

# FINANCIAL STATEMENTS

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New South Wales

## DEPARTMENT OF PRIMARY INDUSTRIES

### 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

A handwritten signature in black ink, appearing to read "B. Buffier".

**B BUFFIER  
DIRECTOR-GENERAL**

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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:

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

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

### The Director-General's Role

The financial report is the responsibility of the Director-General of the Department of Primary Industries. It consists of the statements of financial position, the statements of financial performance, the statements of cash flows, the program statement – expenses and revenues, the summary of compliance with financial directives and the accompanying notes for the Department of Primary Industries and the consolidated entity. The consolidated entity comprises the Department of Primary Industries and the entities controlled at the year's end or during the financial year.

### The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me 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 and Assurance Standards and statutory requirements, and I:
- evaluated the accounting policies and significant accounting estimates used by the Director-General in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other 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 of Primary Industries 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 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 FCA  
Director, Financial Audit Services

SYDNEY  
30 November 2005

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

	Notes	Consolidated Actual 2005 \$'000	Parent Actual 2005 \$'000	Parent Budget 2005 \$'000
<b>Expenses</b>				
Operating expenses				
Employee related	2(a)	307 343	241 427	216 529
Other operating expenses	2(b)	165 659	122 573	84 708
Maintenance		7 046	7 046	7 643
Depreciation	2(c)	28 191	18 043	15 113
Grants & subsidies	2(d)	47 738	57 295	37 077
Borrowing Costs	2(e)	1 390	1 390	1 556
Other expenses	2(f)	10 915	10 915	7 783
Contract Harvest and Haulage		76 893	0	0
Decrement in market value of SGARA		39 992	0	0
<b>Total Expenses</b>		<b>685 167</b>	<b>458 689</b>	<b>370 409</b>
Less:				
<b>Retained Revenue</b>				
Sale of goods and services	3(a) 1d (ii)	112 508	23 092	29 771
Investment income	3(b)	135 983	4 441	2 263
Retained Fees	3(c) 1d(iv)	10 032	10 032	8 600
Grants and contributions	3(d)	47 017	37 033	38 239
Other revenue	3(e)	11 006	11 006	150
<b>Total Retained Revenue</b>		<b>316 546</b>	<b>85 604</b>	<b>79 023</b>
Gain / (loss) on disposal of non-current assets	4	4 359	1 167	200
<b>Net Cost of Services</b>	<b>28</b>	<b>364 262</b>	<b>371 918</b>	<b>291 186</b>
Government Contributions				
Recurrent appropriation	8	300 310	300 310	247 413
Capital appropriation	8	22 911	22 911	22 963
Acceptance by the Crown Entity of employee benefits and other liabilities	9	32 936	32 936	6 134
<b>Total Government Contributions</b>		<b>356 157</b>	<b>356 157</b>	<b>276 510</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>				
		(8 105)	(15 761)	(14 676)
Income tax equivalent expense	6	(4 753)	0	0
<b>SURPLUS / (DEFICIT) FOR THE YEAR FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE</b>				
		(12 858)	(15 761)	(14 676)
<b>TOTAL REVENUES EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY</b>				
		12 097	12 097	0
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS</b>				
	24	(761)	(3 664)	(14 676)

The accompanying notes form part of these statements

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

	Notes	Consolidated Actual 2005 \$'000	Parent Actual 2005 \$'000	Parent Budget 2005 \$'000
<b>ASSETS</b>				
Current Assets				
Cash	11	75 799	69 682	60 092
Receivables	12	64 166	13 050	10 207
Inventories	13	14 087	7 136	7 388
Other Financial Assets	14	2 260	0	3 038
Other	15	11 489	1 777	2 994
<b>Total Current Assets</b>		<b>167 801</b>	<b>91 645</b>	<b>83 719</b>
Non-Current Assets				
Other financial assets	14	798	798	(5 455)
<b>Property Plant and Equipment</b>				
- Land and Buildings	16	990 092	218 067	208 749
- Plant and Equipment	16	87 370	52 443	61 039
- Infrastructure Systems	16	120 917	27 756	31 602
- Digital Imaging System	16	2 359	2 359	0
- Property Plant and Equipment in the course of construction	16	6 068	0	0
<b>Total Property Plant and Equipment</b>		<b>1 206 806</b>	<b>300 625</b>	<b>301 390</b>
Self Generating & Regenerating Assets				
Deferred income tax asset	17	1 594 934	0	0
		12 908	0	0
<b>Total Non-Current Assets</b>		<b>2 815 446</b>	<b>301 423</b>	<b>295 935</b>
<b>Total Assets</b>		<b>2 983 247</b>	<b>393 068</b>	<b>379 654</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	19	44 101	12 033	11 548
Interest Bearing Liabilities	20	34 980	5 615	5 153
Provisions	22	32 389	24 914	21 155
Other	23	2 334	2 334	3 166
Dividend Provided	21	27 254	0	0
Current tax liability		855	0	0
<b>Total Current Liabilities</b>		<b>141 913</b>	<b>44 896</b>	<b>41 022</b>
<b>Non-Current Liabilities</b>				
Interest Bearing Liabilities	20	138 810	30 113	13 345
Provisions	22	30 741	5 276	5 163
Deferred income tax liability		256 081	0	0
<b>Total Non-Current Liabilities</b>		<b>425 632</b>	<b>35 389</b>	<b>18 508</b>
<b>Total Liabilities</b>		<b>567 545</b>	<b>80 285</b>	<b>59 530</b>
<b>Net Assets</b>		<b>2 415 702</b>	<b>312 783</b>	<b>320 124</b>
<b>EQUITY</b>				
Capital	24	421 706	0	0
Reserves	24	856 840	138 388	127 191
Accumulated funds	24	1 137 156	174 395	192 933
<b>Total Equity</b>		<b>2 415 702</b>	<b>312 783</b>	<b>320 124</b>

The accompanying notes form part of these statements

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2005

	Notes	Consolidated Actual 2005 \$'000	Parent Actual 2005 \$'000	Parent Budget 2005 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Payments</b>				
Employee related		(291 678)	(212 873)	(201 564)
Grants and subsidies		(47 738)	(57 295)	(37 077)
Borrowing Costs		(1 390)	(1 390)	(1 196)
Other		(295 520)	(153 337)	(111 031)
Income Taxes Paid		(6 249)	0	0
<b>Total Payments</b>		<b>(642 575)</b>	<b>(424 895)</b>	<b>(350 868)</b>
<b>Receipts</b>				
Sale of goods and services		303 740	36 082	29 731
Retained Fees		10 032	10 032	0
Interest received		4 279	3 879	2 011
Other		34 637	47 789	57 596
<b>Total Receipts</b>		<b>352 688</b>	<b>97 782</b>	<b>89 338</b>
<b>Cash Flows from Government</b>				
Recurrent appropriation		301 994	301 994	247 413
Capital appropriation		22 911	22 911	22 963
Cash reimbursement from the Crown Entity		6 360	6 360	6 134
<b>Net Cash Flows From Government</b>		<b>331 265</b>	<b>331 265</b>	<b>276 510</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>28</b>	<b>41 378</b>	<b>4 152</b>	<b>14 980</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of Land and Buildings Plant and Equipment and Infrastructure Systems		5 790	3 321	300
Advance repayments received		0	0	3 230
Purchases of Land and Buildings Plant and Equipment and Infrastructure Systems		(35 114)	(23 146)	(26 543)
Payments for SGARAs (plantn estab)		(19 563)	0	0
Capitalised Interest on Borrowings		(7 232)	0	0
<b>NET CASH FLOWS FROM INVESTINGACTIVITIES</b>		<b>(56 119)</b>	<b>(19 825)</b>	<b>(23 013)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from borrowings and advances		43 789	14 000	0
Repayment of borrowings and advances		(13 804)	(804)	(4 034)
Dividends paid		(13 096)	0	0
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>16 889</b>	<b>13 196</b>	<b>(4 034)</b>
<b>NET INCREASE/(DECREASE) IN CASH</b>		<b>2 148</b>	<b>(2 477)</b>	<b>(12 067)</b>
Opening cash and cash equivalents		75 911	72 159	67 085
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>11</b>	<b>78 059</b>	<b>69 682</b>	<b>55 018</b>

The accompanying notes form part of these statements

## SUPPLEMENTARY FINANCIAL STATEMENT

## PROGRAM STATEMENT - EXPENSES AND REVENUES FOR THE YEAR ENDED 30 JUNE 2005

AGENCY'S EXPENSES & REVENUES	Agriculture Industries * 2005 \$'000	Fisheries Industries * 2005 \$'000	Mineral Industries * 2005 \$'000	Not Attributable 2005 \$'000	Parent Actual 2005 \$'000	Consolidated Actual 2005 \$'000
<b>Expenses</b>						
Operating expenses						
Employee related	171 613	36 998	32 816	0	241 427	241 427
Other operating expenses	83 332	17 989	21 252	0	122 573	122 573
Maintenance	5 626	705	715	0	7 046	7 046
Depreciation and amortisation	14 314	2 182	1 547	0	18 043	18 043
Borrowing Costs	0	1 390	0	0	1 390	1 390
Grants & subsidies	56 829	431	35	0	57 295	57 295
Other expenses	8 318	896	1 701	0	10 915	10 915
<b>Total Expenses</b>	<b>340 032</b>	<b>60 591</b>	<b>58 066</b>	<b>0</b>	<b>458 689</b>	<b>458 689</b>
<b>Retained Revenue</b>						
Sale of goods and services	16 654	5 643	795	0	23 092	23 092
Investment income	3 329	651	461	0	4 441	4 441
Retained Fees	0	10 032	0	0	10 032	10 032
Grants and contributions	31 555	5 460	18	0	37 033	37 033
Other revenue	9 924	255	827	0	11 006	11 006
<b>Total Retained Revenue</b>	<b>61 462</b>	<b>22 041</b>	<b>2 101</b>	<b>0</b>	<b>85 604</b>	<b>85 604</b>
Gain / (loss) on disposal of non-current assets	244	926	(3)	0	1 167	1 167
<b>Net Cost of Services</b>	<b>278 326</b>	<b>37 624</b>	<b>55 968</b>	<b>0</b>	<b>371 918</b>	<b>371 918</b>
Government contributions **				356 157	356 157	356 157
<b>NET EXPENDITURE/(REVENUE) FOR THE YEAR</b>	<b>278 326</b>	<b>37 624</b>	<b>55 968</b>	<b>(356 157)</b>	<b>15 761</b>	<b>15 761</b>
<b>ADMINISTERED REVENUES</b>						
Transfer receipts						
Consolidated Fund						
- Taxes fees and fines				3 870	3 870	3 870
- Other				397 394	397 394	397 394
<b>Total Administered Revenues</b>				<b>401 264</b>	<b>401 264</b>	<b>401 264</b>

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

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

Forests NSW do not have the mechanism to disclose their expenses and revenues in the form above.

