	14	50
Reimbursement of Employers Superannuation	277	210	277	210
Unclaimed Monies	12	39	12	39
Payment of Long Service Leave	628	311	628	311
Royalty on Minerals	514 221	396 348	514 221	396 348
	526 733	401 264	526 733	401 264

The following monies have been collected on behalf of the NSW Treasury Corporation:

Repayments of NSW Grains Board Loan	1 297	3 328	1 297	3 328
-------------------------------------	-------	-------	-------	-------

35. 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.

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.

36. MARINE PARKS FUND

The Department administers jointly with the Department of Environment and Conservation, certain assets on behalf of the Marine Parks Authority. These assets are 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 2005-06 were \$5.932m and \$6.002m respectively, leaving a balance of \$0.075m as at 30 June 2006 (balance as at 30 June 2005 was \$0.143m).

Notes to and forming part of the financial statements

37. 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 2006 was \$69.682m.

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 2006 was \$29.994m.

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 2006 was \$0.559m. 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 2006 was \$36.013m.

Treasury Advances

The Department has advances of \$29.745m (2005-\$35.728m) 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:

	2006 \$'000	2005 \$'000
Less than one year	6 939	6 875
One to five years	10 905	15 778
Greater than five years	11 901	13 075
	29 745	35 728

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

Recognised Financial Instruments	Accounting Policies	Terms and Conditions
i) Financial Assets		
Cash	Short-term deposits are stated at net realisable value. Interest is recognised in the income statement when earned	Cash is deposited at call
Receivables	Trade receivables are carried at nominal amounts due less any provision for doubtful debts. A provision is recognised when the collection of the amount is no longer probable.	Credit sales are generally on 7, 14 or 30 day settlement terms.

Notes to and forming part of the financial statements

Other Financial Assets	Investments are stated at net realisable value. Interest and movements in market value are recognised in the income statement when earned	All Investments during the year were at call
ii) Financial Liabilities		
Accounts Payable and Other Creditors	Liabilities are recognised for amounts to be paid in the future for goods and services received.	Trade liabilities are settled within 30 days of the month in which they are incurred in line with NSW Government policy.
Interest-Bearing Loans and Borrowings	Liabilities for loans are recognised at the time of entering into the arrangement.	A liquidity risk policy has been adopted by which no more than 25% of the total debt matures in any one year. All borrowings are sourced from the NSW Treasury Corporation

38. IMPACT OF THE ADOPTION OF AEIFRS

The Department has determined the key areas where changes in accounting policies impact the financial report. Some of these impacts arise because AEIFRS requirements are different from existing AASB requirements (AGAAP). Other impacts arise from options in AEIFRS. To ensure consistency at the whole of government level, NSW Treasury has advised agencies of options it has mandated for the NSW Public Sector.

NSW Treasury elected to defer the application of AASB 132 & AASB 139 regarding financial instruments and AASB 4 & AASB 1023 regarding insurance contracts, until 1 July 2005. As a result, comparative information for these Standards is presented under previous AGAAP which applied to the year ended 30 June 2005. Under AASB 1.36A, this fact must be disclosed together with the basis used to prepare the comparative information, and the main adjustments that would make the information comply with the Standards (but need not be quantified). Further AASB 1 requires adjustments at 1 July 2005 on initial application of these Standards must be treated as arising from a change in accounting policy and agencies must make the disclosures required by AASB 108.28(a)-(e) and (f)(i).

NSW DPI has applied the AEIFRS for the first time in the 2005-06 financial report. The key areas where changes in accounting policies have impacted the financial report are disclosed below. Some of these impacts arise because AEIFRS requirements are different from previous AASB requirements (AGAAP). Other impacts arise from options in AEIFRS that were not available or not applied under previous AGAAP. NSW DPI has adopted the options mandated by NSW Treasury for all NSW public sector agencies. The impacts below reflect NSW Treasury's mandates and policy decisions.

The impacts of adopting AEIFRS on total equity and surplus/(deficit) as reported under previous AGAAP are shown below. There are no material impacts on NSW DPI's cash flows.