## SUPPLEMENTARY FINANCIAL STATEMENT

## PARENT – SUMMARY OF COMPLIANCE WITH FINANCIAL DIRECTIVES

	2005			
	RECURRENT APPROPRIATION	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND	CAPITAL APPROPRIATION	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND
	\$'000	\$'000	\$'000	\$'000
<b>ORIGINAL BUDGET APPROPRIATION/EXPENDITURE</b>				
Appropriation Act	247 413	248 089	22 963	22 911
	<b>247 413</b>	<b>248 089</b>	<b>22 963</b>	<b>22 911</b>
<b>OTHER APPROPRIATIONS / EXPENDITURE</b>				
Treasurer's Advance	4 060	4 060	0	0
Section 22 - expenditure for certain works and services	0	0	0	0
Section 27 - transfers from another agency	55 612	48 161	0	0
<b>Total Appropriation / Expenditure / Net Claim on Consolidated Fund</b>	<b>307 085</b>	<b>300 310</b>	<b>22 963</b>	<b>22 911</b>
<b>Amount drawn down against Appropriation</b>		<b>302 644</b>		<b>22 911</b>
<b>Liability to Consolidated Fund</b>		<b>2 334</b>		<b>0</b>

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 27.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Reporting Entity

The Department of Primary Industries ('the Department') was established by the Public Sector Employment & Management (Department of Primary Industries) Order 2004 made on 23rd June 2004. The Department comprises the former Department of Agriculture the former Department of Mineral Resources the former NSW Fisheries and Forests NSW.

For the purposes of financial reporting budget sector activities performed within the Department (being all activities originating from the Department of Primary Industries and Forests NSW) comprise a reporting entity and are referred to in these Consolidated Statements and accompanying notes as the 'Agency'.

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 is also a reporting entity.

Accordingly separate financial statements have been prepared for the Agency and Forests NSW. In the case of the Agency 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 reporting entity is consolidated as part of the NSW Total State Sector Accounts.

With regard to the following Notes where reference is made to 'Agency' it refers to the total activities of the Department of Primary Industries. A reference to the 'Parent' relates to activities of the former budget sector Departments of Agriculture Fisheries and Mineral Resources and a reference to 'Forests NSW' relates to the former Forests NSW.

### (b) Basis of Accounting

The financial statements for the Agency comprise a general purpose financial report which has been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards;
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Urgent Issues Group (UIG) Consensus Views;
- the requirements of the *Public Finance and Audit Act 1983* and Regulations; and
- the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under section 9(2)(n) of the Act.

The report of the Agency comprise all activities undertaken within the Department including all entities under its control (refer (i) below). The Agency administers activities under the Agricultural Scientific Collections Trust Act and the Ovine Johnes Disease Eradication legislation. The Agency also encompasses funds which while containing assets that are restricted

for specific uses by the grantor or donor are nevertheless controlled by the Department.

As this is the first year of operation of the Agency no comparative prior year information is available.

The amounts in the Financial Statements have been rounded off to the nearest thousand dollars unless specifically stated to be otherwise.

### (c) Administered Activities

The Agency 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 Agency'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 Assets and Liabilities' and 'Administered Revenues' in Notes 32 and 33.

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

### (d) Revenue Recognition

#### Parent

Revenue is recognised when the Agency has control of the good or right to receive it is probable that the economic benefits will flow to the Agency and the amount of revenue can be measured reliably. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

#### (i) Appropriations and Contributions from Other Bodies

Parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as revenues 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 23 as part of 'Current/Non-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 32 'Administered Assets and Liabilities'.

#### (ii) Sale of Goods and Services

Revenue from the sale of goods and services comprises revenue from the provision of products and services i.e. user charges. User charges are recognised as revenue when the Agency obtains control of the assets that result from them and the amount of revenue can be measured reliably.

#### (iii) Investment Income

Interest revenue is recognised as it accrues. Dividend revenue is recognised when the agency's right to receive payment is established.

## Notes to and forming part of the financial statements

### (iv) Retained Fees

Retained fees held by the Agency are recognised as revenues when and only when the Agency obtains control of the asset that results from them and the amount of revenue can be measured reliably.

## 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.

## (e) 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 are 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.

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.

#### ii) Long Service Leave and Superannuation

The Agency'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'.

Long service leave is measured using the present value basis of measurement. The current portion of long service leave is that considered to be taken within twelve months of 30 June. Treasury has advised that ten percent of total long service leave should fall into this category.

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

## Forests NSW

### (i) 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.

### (ii) 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 calculated triennially by the Government Actuary with the last assessment completed at the 30th June 2003.

### (iii) 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.

### (iv) 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.

### (v) 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 2004. In addition separate insurance cover is held with private insurance companies for excess total incident and total claims costs.

## (f) Borrowing Costs

### Agency

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).

## Forests NSW

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

**(g) Insurance****Parent**

The Parent'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 experience.

**(h) Taxation****Agency**

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)

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.

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is 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.

Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

**(i) Acquisition of assets****Parent**

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Agency. Cost is determined as the fair value of the assets given as consideration plus the costs incidental to the acquisition.

Assets acquired at no cost or for nominal consideration are initially recognised as assets and revenues at their fair value at the date of acquisition. Fair value means the amount for which an asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction.

**(j) Plant and Equipment****Parent**

Plant and equipment costing \$5 000 and above individually are capitalised.

**(k) Revaluation of Physical Non-Current Assets****Parent**

Physical non-current assets are valued in accordance with the "Guidelines for the Valuation of Physical Non-Current Assets at Fair Value" (TPP 03-02). This policy adopts fair value in accordance with AASB 1041 from financial years beginning on or after 1 July 2002. There is no substantive difference

between the fair value valuation methodology and the previous valuation methodology adopted by the NSW public sector.

Where available fair value is determined having regard to the highest and best use of the asset on the basis of current market selling prices for the same or similar assets. Where market selling price is not available the asset's fair value is measured as its market buying price ie the replacement cost of the asset's remaining future economic benefits. The Agency is a not for profit entity with no cash generating operations.

Each class of physical non-current assets is revalued every five years and 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 performed by the State Valuation Office in May 2004. The Fisheries portion was last valued during 2005 by the Department of Commerce.

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 to reflect the present condition of the assets the gross amount and the related accumulated depreciation is separately restated.

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

Revaluation increments are credited directly to the asset revaluation reserve except that to the extent that an increment 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.

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****(i) Property Plant & Equipment****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 2005 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.

## Notes to and forming part of the financial statements

### **Roads & Bridges**

Major Roads and Bridges have been independently revalued by the SVO at 30 June 2003 on the basis of written down replacement cost which approximates fair value. The carrying value as at 30 June 2005 approximates to the 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.

Independent valuations will be performed at least triennially for Roads and Bridges with purchases in the intervening periods taken to account at cost.

### **Motor Vehicles and Mobile Plant**

Motor vehicles and Mobile Plant were revalued at 30 June 2003 by management. The carrying value as at 30 June 2005 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 2003 by management. The carrying value as at 30 June 2005 approximates to the fair value. Aircraft were revalued by Melream Pty Ltd at 30 June 2003. Other assets are stated at written down value as at 30 June 2004 which approximates fair value.

### **(ii) Self generating and Regenerating Assets**

#### **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 Statement of Financial Performance.

Costs capitalised in relation to plantations comprise the direct costs of establishment and development attributable to a new plantation of specific age class and species and indirect costs attributable to the growing stock establishment activity. These indirect costs include fire prevention and suppression road maintenance forest management and planning research and administration and management.

Other ongoing maintenance and management costs in relation to commercial pine plantations are expensed as incurred with the exception of major post thinning fertilising and pruning programs. Where these programs are designed specifically to improve stand quality the costs are capitalised.

#### **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 the 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 2005 and reduced by volumes sold since the inventory date. Forests covered by the South East and South Coast Regional Forest Agreements (RFAs) 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

## Notes to and forming part of the financial statements

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.

The NSW Government announced in May 2005 that 348 000 hectares of woodlands between Dubbo and the Queensland border will be conserved under new forest and reserve categories including permanent conservation zones. The effect on commercially harvestable timber volumes from these areas is still being calculated in detail. As the Government decision has still not been gazetted Forests NSW reports for the 30 June 2005 continue to include values of both affected land areas and commercial timber on those land areas. Upon gazettal of the Government decision (expected by the end of calendar 2005) values of land areas to be transferred to other agencies and any reduction to the value of timber inventories in these areas will be recognised in Forests NSW financial reports. Comprehensive Resource Assessments (CRA's) completed in prior years for the Brigalow Belt South and Nandewar bioregions permit the use of similar resource volumation methodologies as those used in the RFA processes. It is assumed that yields are sustainable for forests which are not covered by an RFA or a CRA. In this case no adjustment was made for volumes harvested.

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

During the 2004/05 year Forests NSW participated in an inaugural sale of New South Wales Greenhouse Abatement Credits recognising the potential for carbon sequestration values to be derived from certain plantation areas. Whilst Forests NSW is actively contributing to development of identification and management procedures associated with the emergence of the carbon sequestration credit concept for financial accounting purposes at this stage it is difficult to determine a reliable measurement of the potential carbon sequestration capacity of certain plantation areas. As a result Forests NSW accounts do not yet recognise a valuation for this potential SGARA asset.

### Cost of Goods Sold

Australian Accounting Standard AAS 1 Statement of Financial Performance requires the disclosure of the cost of goods sold. In accordance with AAS 35 Self Generating and Regenerating Assets the cost of timber sold is deemed to be its net market value immediately after harvest determined by reference to the most likely market for the harvested timber.

### (l) Assets Not Able to be Reliably Measured

#### Parent

The Agency holds certain assets that have not been recognised in the Statement of Financial Position 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.

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

Each addition of a specimen to the collections also adds a data label bearing information on the identity location date of collection name of the collector and biological information pertaining to that specimen. Each specimen provides data for the trade quarantine research and diagnostic functions. The identity information has been added progressively by specialist scientists and geologists many with world authority status over many years and much of the information is now irreplaceable because the original source is no longer available. Therefore 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 2004/2005.

### (m) Depreciation of Non-Current Physical Assets

#### Parent

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 entity.

All material separately identifiable component assets are recognised and depreciated over their shorter useful lives including those components that in effect represent major periodic maintenance.

Land is not a depreciable asset.

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

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

Default asset class lives are:

Ocean Going Vessels	3 years
Computing Equipment	4 years
Commercial Vehicles	5 years
Specialised Equipment	7 years
Motor Cycles	7 years

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Passenger Vehicles	7 years
Business Equipment	7 years
Laboratory Equipment	7 years
Agricultural Equipment	10 years
Furniture and Fittings	10 years
Digital Imaging System	10 years
Intangibles	10 years
Farm Vehicles	10 years
Trailers and Caravans	10 years
Marine Equipment	10 years
Other Marine Craft	10 years
Engineering Equipment	15 years

**Forests NSW**

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

Type of Asset	Depreciation Method	Useful Life
Property (other than Land)	Straight Line	10 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

**(n) Maintenance and Repairs**

**Parent**

The costs of maintenance are charged as expenses as incurred except where they relate to the replacement of a 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.

**(o) Leased Assets**

**Parent**

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

The Department does not hold any finance leases. It does however lease assets on an operating lease basis. Operating Lease payments are charged to the Statement of Financial Performance 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 25(c).

**(p) Receivables**

**Parent**

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

**Forests NSW**

The following table summarises the rates used to estimate the provision for Doubtful Debts.

Age of Debts	Percentage
Between 31 – 60 days	2%
Between 61 – 90 days	10%
Over 90 days	50%
Insolvent/Administration	100%

**(q) Inventories and Work in Progress**

**Parent**

Inventories are stated at the lower of cost and net realisable value. The cost is calculated using the weighted average cost or "first in first out" method. The exception to the above being livestock and fodder which has been valued at estimated net realisable value in order to value the natural increase more accurately as at 30 June.

**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.

**(r) 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 2004/2005 year with reference remaining to the previous rating of BBB-. Forests NSW of New South Wales has been assigned a qualified rating indication of 'BBB-' by Standard & Poor's Ratings Services. This is not necessarily the unqualified corporate credit rating that would otherwise apply to Forests NSW of New South Wales.

**(s) Trust Funds**

**Parent**

The Agency receives monies in a trustee capacity for various trusts as set out in Note 30. 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.

**(t) Other Financial Assets**

**Parent**

Other financial assets are generally recognised at cost with the exception of gold exhibits which are measured at market value. The Department holds shares in cooperatives which enables produce from research stations

## Notes to and forming part of the financial statements

to be marketed through these cooperatives. These shares are classed as non-marketable securities and are brought to account at cost and revalued annually to reflect the issue of bonus shares.

For non-current 'other financial assets' revaluation increments and decrements are recognised in the same manner as physical non-current assets (see paragraph (k)).

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

**Forests NSW**

Investments are valued at cost plus accumulated returns. Investment income is recognised in the period in which it is earned.

**(u) Other Assets****Parent**

Other assets including prepayments are recognised on a cost basis.

**(v) Payables****Parent**

These amounts represent liabilities for goods and services provided to the Agency as well as other amounts.

**(w) Interest Bearing Liabilities****Parent**

All loans are valued at current capital value.

**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.

**(x) Financial Reporting by Segments****Forests NSW**

Forests NSW operates solely in the forestry industry. The principal activities of Forests NSW are the management and development of pine plantations native hardwood plantations and broadleaf native and cypress pine forests and the sale of timber and related products to the timber and paper processing industries. Forests NSW also provides various community services the cost of which is primarily funded by the State Government. Forests NSW operates solely in one geographical area namely New South Wales.

**(y) Dividend****Forests NSW**

The amount of Dividend payable to the NSW Treasury was set as part of the 2004 Mini Budget at \$32.544 million net of provision for income tax. The Dividend provided is payable to Treasury in the following financial year.

**(z) Budgeted Amounts****Parent**

Budget amounts disclosed in the financial statements relate to the Parent only. They 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 Statement of Financial Performance and the Statement of Cash Flows are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However in the Statement of Financial Position the amounts vary from the Budget Papers

as the opening balances of the budgeted amounts are based on the audited financial statements.

**(aa) Buyout of commercial fishers****Parent**

In September 2001 the Treasurer approved the provision of a loan of \$20 million to the Agency 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 2004/05 leaving a balance of \$1.4m unexpended as at 30 June 2005.

In 2004/05 the Agency received a funding allocation of \$0.724m to buyout commercial fishers in the Cape Byron Marine Park. An amount of \$0.1m had been expended as at 30 June 2005.

**(ab) 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.

Under the Agency'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 31.

**(ac) Transition to Australian Equivalents to International Financial Reporting Standards****Parent**

The Agency will apply the Australian equivalents to International Financial Reporting Standards (AEIFRS) from 2005-2006.

The strategy that is being implemented by the Agency to manage the transition to AEIFRS includes staff attendance at applicable seminars and workshops. Access as much information as possible including Internet sites such as NSW Treasury and the Australian Accounting Standards Board to assist with analysis of the impact of identified changes.

To date a project team has been formed. Exposure Drafts and Standards have been analysed seminars and workshops including those offered by NSW Treasury and CPA Australia have been attended by key departmental staff and the suitability of the Agency's financial information management system to cope with AEIFRS has been investigated. The Internal Audit Bureau was contracted to review the progress of the Project and areas where more investigation was required. Those areas have since been fully considered.

## Notes to and forming part of the financial statements

The Agency has determined the key areas where changes in accounting policies are likely to impact the financial report. Some of these impacts arise because AEIFRS requirements are different from existing AASB requirements. Other impacts are likely to arise from options in AEIFRS. To ensure consistency at the whole of government level NSW Treasury has advised agencies of options it is likely to mandate for the NSW Public Sector. The impacts disclosed below reflect Treasury's likely mandates (referred to as 'indicative mandates').

The Agency anticipates immaterial impact on its equity profit/loss and on its cash flows. The actual effects of the transition may differ from the estimated figures below because of pending changes to the AEIFRS including the UIG Interpretations and / or emerging accepted practice in their interpretation and application. The Agency's accounting policies may also be affected by a proposed standard to harmonise accounting standards with Government Financial Statistics (GFS). However the impact is uncertain because it depends on when this standard is finalised and whether it can be adopted in 2005-2006.

### Forests NSW

Forests NSW will apply the Australian equivalents to International Financial Reporting Standards (AEIFRS) from 2005-06.

The following strategy is being implemented to manage the transition to AEIFRS. The transition to the new standards is being managed by allocating internal resources and engaging consultants to analyse the pending standards and Urgent Issues Group Abstracts to identify key areas regarding policies procedures systems and financial impacts affected by the transition.

As a result of this exercise the following steps to manage the transition to the new standards has been undertaken:

The following phases that need to be undertaken have been identified:

- Phase 1 – Diagnostic
- Phase 2 – Design and Planning
- Phase 3 – Solution Development
- Phase 4 – Implementation
- Phase 5 – Post Implementation Review
- Phases 1 – 4 have been implemented to date with the development and implementation of new accounting to policies to recognise the introduction of the new standards. This was undertaken after Phase 1 Diagnostic had been completed which entailed a review of current accounting policies and the likely impact of IFRS conversion on the business.

Forests NSW has determined the key areas where changes in accounting policies are likely to impact the financial report. Some of these impacts arise because AEIFRS requirements are different from the existing AASB requirements (AGAAP). Other impacts are likely to arise from options in AEIFRS. To ensure consistency at the whole of government level NSW Treasury has advised agencies of options it is likely to mandate for the NSW Public Sector. The impacts disclosed below reflect Treasury's likely mandates (referred to as 'indicative mandates').

Shown below are management's best estimates as at the date of preparing the 30 June 2005 financial report of the estimated financial impacts of AEIFRS on Forests NSW equity and profit/loss. Forests NSW does not anticipate any material impacts on its cash flows. The actual effects of the transition may differ from the estimated figures below because of pending changes to the AEIFRS including the UIG Interpretations and / or emerging accepted practice in their interpretation and application. Forests NSW accounting policies may also be affected by a proposed standard to harmonise accounting standards with Government Finance Statistics (GFS). However the impact is uncertain because it depends on when this standard is finalised and whether it can be adopted in 2005-06.