DPI Reconciliation of surplus/(deficit) under previous AGAAP to surplus/(deficit) under AEIFRS:

Year ended 30 June 2005	Notes	\$000
Surplus/(deficit) under previous AGAAP		15 761
Recognition of major inspection costs	i	0
Recognition of depreciation and finance costs for the provision for restoration costs	ii	0
Write back of depreciation and recognition of fair value adjustments for investment properties	iii	0
Research costs expensed	iv	0
Borrowing costs expensed		0
Effect of discounting long term annual leave		0
Recognition of inventories held for distribution		0
Effect of classifying as assets held for sale		0
Surplus/(deficit) under AEIFRS		15 761

Based on the above, application of AEIFRS in 2004-05 has had no impact on the Net Cost of Services for DPI.

Notes to and forming part of the financial statements

Notes to tables above:

- i. AASB 116 requires major inspection costs to be recognised in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied. Under previous AGAAP, these costs were expensed as incurred. The fair value and depreciation component associated with the major inspection costs were re-allocated as a portion of the recognised value of the related asset. This increased the net carrying amount of property, plant and equipment and increased the depreciation expense. In addition, the repairs and maintenance expense decreased.
- ii. AASB 116 requires the cost and fair value of property, plant and equipment to be increased to include the estimated restoration costs, where restoration provisions are recognised under AASB 137 Provisions, Contingent Liabilities and Contingent Assets. This treatment was not required under previous AGAAP. As a result, the provision, net carrying amount of property, plant and equipment, depreciation expense and finance costs related to the unwinding of the restoration provision have all increased.
- iii. Under AASB 140 Investment Property and NSW Treasury's mandates, investment property is recognised at fair value. In contrast to previous treatment as property, plant and equipment, investment property recognised at fair value is not depreciated and changes in fair value are recognised in the operating statement, rather than the asset revaluation reserve. Any asset revaluation reserve balances relating to such property have been written back to accumulated funds. Unrealised gains recognised in the operating statement have increased and depreciation expense has decreased as a consequence.
- iv. AASB 138 Intangible Assets requires all research costs to be expensed and restricts the capitalisation of development costs. Previous AGAAP permitted some research and development costs to be capitalised when certain criteria were met. As a result, some previously recognised intangible assets have been derecognised. Further, intangibles can only be revalued where there is an active market. As there is no active market for the intangibles held by the DPI, revaluation increments and decrements have been derecognised and intangible assets recognised at cost less accumulated amortisation and impairment losses. This has reduced the amount of intangible assets and decreased the amortisation expense. The research expense has increased.

Forests NSW

(i) Forests NSW has applied the AEIFRS for the first time in the 2005-06 financial report. The key areas where changes in accounting policies have impacted the financial report are disclosed below. Some of these impacts arise because AEIFRS requirements are different from previous AASB requirements (AGAAP). Other impacts arise from options in AEIFRS that were not available or not applied under previous AGAAP. Forests NSW has adopted the options mandated by NSW Treasury for all NSW public sector agencies. The impacts below reflect Treasury's mandates and policy decisions.

The impacts of adopting AEIFRS on total equity and surplus/(deficit) as reported under previous AGAAP are shown below. In accordance with NSW Treasury's indicative mandates, Forests NSW applied the exemption provided in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards not to apply the requirements of AASB 132 Financial Instruments: Presentation and Disclosures and AASB 139 Financial Instruments: Recognition and Measurement for the financial year ended 30 June 2005. These standards applied from 1 July 2005. None of the information provided above includes any impacts for financial instruments. There are no material impacts on the Forests NSW cash flows.

Reconciliation of Total Equity under previous Accounting Standards (AGAAP) to equity under AEIFRS:	Notes	30/06/05** Statutory Corporation \$'000	01/07/04* Statutory Corporation \$'000
Total Equity Under Previous AGAAP		2 102 919	2 127 270
Adjustments to accumulated funds			
Effect of valuing individually rather than by class	1	10 676	10 676
Derecognition of Provisions [AASB 137]	2	1 383	1 234
Write back asset revaluation reserve for investment properties	3	3 574	3 393
Defined benefit superannuation adjustment for change in discount rate	4	(39 761)	(20 855)
Effect of discounting long-term annual leave	5	135	141
Tax effect adjustment	6	2 651	10 834
Grant Revenue accrued (AASB 120)	7	(13 851)	(13 851)
Adjustments to other reserves			
Effect of valuing individually rather than by class	1	(10 676)	(10 676)
Write back asset revaluation reserve for investment properties	3	(3 393)	(3 393)
Tax effect adjustment	6	(211 315)	(217 431)
Total equity under AEIFRS		1 842 342	1 887 342