## (a) Reconciliation of key aggregates

### Reconciliation of equity under existing Standards (AGAAP) to equity under AEIFRS:

Notes	30 June 2005** \$'000	1 July 2004* \$'000
<b>Total Equity Under AGAAP</b>	<b>2 102 919</b>	<b>2 127 270</b>
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      2 650	10 834
<b>Adjustments to other reserves</b>		
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)
<b>Total equity under AEIFRS</b>	<b>1 856 192</b>	<b>1 901 193</b>

\*= 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

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

Year ended 30 June 2005	Notes	\$'000
<b>Surplus / (deficit) under AGAAP</b>		<b>2 903</b>
Derecognition of provisions	2	149
Investment Properties	3	181
Defined benefit superannuation	4	(18 906)
Long term annual leave	5	(5)
Income tax expense	6	(8 184)
<b>Surplus/(deficit) under AEIFRS</b>		<b>(23 862)</b>

**Notes to tables above**

1. AASB 116 *Property Plant and Equipment* require *for-profit* entities to recognise revaluation increments and decrements on an individual asset basis rather than a class basis. This change will decrease accumulated funds and increase the 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*. These restoration costs must be depreciated and the unwinding of the restoration provision must be recognised as a finance expense. This treatment is not required under current AGAAP.
3. Under AASB 140 Investment Property and Treasury's indicative mandates investment property will be recognised at fair value. In contrast to their current treatment as property plant and equipment investment property recognised at fair value will not be depreciated and changes in fair value will be recognised in the operating statement rather than the asset revaluation reserve. This means any asset revaluation reserve balances relating to such property will be written back to accumulated funds.
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. 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.
5. AASB 119 requires present value measurement for all long-term employee benefits. Current 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 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. Current AGAAP uses an operating statement method that accounts for tax by adjusting accounting profit for temporary and permanent differences to derive taxable income. The AASB 112 approach alters the quantum and timing of tax assets and liabilities recognised. In particular the balance sheet approach results in the recognition of a deferred tax liability in relation to revalued assets that are generally not recognised under current AGAAP. This also changes the quantum and timing of the tax expense.

**(b) Financial Instruments**

In accordance with NSW Treasury's indicative mandates Forests NSW will apply 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 will apply from 1 July 2005. None of the information provided above includes any impacts for

financial instruments. However when these standards are applied they are likely to impact on retained earnings (on first adoption) and the amount and volatility of profit/loss. Further the impact of these Standards will in part depend on whether the fair value option can or will be mandated consistent with Government Finance Statistics.

Notes to and forming part of the financial statements

<b>2. OPERATING EXPENSES</b>	<b>Consolidated</b>	<b>Parent</b>
	<b>Actual</b>	<b>Actual</b>
	<b>2005</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Employee Related Expenses comprise the following specific items:</b>		
Salaries and wages (including recreation leave)	229 242	167 177
Superannuation	8 983	15 227
Long service leave	20 575	17 705
Workers compensation insurance	4 173	3 742
Payroll tax and fringe benefits tax	16 927	13 265
Redundancy Payments	25 355	22 223
Other - Miscellaneous	2 088	2 088
	<b>307 343</b>	<b>241 427</b>

Salaries and Wages costs relating to staff directly associated with the maintenance of Property and Plant have been charged to Maintenance.

<b>(b) Other operating expenses</b>		
Auditor's remuneration - review of financial reports	383	136
Internal Audit	240	240
Cost of sales	4 070	4 070
Operating lease rental expense - minimum lease payments	8 981	8 981
Insurance	2 677	1 880
Other - Motor Vehicles	8 544	8 544
- Marine Craft Expenses	169	169
- Travel	10 383	8 305
- Advertising	1 216	1 150
- Fees	47 146	39 270
- Consultancy	1 732	1 098
- Gas Electricity	2 535	2 535
- Printing	1 448	899
- Payments to Other Organisations:	5 790	8 851
- Overseas Expenses	82	82
- Postal & Telephone	6 285	4 395
- Refunds	496	496
- Stores Consumables	20 194	20 194
- Rates Charges etc.	931	578
- Freight	420	420
- Cleaning	2 196	2 196
- F.B. Taxable Expenditure	297	16
- National Livestock Identification Scheme	3 289	3 289
- Miscellaneous	762	762
- Bad and Doubtful Debts	371	328
- Training Costs	634	634
- Legal Fees	918	393
- Minor Plant and Equipment	1 827	1 806
- Distribution of Joint Project Funds	711	711
- Disaster Welfare Relief	14	14
- Agricultural Scientific Collections Trust	15	15
- Maintenance & Relocation of Travelling Stock Routes	70	70
- Chicken Meat Industry Committee	19	19

## Notes to and forming part of the financial statements

- NSW Institute of Rural Studies	4	4
- Tocal Homestead Maintenance	23	23
- Contractors	12 143	0
- Materials	18 176	0
- Stamp Duty	468	0
	<b>165 659</b>	<b>122 573</b>
<b>(c) Depreciation expense</b>		
Buildings	7 321	5 673
Infrastructure	2 841	2 841
Motor Vehicles	1 163	1 163
Marine Craft	389	389
Other - Computer equipment	795	795
- General plant & equipment	12 054	7 107
- Roadways	3 553	0
- Other	75	75
	<b>28 191</b>	<b>18 043</b>
<b>(d) Grants and subsidies</b>		
Destruction of Noxious Weeds	7 377	7 377
Wild Dog Destruction Board	60	60
Animal Welfare Organisations	321	321
Rural Lands Protection Boards	1 694	1 694
Rural Counsellors Contribution	1 656	1 656
Grants to Government Bodies	42	9 599
Grant to Other Non-Government Bodies	3 076	3 076
Safe Food Production	11 676	11 676
Fisheries Grants & Subsidies	431	431
Drought Transport Subsidies	21 405	21 405
	<b>47 738</b>	<b>57 295</b>
<b>(e) Borrowing Costs</b>		
Interest on Treasury Advance	1 390	1 390
	<b>1 390</b>	<b>1 390</b>
<b>(f) Other expenses</b>		
Beekeepers' Compensation	7	7
Plant Chemical Residue Monitoring	491	491
Citrus Canker	1 030	1 030
Salvinia Weed	200	200
Shark Meshing	610	610
Buyout of Commercial Fisheries (refer to Note 1 (aa))	286	286
Remedial Works to Mined Areas	1 701	1 701
<b>Australian Standing Committee on Agriculture:</b>		
Publications & Databases Committee	63	63
Vet Serology Quality Assurance	23	23
National Abrovirus Monitoring	41	41
Eradication of Siam Weed	40	40
CCRP CCRVDE & CCRVDF Meetings	4	4
National Animal Health Information System	242	242
Fruit Fly Suppression	163	163

## FINANCIAL STATEMENTS

### Notes to and forming part of the financial statements

Oriental Fruit Fly Eradication - Torres Strait	13	13
Australian Plant Health Council - NSW Contribution	135	135
Branched Broomrape Eradication	148	148
Environmental Management Systems in Australian Agriculture	10	10
Australian Weeds Committee	19	19
Grapevine Leaf Rust - Northern Territory	57	57
Red Imported Fire Ant in Queensland	5 271	5 271
Eradication of Tropical Weeds	17	17
Ovine Johnes Disease - NSW Contribution	344	344

**10 915**                      **10 915**

### 3. REVENUES

Consolidated Actual 2005 \$'000	Parent Actual 2005 \$'000
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#### (a) Sale of goods and services

##### Sale of goods:

Sale of produce	5 419	5 419
Sale of publications	1 082	1 082
Sale of seized products	2	2

##### Rendering of services:

Laboratory testing	5 451	5 451
Board & lodgings	733	733
Education	1 162	1 162
Fees for services rendered	82 003	36 399
Fishery Application and Management Fees	4 411	4 411
Rental Income	29	29
Fishing Clinic Income	6	6
Tour Guide Fees	23	23
Commonwealth Inspections	492	492
Contributions for Aquaculture Administration	216	216
Aquaculture Lease Bonds	138	138
Other	11 341	289

**112 508**                      **23 092**

#### (b) Investment income

Interest	2 526	2 126
Rents	4 092	1 138
Royalties General	1 118	1 118
Royalties from sale of timber and related products	128 188	0
Dividends	59	59

**135 983**                      **4 441**

#### (c) Retained Fees

Recreational Fishing Fees (Note 1 (ab))	10 032	10 032
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**10 032**                      **10 032**

#### (d) Grants and Contributions

Grants - Industry/Private Bodies	26 937	26 937
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## Notes to and forming part of the financial statements

Grants - Public Authorities	574	574
Grants - Other State Governments	1 215	1 215
Grants - Dept of Infrastructure Planning and Natural Resources	605	605
Grants - Other Employment Schemes	64	64
Grants - Commonwealth Government	4 308	4 308
Grants - Dept of Education and Training	752	752
Grants - Budget Sector Agencies	12 477	2 493
Grants from Local Government	85	85
	<b>47 017</b>	<b>37 033</b>

**(e) Other revenue**

Refunds received	667	667
Administration charges	25	25
Rural Lands Protection Board Levies	4 377	4 377
Trade ins	251	251
Other:		
- Sales	1 525	1 525
- Intellectual property	76	76
- Crown Grants - Natural Disaster Relief	14	14
- Dairy Structural Adjustment scheme	118	118
- Miscellaneous	3 953	3 953
	<b>11 006</b>	<b>11 006</b>

**4. GAIN/(LOSS) ON DISPOSAL OF NON-CURRENT ASSETS**

	<b>Consolidated</b>	<b>Parent</b>
	<b>Actual</b>	<b>Actual</b>
	<b>2005</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Gain /(loss) on disposal of property plant and equipment		
Proceeds from sale	22 920	3 321
Written down value of assets sold	(18 561)	(2 154)
Net gain on disposal of property plant and equipment	<b>4 359</b>	<b>1 167</b>

**5. OPERATING PROFIT**

	<b>Consolidated</b>	<b>Parent</b>
	<b>Actual</b>	<b>Actual</b>
	<b>2005</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>

**Forests NSW****(a) Net Gains and Expense**

Operating profit before income tax includes the following specific net gains and expenses:

i) Expenses		
<b>Borrowing Costs</b>		
Interest and finance charges	7 224	0
Less: Amount capitalised	(7 224)	0
Borrowing costs expenses	<b>0</b>	<b>0</b>
Written down value of property plant and equipment disposed	16 878	0

Notes to and forming part of the financial statements

<b>Depreciation</b>		
Buildings	1 648	0
Roads & Bridges	3 553	0
Plant and Equipment	4 947	0
<b>Total Depreciation</b>	<b>10 148</b>	<b>0</b>