*= adjustments as at the date of transition

**= cumulative adjustments as at the date of transition plus the year ended 30 June 2005

Notes to and forming part of the financial statements

Impact of Adopting of AIFRS (continued)

Notes to table above

1. AASB 116 Property, Plant and Equipment requires for-profit entities to offset revaluation increments and decrements on an individual asset basis, rather than on a class basis. This change decreased accumulated funds and increased asset revaluation reserve
2. AASB 116 requires the cost and fair value of property, plant and equipment to be increased to include the estimated restoration costs, where restoration provisions are recognised under AASB 137 Provisions, Contingent Liabilities and Contingent Assets. This treatment was not required under previous AGAAP. As a result, the provision, net carrying amount of property, plant and equipment, depreciation expense and finance costs related to the unwinding of the restoration provision have all increased
3. Under AASB 140 Investment Property and NSW Treasury's mandates, investment property is recognised at fair value. In contrast to the previous treatment as property, plant and equipment, investment property recognised at fair value is not depreciated and changes in fair value are recognised in the income statement, rather than the asset revaluation reserve. Any asset revaluation reserve balances relating to such property have been written back to accumulated funds. Unrealised gains recognised in the income statement have increased and depreciation expense has decreased as a consequence
4. AASB 119 Employee Benefits requires the defined benefit superannuation obligation to be discounted using the government bond rate as at each reporting date, rather than the long-term expected rate of return on plan assets. This will increase the defined benefit superannuation liability (or decrease the asset in an overfunded position) and change the quantum of the superannuation expense.
5. AASB 119 Employee Benefits AASB 119 requires present value measurement for all long-term employee benefits. Previous AGAAP provides that wages, salaries, annual leave and sick leave are measured at nominal value in all circumstances. Forests NSW has long-term annual leave benefits and accordingly will measure these benefits at present value rather than nominal value, thereby decreasing the employee benefits liability and changing the quantum of the annual leave expense.
6. AASB 112 Income Taxes uses a balance sheet approach which requires the differences between the accounting and tax value of assets and liabilities to be recognised as deferred tax assets or liabilities. Previous AGAAP used an income statement method that accounted for income tax by adjusting accounting profit for temporary and permanent differences to determine taxable income. The AASB 112 approach alters the quantum and timing of tax assets and liabilities recognised. The balance sheet approach resulted in the recognition of a deferred tax liability in relation to revalued assets that were not recognised under previous AGAAP. This also changed the quantum and timing of the tax expense
7. AASB 120 Accounting for Government Grants and Disclosure of Government Assistance requires for-profit entities to spread income recognition over the period necessary to match related costs. This has delayed income recognition and increased liabilities. Under previous AGAAP, grants were normally recognised revenue when received.

(ii) Reconciliation of Profit before tax under previous AGAAP to that under AIFRS

	Notes	Statutory Corporation 2005 \$ '000
Prior year profit before tax as previous reported		7 656
Defined benefit superannuation adjustment for change in discount rate	1	(18 907)
Effect of discounting long-term Employees' related costs	2	155
Derecognition of Provisions	3	(10)
Write back of Depreciation for Investment Property	4	181
Prior year Loss before tax under AIFRS		(10 925)