<b>Other charges against assets</b>		
Bad Debts written off - trade debtors	<b>20</b>	<b>0</b>

<b>Provisions (expense)</b>		
Doubtful debts	23	0
Employee entitlements	12 237	0
Workers compensation	(50)	0
Dividend	27 344	0
<b>Total other provisions</b>	<b>39 554</b>	<b>0</b>

<b>ii) Cost of Goods Sold</b>		
Deemed Cost of Goods Sold	<b>128 188</b>	<b>0</b>

**(b) Individually Significant Items**

Operating profit after income tax includes the following individually significant items:

<b>Expenses</b>		
Net gain/(loss) from staff superannuation fund	11 578	0
Applicable income tax credit	(3 473)	0
	<b>8 105</b>	<b>0</b>

Net Movement in Staff Superannuation Fund	8 105	0
Net increment/(decrement) in net market value of timber	(39 992)	0
Write off of failed plantations	(647)	0
Redundancy payments	(3 926)	0
<b>Total of significant items</b>	<b>(36 460)</b>	<b>0</b>

**6. INCOME TAX EQUIVALENTS**

Consolidated	Parent
Actual	Actual
2005	2005
\$'000	\$'000

**Forests NSW**

The aggregate amount of income tax attributable to the financial year differs from the amount calculated on the operating profit. The differences are reconciled as follows:

Profit / (Loss) from Ordinary activities before income tax expense	<b>7 656</b>	<b>0</b>
Income tax calculated @ 30%	2 297	0
Tax effect of permanent differences which:		
Increase tax payable:		
Amortisation of plantation stock sold	2 811	0
Non-deductible depreciation from revaluations of fixed assets	608	0
Non-deductible building depreciation	295	0

## Notes to and forming part of the financial statements

Non-deductible losses from assets disposal	1 569	0
Non-deductible expenditure of a capital nature	240	0
Non-deductible Land Disposal	215	0
Non-deductible Charges - Disposal of Roads	0	0
Sundry Items	27	0
Decrease tax payable:		
Capital profit from assets disposal	68	0
Employee Superannuation Fund Gains	<b>(3 377)</b>	<b>0</b>
Income tax adjusted for permanent differences	4 753	0
Adjustment to opening balances of deferred income tax liability	0	0
Adjustment to opening balances of deferred income tax asset	0	0
Income tax attributable to operating profit	<b>4 753</b>	<b>0</b>
Income tax attributable to operating profit:		
Provision for income tax	5 290	0
Deferred income tax liability	(50)	0
Deferred income tax asset	(487)	0
	<b>4 753</b>	<b>0</b>

## 7. CONDITIONS ON CONTRIBUTIONS

### Parent

Contributions of \$26.937m during 2004/05 were provided for specific purposes, with the Agency having an obligation to use these funds as specified by the donor body.

- The aggregate of contributions recognised as revenues during the financial year in respect of which expenditure, in manner specified by the contributors, has not been made as at 30 June 2005 is zero (30 June 2004 – zero).
- The aggregate of contributions recognised as revenues during the 2004/05 financial year which were provided specifically for expenditure over a future period is zero(30 June 2004 – zero).
- The aggregate of contributions recognised as revenues in a previous financial year which were obtained for expenditure in respect of the 2004/05 financial year is zero(30 June 2004 – zero).
- The nature of the material components of the amounts referred to in (a), (b), and (c) above:
  - Salaries – zero and Operating – zero (30 June 2004 – zero).
- Total amounts of contributions (classified by major categories) which were unexpended at 30 June 2005 (including those received in prior years) were \$7.784m (30 June 2004 - \$10.963m).

The conditions imposed upon these amounts stipulate that such amounts are required to be expended on the specific project for which the funds were provided. Any funds that are not used on the specific project must be either refunded to the donor body or rolled over into the next project with the donor bodie's approval. Refer Note 18.

Notes to and forming part of the financial statements

<b>8. APPROPRIATIONS</b>	<b>Consolidated</b>	<b>Parent</b>
	<b>Actual</b>	<b>Actual</b>
	<b>2005</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Recurrent appropriations</b>		
Total recurrent drawdowns from Treasury (per Summary of Compliance)	302 644	302 644
Less: Liability to Consolidated Fund (per Summary of Compliance)	(2 334)	(2 334)
	<b>300 310</b>	<b>300 310</b>
Comprising:		
Recurrent appropriations (per Statement of Financial Performance)	300 310	300 310
Transfer payments	0	0
	<b>300 310</b>	<b>300 310</b>
<b>Capital appropriations</b>		
Total capital drawdowns from Treasury (per Summary of Compliance)	22 911	22 911
Less: Liability to Consolidated Fund (per Summary of Compliance)	0	0
	<b>22 911</b>	<b>22 911</b>
Comprising:		
Capital appropriations (per Statement of Financial Performance)	22 911	22 911
Transfer payments	0	0
	<b>22 911</b>	<b>22 911</b>
<b>9. ACCEPTANCE BY THE CROWN ENTITY OF EMPLOYEE BENEFITS AND OTHER LIABILITIES</b>		
	<b>Consolidated</b>	<b>Parent</b>
	<b>Actual</b>	<b>Actual</b>
	<b>2005</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
The following liabilities and/or expenses have been assumed by the Crown Entity or other government agencies:		
Superannuation	15 016	15 016
Long service leave	17 019	17 019
Payroll tax	901	901
	<b>32 936</b>	<b>32 936</b>

## 10. PROGRAMS/ACTIVITIES OF THE DEPARTMENT

### Agriculture

Program objective: To assist the community to produce competitive agricultural products, while improving the natural resource base by reducing the impact of environmental degradation, natural disasters, pests, weeds, disease and agricultural chemicals on the landscape and people of New South Wales.

Program description: Delivery of programs targeted to agricultural issues and industries utilising innovative research, extension, education and regulation.

### Fisheries

Program objective: To conserve, develop and share the fishery resources of the State for the benefit of present and future generations.

Program description: Management, research and compliance programs to conserve the State's fisheries resources and habitat, promote sustainable harvest, allocate resources fairly between users and facilitate the further development of a viable aquaculture industry.

## Notes to and forming part of the financial statements

**Minerals**

Program objective: To provide sustainable mineral resources management and development resulting in high and stable economic growth and employment from exploration and mining, a safe and healthy mining industry and environmentally responsible exploration and mining.

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.

<b>11. CURRENT ASSETS - CASH</b>	<b>Consolidated Actual 2005 \$'000</b>	<b>Parent Actual 2005 \$'000</b>
Cash at bank and on hand*	75 799	69 682
	<b>75 799</b>	<b>69 682</b>
For the purpose of the Statement of Cash Flows, cash includes cash on hand and cash at bank. Cash assets recognised in the Statement of Financial Position are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:		
Cash (per Statement of Financial Position)	75 799	69 682
Other Financial Assets	2 260	0
Closing cash and cash equivalents	<b>78 059</b>	<b>69 682</b>
<b>NOTE:</b> * Included in this balance is the following special deposit accounts		
Agricultural Scientific Collections Trust	<b>20</b>	<b>20</b>

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.

<b>12. CURRENT ASSETS - RECEIVABLES</b>	<b>Consolidated Actual 2005 \$'000</b>	<b>Parent Actual 2005 \$'000</b>
<b>CURRENT</b>		
Sale of goods and services	43 966	10 045
Other:		
Interest Receivable	921	921
Miscellaneous	20 142	2 338
Fishery Application and Management Fees	995	995
Accrued Income	6	6
Less: Provision for doubtful debts	(1 864)	(1 255)
	<b>64 166</b>	<b>13 050</b>
Debts written off during the year as irrecoverable.	68	68

Notes to and forming part of the financial statements

13. CURRENT ASSETS - INVENTORIES	Consolidated	Parent
	Actual	Actual
	2005	2005
	\$'000	\$'000
<b>CURRENT</b>		
<b>Valued at Cost</b>		
Publications	1 499	1 499
Insecticide	671	671
Stores / Fuel	124	124
Materials and Parts	4 541	0
Work in Progress and Finished Goods	2 423	0
Less: Provision for Stock Losses	(13)	0
<b>Valued at net realisable value</b>		
Land held for resale	237	237
Livestock	3 944	3 944
Fodder	661	661
	<b>14 087</b>	<b>7 136</b>

14. CURRENT - NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS	Consolidated	Parent
	Actual	Actual
	2005	2005
	\$'000	\$'000
<b>CURRENT</b>		
NSW Treasury Corporation Hourglass Investments	2 018	0
Other	242	0
	<b>2 260</b>	<b>0</b>

**NSW Treasury Corporation Hourglass Investments**

The NSW Treasury Corporation Hourglass Investments have been subject to floating interest rates between 5.30% and 6.17% (2004: 4.69% and 6.03%).

<b>NON-CURRENT</b>		
Gold Exhibits	239	239
Shares in Co-Operatives	559	559
	<b>798</b>	<b>798</b>

**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\$561.97 per Troy Oz. These exhibits are as follows:

Maitland Bar	193	193
Lucky Hit	24	24
Woods Flat	12	12
Alluvial Gold	10	10
<b>TOTAL</b>	<b>239</b>	<b>239</b>

## Notes to and forming part of the financial statements

The value of shares represents holdings in:		
Australian Co-Operative Foods Ltd	450	450
Norco Co-Operative Ltd	89	89
Rice Growers Co-Operative Mills Ltd	10	10
Rice Marketing Board of NSW	10	10
<b>TOTAL</b>	<b>559</b>	<b>559</b>

15. CURRENT ASSETS - OTHER	Consolidated	Parent
	Actual 2005 \$'000	Actual 2005 \$'000
<b>CURRENT</b>		
Prepayments - Rental / Lease	1 259	1 259
Prepayments - Other	3 673	518
Superannuation Fund	6 557	0
	<b>11 489</b>	<b>1 777</b>

**SUPERANNUATION**

Superannuation is treated in two different methods within DPI. The majority of superannuation is recognised as a liability to the Crown. This applies to employees who were employed by the former departments of Agriculture Fisheries and Minerals Resources. Superannuation for employees of the former State Forests is managed by Pillar on behalf of DPI.

**Parent**

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions.

The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary.

For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme) the expense is calculated as a multiple of the employees' superannuation contributions.

**Forests NSW**

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

The superannuation liability in the Statement of Financial Performance is the difference between the gross liabilities and the stake in the funds at reporting date in respect of State Forests' employees.

**(i) Employee Superannuation Funds - Forests Only**

The Employee Benefits liability was determined by the Fund's actuary at 30 June 2005 based upon membership information as at 31 March 2005.

	SASS \$'000	SANCS \$'000	SSS \$'000	Consolidated Actual 2005 \$'000
Estimated Reserve Account balance	32 314	9 074	116 895	158 282
Accrued Employees Benefits Liability	(32 689)	(8 788)	(110 248)	(151 725)
<b>Unfunded liability</b>	<b>(375)</b>	<b>286</b>	<b>6 647</b>	<b>6 557</b>

SASS	State Authorities Superannuation Scheme
SANCS	State Authorities Non-Contributory Superannuation Scheme
SSS	State Superannuation Scheme

## Notes to and forming part of the financial statements

The Employee Benefits was assessed by the Fund's actuary based on the following financial assumptions:

	2005-2006	2006-2007	2007-08 & thereafter
	%	%	%
Rate of investment return	7	7	7
Rate of salary increase	4	4	4
Rate of increase in Consumer Price Index	2.5	2.5	2.5

<b>16. NON-CURRENT ASSETS - PROPERTY PLANT AND EQUIPMENT</b>	<b>Consolidated Actual 2005 \$'000</b>	<b>Parent Actual 2005 \$'000</b>
<b>Land and Buildings</b>		
At Fair Value	999 417	226 035
Less Accumulated Depreciation	(9 325)	(7 968)
	<b>990 092</b>	<b>218 067</b>
<b>Plant and Equipment</b>		
At Fair Value	147 487	103 560
Less Accumulated Depreciation	(60 117)	(51 117)
	<b>87 370</b>	<b>52 443</b>
<b>Infrastructure Systems</b>		
At Fair Value	223 192	32 169
Less Accumulated Depreciation	(102 275)	(4 413)
	<b>120 917</b>	<b>27 756</b>
<b>Digital Imaging System (DIGS)</b>		
At Fair Value	5 899	5 899
Less Accumulated Depreciation	(3 540)	(3 540)
	<b>2 359</b>	<b>2 359</b>
<b>Property Plant and Equipment in the course of construction</b>	<b>6 068</b>	<b>0</b>
<b>Total Property Plant and Equipment at Net Book Value</b>	<b>1 206 806</b>	<b>300 625</b>

### 16. NON-CURRENT ASSETS PROPERTY PLANT AND EQUIPMENT (CONTINUED) RECONCILIATION OF CARRYING AMOUNT

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below.

	Land and Buildings		Plant and Equipment		Infrastructure Systems		DIGS		TOTAL	
	Consolidated Actual	Parent Actual	Consolidated Actual	Parent Actual	Consolidated Actual	Parent Actual	Consolidated Actual	Parent Actual	Consolidated Actual	Parent Actual
Carrying amount at start of year	999 449	212 549	86 404	44 485	122 741	30 035	2 949	1 211 543	290 018	
Reversal of Work-In-progress as at 30.06.2004	0	0	(4 687)	(4 687)	0	0	0	(4 687)	(4 687)	
Additions	4 991	3 689	25 677	19 011	4 701	694	0	35 369	23 394	
Transfers	(18)	(18)	18	18	0	0	0	0	0	
Asset Dedications	1	0	0	0	0	0	0	0	1	
Disposals	(15 526)	(1 675)	(5 607)	(3 051)	(145)	(145)	0	(21 278)	(4 871)	
Asset Revocations	(471)	0	0	0	0	0	0	(471)	0	
Net revaluation increment	0	0	0	0	0	0	0	0	0	
less revaluation decrements	9 182	9 182	2 916	2 916	0	0	0	12 098	12 098	
Depreciation Expense	(7 529)	(5 673)	(13 974)	(8 940)	(6 393)	(2 841)	(590)	(28 486)	(18 044)	
Writeback on disposal	13	13	2 691	2 691	13	13	0	2 717	2 717	
Carrying amount at end of year	<b>990 092</b>	<b>218 067</b>	<b>93 438</b>	<b>52 443</b>	<b>120 917</b>	<b>27 756</b>	<b>2 359</b>	<b>1 206 806</b>	<b>300 625</b>	

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 (l). These assets are protected by the Agricultural Scientific Collections Trust Act 1983.

Notes to and forming part of the financial statements

17. SELF GENERATING AND REGENERATING ASSETS	Consolidated	Parent
	Actual	Actual
	2005 \$'000	2005 \$'000
<i>(a) Softwood Plantation Timber</i>		
<b>i) Valuation</b>		
Net market value of timber at beginning of reporting period	1 178 350	0
Capital expenditure - plantation establishment & development	17 458	0
Capitalisation of borrowing costs	7 724	0
Write-off of growing stock &/or establishment costs	(102)	0
Sale of Plantations	(972)	0
Carrying amount as at the reporting date (prior to adjusting for changes in net market value)	1 202 458	0
<b>Net market value at reporting date</b>	<b>1 132 909</b>	<b>0</b>
<b>Net increment in the net market value of timber</b>	<b>(69 549)</b>	<b>0</b>
<b>ii) Plantation area by species and age class</b>		
	<b>2005 Hectares</b>	<b>2005 Hectares</b>
Pinus radiata		
0 – 14 years	58 276	0
15-30 years	100 259	0
31 years and over	30 101	0
<b>Total</b>	<b>188 636</b>	<b>0</b>
Southern Pine		
0 – 14 years	3 765	0
15-30 years	3 687	0
31 years and over	1 844	0
<b>Total</b>	<b>9 296</b>	<b>0</b>
Other major species		
0 – 14 years	57	0
15-30 years	170	0
31 years and over	3 027	0
<b>Total</b>	<b>3 254</b>	<b>0</b>
<b>Total Area of Softwood Plantation</b>	<b>201 186</b>	<b>0</b>
<b>iii) Softwood Plantation - standing volumes by major species</b>		
<b>Species</b>	<b>Commercial Standing Volume (m3)</b>	
	<b>2005</b>	
Pinus radiata	40 394 398	
Southern Pine	983 684	
Other Major	560 139	
Other Species	227 462	

Notes to and forming part of the financial statements

**(b) Hardwood Plantation Timber****i) Valuation**

	<b>2005</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Carrying amount of timber at beginning of reporting period – at fair value	58 665	0
Capital expenditure - plantation establishment & development	2 105	0
Sale of Plantations	(29)	0
Write off of failed plantations	(647)	0
<b>Carrying amount as at the reporting date – at fair value</b>	<b>60 094</b>	<b>0</b>

**ii) Plantation area by species (all less than 15 years old)**

	<b>2005</b>	<b>2005</b>
	<b>Hectares</b>	<b>Hectares</b>
Eucalyptus dunni	8 384	0
Corymbia macaluta	4 320	0
Eucalyptus pilularis	4 807	0
Other Hardwood Plantation Species	9 405	0
<b>Total Area of Hardwood Plantation</b>	<b>26 916</b>	<b>0</b>

**(c) Native Forest Timber****i) Valuation**

	<b>2005</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Net market value of timber at beginning of reporting period	372 374	0
Net market value at reporting date	401 931	0
Net increment in the net market value of timber	29 557	0

**ii) Species Mix of Native Forest areas**

Productive forest areas:	<b>2005</b>	<b>2005</b>
	<b>Hectares *</b>	<b>Hectares *</b>
Alpine Ash	16 916	0
Blackbutt	84 155	0
Blue Gum	66 185	0
Messmate	171 136	0
Mixed Coastal Eucalypt	109 586	0
Other Inland Eucalypt types	245 087	0
Rainforest	6 673	0
River Red Gum	93 300	0
Snow Gum	19 049	0
Spotted Gum	136 185	0
Stringybark	170 032	0
Un-classified	53 369	0
White Cypress Pine	234 232	0
<b>Total</b>	<b>1 405 905</b>	<b>0</b>
<b>Total non productive forest areas</b>	<b>886 281</b>	<b>0</b>
<b>Total Area of Native Forest</b>	<b>2 292 186</b>	<b>0</b>

\* Native Forests are not homogenous by species. A total hectare by species is a proportional measure rather than representing discreet forests by species type.

## Notes to and forming part of the financial statements

### 18. 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. Refer to Note 7.

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

### 19. CURRENT LIABILITIES - PAYABLES

	Consolidated Actual 2005 \$'000	Parent Actual 2005 \$'000
Accrued Salaries wages and on-costs	1 207	0
Accrued Redundancy payments	0	794
Receipts in Advance	11 704	0
Other Accrued Expenses	2 759	2 759
Lightning Ridge Residential Claims	453	453
Accrued Leave Loading	680	680
Creditors	27 298	7 347
	<b>44 101</b>	<b>12 033</b>

### 20. CURRENT/NON-CURRENT LIABILITIES - INTEREST BEARING LIABILITIES

	Consolidated Actual 2005 \$'000	Parent Actual 2005 \$'000
<b>CURRENT</b>		
Treasury Advance Repayable - Ovine Johnes Disease Loan	1 260	1 260
TCorp borrowings - Forests NSW	29 365	0
Treasury Advance Repayable - Locust Loan	3 500	3 500
Treasury Advance Repayable - Buyout of Commercial Fishers	855	855
	<b>34 980</b>	<b>5 615</b>
<b>NON-CURRENT</b>		
Treasury Advance Repayable - Ovine Johnes Disease Loan	2 520	2 520
TCorp borrowings - Forests NSW	108 697	0
Treasury Advance Repayable - Locust Loan	10 500	10 500
Treasury Advance Repayable - Buyout of Commercial Fishers	17 093	17 093
	<b>138 810</b>	<b>30 113</b>
<b>TOTAL REPAYMENT OF BORROWINGS</b>		
Not later than one year	34 980	5 615
Between one and five years	43 662	17 038
Later than five years	95 148	13 075
Total borrowings at face value	<b>173 790</b>	<b>35 728</b>

NSW Treasury Corporation outstanding loan interest rates ranged between 5.08% and 6.73% (2004: 5.50% and 8.00%).