Notes to tables above

1. AASB 119 Employee Benefits requires the defined benefit superannuation obligation to be discounted using the government bond rate as at each reporting date, rather than the long-term expected rate of return on plan assets. Where the superannuation obligation is not assumed by the Crown, this will increase the defined benefit superannuation liability (or decrease the asset for those agencies in an overfunded position) and change the quantum of the superannuation expense.
2. AASB 119 requires present value measurement of all long term benefits. Previous AGAAP provided that annual leave was measured at nominal value in all circumstances. Forests NSW has long term annual leave benefits that are now measured at present value rather than at nominal value. This has decreased the employee benefits liability and employee benefits expense.
3. AASB 137 requires extinguishment and adjustments to all general and not specific provisions.
4. Under AASB 140 Investment Property and NSW Treasury's mandates, investment property are recognised at fair value. In contrast to previous treatment as property, plant and equipment, investment property recognised at fair value is not depreciated and changes in fair value are recognised in the income statement, rather than the asset revaluation reserve. Any asset revaluation reserve balances relating to such property have been written back to accumulated funds. Unrealised gains recognised in the operating statement have increased and depreciation expense has decreased as a consequence

Notes to and forming part of the financial statements

(iii) Financial Instruments - 1 July 2005 first time adoption impacts

As discussed in 1(w) the comparative information for 2004-05 for financial instrument has not been restated and is presented in accordance with previous AGAAP (refer 1(w) above). AASB 132 and AASB 139 have been applied from 1 July 2005. Accordingly, the 1 July 2005 AEIFRS opening equity adjustments for the adoption of AASB 132/ASB 139 follow and there is nil effect on the restated opening 1st July, 2005 AEIRS equity.

Statutory Corporation				
	Note	Accumulated Funds \$ '000	Other Reserves \$ '000	Total \$ '000
Total opening 1st July, 2005 AEIFRS equity		927 568	493 068	1 420 636
Adjustment as a result of change to impairment	1	-	-	-
Movements in Fair Value recognised in the asset revaluation reserve rather than through the profit and loss	2	-	-	-
Interest-free loan measured at fair value on initial recognition	3	-	-	-
Medium and long term Hour Glass growth facilities -change to bid price	4	-	-	-
Financial instruments held for trading	5	-	-	-
Available for sale financial assets	6	-	-	-
Restated opening 1st, July 2005 AEIFRS equity (after applying AASB 139)		927 568	493 068	1 420 636

Notes to table above:

- 1. Impairment testing.* Under AASB 139, all financial assets except those measured at fair value through profit or loss is subject to review for impairment. The Standard requires a specific impairment test which needs to be supported by objective evidence that the group of assets is impaired or uncollectible. This means that agencies can no longer raise a general provision for doubtful debts. As a result, the allowance for impairment recognised under previous AGAAP has been reduced.
- 2. Movements in fair value recognised in the asset revaluation reserve rather than through the profit or loss.* Under AASB 139, net gains on 'available for sale' financial assets are recognised through the asset revaluation reserve. Previously, where these assets were measured at fair value and classified as 'current' assets, movements in fair value were recognised through profit or loss. This change has resulted in the reclassification of these gains from accumulated funds to the reserves.
- 3. Interest-free and low interest loans.* Under AASB 139, these types of loans must initially be recognised at fair value, and thereafter at amortised cost. The fair value of a long-term loan receivable that carries no interest or below market interest is estimated as the present value of all future cash receipts, discounted using the prevailing market rates of interest for a similar instrument with a similar credit rating (based on the NSW TCorp government bond rate). Any additional amount lent is an expense or grant unless it qualifies for recognition as some other type of asset. Amortisation of the loan is recognised as investment revenue. Previously, such loans were measured at nominal amount or face value, with no grant or expense recognised. This change has reduced the amount of the loan receivable.
- 4. Medium and long term TCorp Hour Glass growth facilities – change to bid price.* Under AASB 139, these facilities are measured using the 'bid' price, rather than 'mid-point' market prices. This results in the opening balance on 1 July 2005 being slightly lower than the closing balance on 30 June 2005 under previous AGAAP.
- 5. Financial instruments held for trading.* Under AASB 139, financial assets and financial liabilities held for trading (including derivatives) must be recognised at fair value through profit or loss. Previously, derivatives were not recognised in the balance sheet (disclosed in the notes only) and other financial instruments that are now regarded as held for trading were recognised at amortised cost. This change has increased the recognised financial assets and unrealised gains/losses.
- 6. Available for sale financial assets.* Under AASB 139, available for sale financial assets are recognised at fair value through a reserve. Previously, some of these assets were recognised at amortised cost. This change has increased the financial assets and other reserves.

END OF AUDITED FINANCIAL STATEMENTS