Notes to and forming part of the financial statements

<b>21. DIVIDEND</b>	<b>Consolidated</b>	<b>Parent</b>
	<b>Actual</b>	<b>Actual</b>
	<b>2005</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Provision for dividend at beginning of year	13 096	0
Dividend paid	(13 096)	0
Dividend provided	(27 254)	0
Provision for dividend at end of the year	<b>(27 254)</b>	<b>0</b>

<b>22. CURRENT/NON-CURRENT LIABILITIES - PROVISIONS</b>	<b>Consolidated</b>	<b>Parent</b>
	<b>Actual</b>	<b>Actual</b>
	<b>2005</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>

**CURRENT****Employee benefits and related on-costs**

Recreation Leave	22 167	18 336
Long Service Leave	3 378	1 578
Workers Compensation	1 020	0
Other	824	0
Redundancy	5 000	5 000
	<b>32 389</b>	<b>24 914</b>

**NON-CURRENT**

Recreation Leave	2 345	0
Long Service Leave	24 720	5 276
Workers Compensation	3 310	0
Other	366	0
	<b>30 741</b>	<b>5 276</b>

**Aggregate employee benefits and related on-costs**

Provisions - current	32 389	24 914
Provisions - non-current	30 741	5 276
Accrued salaries wages and on-costs (Note 19)	1 207	0
Accrued Redundancy payments (Note 19)	0	794
Accrued Leave Loading (Note 19)	680	680
	<b>65 017</b>	<b>31 664</b>

<b>23. CURRENT/NON-CURRENT LIABILITIES - OTHER</b>	<b>Consolidated</b>	<b>Parent</b>
	<b>Actual</b>	<b>Actual</b>
	<b>2005</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>

**CURRENT**

Liability to Consolidated Fund	2 334	2 334
	<b>2 334</b>	<b>2 334</b>

Notes to and forming part of the financial statements

**24. CHANGES IN EQUITY**

	Capital		Accumulated Funds		Asset Revaluation Reserve		Total Equity	
	Consolidated Actual	Parent Actual	Consolidated Actual	Parent Actual	Consolidated Actual	Parent Actual	Consolidated Actual	Parent Actual
	2005	2005	2005	2005	2005	2005	2005	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the financial year	421 706	0	1 155 979	189 256	866 032	127 191	2 443 717	316 447
<b>Changes in equity - transactions with Owners as Owners</b>								
Revolutions	0	0	0	0	0	0	0	0
Income tax equivalent expense	0	0	(4 753)	0	0	0	(4 753)	0
Dividend provided	0	0	(27 254)	0	0	0	(27 254)	0
<b>Total</b>	<b>421 706</b>	<b>0</b>	<b>1 123 972</b>	<b>189 256</b>	<b>866 032</b>	<b>127 191</b>	<b>2 411 710</b>	<b>316 447</b>
<b>Changes in Equity-other than transactions with owners as owners.</b>								
Surplus/(deficit) for the year	0	0	(8 105)	(15 761)	0	0	(8 105)	(15 761)
Other increases (decrease) - Transfer from/(to) reserves	0	0	21 289	900	(21 289)	(900)	0	0
<b>Revaluation increments / (decrements)</b>								
Land and buildings	0	0	0	0	9182	9182	9182	9182
Plant & Equipment	0	0	0	0	721	721	721	721
Library Books	0	0	0	0	2195	2195	2195	2195
Other Assets - Gold Exhibits	0	0	0	0	(1)	(1)	(1)	(1)
<b>Total</b>	<b>0</b>	<b>0</b>	<b>13 184</b>	<b>(14 861)</b>	<b>(9 192)</b>	<b>11 197</b>	<b>3 992</b>	<b>(3 664)</b>
<b>Balance at the end of the financial year</b>	<b>421 706</b>	<b>0</b>	<b>1 137 156</b>	<b>174 395</b>	<b>856 840</b>	<b>138 388</b>	<b>2 415 702</b>	<b>312 783</b>

**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 'Other Financial Assets' as discussed in Note 1.

Notes to and forming part of the financial statements

<b>25. COMMITMENTS FOR EXPENDITURE</b>	<b>Consolidated</b>	<b>Parent</b>
	<b>Actual</b>	<b>Actual</b>
	<b>2005</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Capital Commitments</b>		
<b>Land and Buildings</b>		
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
<b>Total (including GST)</b>	<b>0</b>	<b>0</b>
<b>Infrastructure</b>		
Aggregate capital expenditure for the acquisition of Infrastructure contracted for at balance date but not provided for:		
Not later than one year	116	116
<b>Total (including GST)</b>	<b>116</b>	<b>116</b>
<b>Plant and Equipment</b>		
Aggregate capital expenditure for the acquisition of Plant and Equipment contracted for at balance date but not provided for:		
Not later than one year	11 864	3 381
<b>Total (including GST)</b>	<b>11 864</b>	<b>3 381</b>
<b>(b) Other Expenditure Commitments</b>		
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	11 763	11 201
<b>Total (including GST)</b>	<b>11 763</b>	<b>11 201</b>
<b>(c) Operating Lease Commitments - Head Office and Maitland Buildings</b>		
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	6 269	6 269
Later than one year but not later than 5 years	28 229	28 229
Later than 5 years	74 206	74 206
<b>Total (including GST)</b>	<b>108 704</b>	<b>108 704</b>
Representing:		
Non-cancellable operating leases	108 704	108 704
<b>(d) Operating Lease Commitments - Other</b>		
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	6 801	5 270
Later than one year but not later than 5 years	4 502	2 786
Later than five years	545	0
<b>Total (including GST)</b>	<b>11 848</b>	<b>8 056</b>
Representing:		
<b>Non-cancellable operating leases</b>	<b>11 848</b>	<b>8 056</b>

## Notes to and forming part of the financial statements

The total commitments includes input tax credits of \$13.118m 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.

## 26. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

### Parent

As at 30 June 2005 the Agency has \$10.308m of outstanding court cases as set out by category below:

	<b>2005</b>
Negligence	\$0.080m
Contamination	\$0.745m
Minerals and mine safety	\$3.455m
Personal Injury	\$1.380m
Licence Validity	\$1.100m
Appeals	\$3.250m
Disputed Fish Seizure	\$0.100m
Compulsory Acquisition	\$0.198m
<b>Total</b>	<b>\$10.308m</b>

At this stage, the Agency does not believe any material liability will accrue to it. The Treasury Managed Fund insures the Agency except for some contingent liabilities.

### Forests NSW

State Forests 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 total approximately \$0.153m (2004: \$2.020m).

As at the 30th June 2005 various areas of state forest have been the subject of claims under the Native Title Act. The impact of these claims on the carrying value of assets cannot be quantified at this time.

## 27. BUDGET REVIEW

### Parent

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 \$80.732m over original budget. This is due mainly to expenditure supplementation associated with the continuance of the drought assistance program (\$17.222m), the effort to combat a major plague locust outbreak (\$21.340m). Voluntary Redundancies (\$28.794m) and an increase in Long Service Leave due to an incorrect basis of measurement pre 2004-2005 also contributed to the over budget result.

#### Assets and liabilities

Current Assets are over budget as at 30 June 2005 by \$7.926m. Cash has contributed to this to the extent of \$9.590m. This is predominately due to the receipt of budgeted industry funds and redundancy payments from Treasury. Receivables are over budget by \$2.843m.

Non-Current Liabilities are over budget by \$16.881m. This is largely due to the receipt of a loan to assist with the eradication of Plague Locusts (\$14.0m).

## Notes to and forming part of the financial statements

**Cash flows**

Cash Flows from Operating Activities is under budget by \$10.828m. This is due to the supplementations received for drought assistance, plague locust control and voluntary redundancies as outlined in the Net Cost of Services explanation above.

Cash Flows from Investing Activities is under budget by \$3.188m. This is due to a budget for Repayment of Advances of \$3.230m which did not eventuate and the finalisation of Work In Progress of \$4.702m which was reported as part of the Mineral Resources NSW 2003-2004 Cash Flow Statement.

<b>28. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET COST OF SERVICES</b>	<b>Consolidated Actual 2005 \$'000</b>	<b>Parent Actual 2005 \$'000</b>
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**PARENT**

<b>Net cash used on operating activities</b>	4 152	4 152
Cash Flows from Government / Appropriations	(331 265)	(331 265)
Acceptance by the Crown Entity of employee benefits and other liabilities	(26 576)	(26 576)
Depreciation	(18 043)	(18 043)
Provision for doubtful debts	(110)	(110)
Write down of plantation and asset revocations		
Revaluation increment		
Non cash expenses	(4 687)	(4 687)
Non cash revenues / trade-ins received	251	251
Decrease / (Increase) in provisions	(2 875)	(2 875)
Movement in net deferred tax payable		
Increase/(Decrease) in receivables	2 196	2 196
Increase/(Decrease) in inventories		
Increase/(Decrease) in other financial assets	32	32
Increase/(Decrease) in prepayments and other assets	(691)	(691)
(Increase)/Decrease in creditors	3 854	3 854
(Increase)/Decrease in other current liabilities	677	677
Net gain/(loss) in sale of plant and equipment	1 167	1 167
<b>Net cost of services</b>	<b>(371 918)</b>	<b>(371 918)</b>

**FORESTS NSW**

Operating profit/(loss) after income tax	2 903	0
Adjusted for NSW Government Capital Grant	0	0
	2 903	0
Adjusted for non-cash items:		
Depreciation	10 442	0
Loss on disposal of non-current assets	(3 192)	0
Write-down of plantation & Asset Revocations	1 750	0
Revaluation (Increment)/Decrement		
- Native Forests	(29 557)	0
- Softwood Plantations	69 549	0
	48 992	0
Change in operating assets and liabilities		
Movement in receivables	(4 632)	0
Movement in inventories	609	0

## Notes to and forming part of the financial statements

Movement in creditors	3 491	0
Movement in provisions	(13 600)	0
Movement in net deferred tax payable	(537)	0
	(14 669)	0
<b>Net cash inflow from operating activities</b>	<b>37 226</b>	<b>0</b>

As at 30 June 2005 Forests NSW had \$5 000 000 available in unused credit a 'Come and Go' Facility held with NSW TCorp.

### 29. MACHINERY OF GOVERNMENT CHANGE

On 6 April 2004 the State Government announced the amalgamation of four government agencies to form the Department of Primary Industries from 1 July 2004. The agencies involved were Department of Agriculture NSW Fisheries Department of Mineral Resources and State Forests.

### 30. TRUST FUNDS

	Consolidated	Parent
	Actual	Actual
	2005	2005
	\$'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	(26)	(26)
Add: Receipts	91	91
Less: Expenditure	(88)	(88)
Cash Balance at the end of the reporting period	<b>(23)</b>	<b>(23)</b>

#### Shellfish Quality Assurance Program Levy:

Cash Balance at the beginning of the Financial Year	1	1
Add: Receipts	0	0
Less: Expenditure	(1)	(1)
Cash Balance at the end of the reporting period	<b>0</b>	<b>0</b>

#### Aquaculture Fishery Research Levy:

Cash Balance at the beginning of the Financial Year	45	45
Add: Receipts	33	33
Less: Expenditure	(36)	(36)
Cash Balance at the end of the reporting period	<b>42</b>	<b>42</b>

#### Fisher Research Levy:

Cash Balance at the beginning of the Financial Year	86	86
Add: Receipts	235	235
Less: Expenditure	(208)	(208)
Cash Balance at the end of the reporting period	<b>113</b>	<b>113</b>

## Notes to and forming part of the financial statements

**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	8 932	8 932
Add: Receipts -	4 743	4 743
Less: Expenditure	(1 005)	(1 005)
Balance at the end of the reporting period	<b>12 670</b>	<b>12 670</b>

**31. FISHERIES MANAGEMENT ACT - SPECIAL FISHERIES TRUST FUNDS**

Consolidated Actual 2005 \$'000	Parent Actual 2005 \$'000
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Amendments to the Fisheries Management Amendment Act in 1997 and 2000 have provided for the establishment of six special fisheries trust funds. Under the Department's accounting structure all revenue paid into these trust funds and any expenditure 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	568	568
Add: Revenue -		
Sales of goods and services		
Investment income	(2)	(2)
Transfer from Saltwater Trust	2 500	2 500
Grants and contributions	148	148
	<b>2 646</b>	<b>2 646</b>
Less: Projects Funded*	(2 400)	(2 400)
	(2 400)	(2 400)
Balance at the end of the reporting period	<b>814</b>	<b>814</b>

\* Of the 'projects funded' in 2005 and in prior periods an amount of \$0.311m was unexpended at 30 June 2005. This amount will be carried forward into the various approved project budgets for 2005/06.

**Recreational Fishing (Saltwater) Trust Fund**

Balance at the beginning of the Financial Year	1 661	1 661
Add: Revenue -		
Sales of goods and services	18	18
Investment income	58	58
Grants and contributions	1 424	1 424
Retained fees Grants and contributions	10 032	10 032
	<b>11 532</b>	<b>11 532</b>

## Notes to and forming part of the financial statements

Less: Projects Funded*	(4 575)	(4 575)
Transfer to Freshwater Trust	(2 500)	(2 500)
Loan Repayment Transfer	(2 000)	(2 000)
Other	(45)	(45)
	(9 120)	(9 120)
Balance at the end of the reporting period	<b>4 073</b>	<b>4 073</b>

\* Of the 'projects funded' in 2005 and in prior periods an amount of \$0.937m was unexpended at 30 June 2005. This amount will be carried forward into the various approved project budgets for 2005/06.

### Commercial Fishing Trust Fund

Balance at the beginning of the Financial Year	3 959	3 959
Add: Revenue -		
Sales of goods and services	3 899	3 899
Investment income	172	172
	<b>4 071</b>	<b>4 071</b>
Less: Contribution to Department activities*	(4 214)	(4 214)
	(4 214)	(4 214)
Balance at the end of the reporting period	<b>3 816</b>	<b>3 816</b>

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

### Fish Conservation Trust Fund

Balance at the beginning of the Financial Year	118	118
Add: Revenue -		
Sales of goods and services	97	97
Investment income	11	11
	<b>108</b>	<b>108</b>
Less: Projects Funded*	(25)	(25)
	(25)	(25)
Balance at the end of the reporting period	<b>201</b>	<b>201</b>

\* Of the 'projects funded' in 2005 and in prior periods an amount of \$0.022m was unexpended at 30 June 2005. This amount will be carried forward into the various approved project budgets for 2005/06.

### Aquaculture Trust Fund

Balance at the beginning of the Financial Year	217	217
Add: Revenue -		
Sales of goods and services	501	501
Investment income	11	11
Grants and Contributions	100	100
	<b>612</b>	<b>612</b>

## Notes to and forming part of the financial statements

Less: Contribution to Department activities*	(648)	(648)
Other (Bad debts expense)	(4)	(4)
	(652)	(652)

Balance at the end of the reporting period	<b>177</b>	<b>177</b>
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\* 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	75	75
Add: Revenue -		
Sales of goods and services	120	120
Investment income	3	3
	<b>123</b>	<b>123</b>

Less: Projects Funded*	(105)	(105)
	<b>(105)</b>	<b>(105)</b>

Balance at the end of the reporting period	<b>93</b>	<b>93</b>
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\* Of the 'projects funded' in 2005 and in prior periods an amount of \$0.088m was unexpended at 30 June 2005. This amount will be carried forward into the various approved project budgets for 2005/06.

**32. ADMINISTERED ASSETS AND LIABILITIES**

<b>Consolidated</b>	<b>Parent</b>
<b>Actual</b>	<b>Actual</b>
<b>2005</b>	<b>2005</b>
<b>\$'000</b>	<b>\$'000</b>

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	2 743	2 743
Receivables - Royalties (less Provision for Doubtful Debts)	100	100
Receivables - Fisheries	94	94
	<b>2 937</b>	<b>2 937</b>

**Administered Liabilities**

Payables - Royalties	1 227	1 227
Payables - NSW Treasury Corporation	2 966	2 966
	<b>4 193</b>	<b>4 193</b>

Creditors include an amount of \$587 relating to Crown Revenue collected but not remitted to Treasury as at 30 June 2005.

**33. ADMINISTERED REVENUES**

<b>Consolidated</b>	<b>Parent</b>
<b>Actual</b>	<b>Actual</b>
<b>2005</b>	<b>2005</b>
<b>\$'000</b>	<b>\$'000</b>

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

Fees	3 224	3 224
Fines	646	646
Licences	436	436
Plant Disease Inspections	50	50

## Notes to and forming part of the financial statements

Reimbursement of Employers Superannuation	210	210
Unclaimed Monies	39	39
Payment of Long Service Leave	311	311
Royalty on Minerals	396 348	396 348
	<b>401 264</b>	<b>401 264</b>
The following monies have been collected on behalf of the NSW Treasury Corporation:		
Repayments of NSW Grains Board Loan	<b>3 328</b>	<b>3 328</b>

### 34. 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 2004-2005 were \$0.071m and zero respectively leaving a balance of \$0.143m as at 30 June 2005 (balance as at 30 June 2004 was \$0.072m).

### 35. FINANCIAL INSTRUMENTS

#### Parent

Financial Instruments give rise to situations that create a financial asset of the Department and a financial liability (or equity instrument) of the other party, or vice versa. For the Department, these financial instruments include cash, receivables, investments and payables.

The specific accounting policy in respect of each class of such financial instruments is stated hereunder:

1. Classes of financial instruments, recorded at cost, comprise cash and payables
2. Classes of financial instruments, recorded at other than cost, comprise receivables that are recorded at cost less the balance of the provision for doubtful debts. Investments (Unlisted Shares) are brought to account at cost and revalued annually to reflect the issue of bonus shares

All financial instruments, including revenues, expenses, or other cash flows arising from instruments, are recognised on an accruals basis.

#### 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 2005 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 uncollectable are written off. A provision for doubtful debts is raised when some doubt as to collection exists. The credit risk is the carrying amount (net of any provision for doubtful debts). 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 2005 was \$13.050m.

#### 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 2005 was \$0.559m. There is no interest rate risk associated with these investments. (refer note 14.)

#### Payables

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 Payables as at 30 June 2005 was \$14.547m. (refer note 19.)

## Notes to and forming part of the financial statements

**Treasury Advance**

The Department has received Treasury Advances of \$38.200m from the New South Wales Treasury. These Advances are:

- Ovine Johnes Disease \$4.200m
- Locusts Eradication Program \$14.000m
- Commercial Fishers Buyout \$20.000m

The interest rate attached to these Advances is the Treasury Corporation long-term bond rate. The repayment schedule for the outstanding balances is as follows:

	<b>2004-2005</b>
Less than one year	\$5.615m
One to five years	\$17.038m
Greater than five years	\$13.075m

**Forests NSW**

Recognised Financial Instruments	Accounting Policies	Terms and Conditions
<b>i) Financial Assets</b>		
Cash	Short-term deposits are stated at net realisable value. Interest is recognised in the Statement of Financial Performance 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.
Investments	Investments are stated at net realisable value. Interest and movements in market value are recognised in the income and expenditure statement when earned	All Investments during the year were at call
<b>ii) Financial Liabilities</b>		
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 Liabilities	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

Notes to and forming part of the financial statements

### 36. JOINT VENTURE AGREEMENTS

#### Parent

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 Agency is to contribute \$1 million in cash and more than \$2 million in kind over this period.

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

The Agency 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.

END OF AUDITED FINANCIAL STATEMENTS