



GPO BOX 12
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

Department of Lands

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the Department of Lands:

- (a) presents fairly the Department of Lands' financial position as at 30 June 2004 and its 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 Lands. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows, the program statement - expenses and revenues, the summary of compliance with financial directives and the accompanying notes.

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 Lands,
- that the Department of Lands has carried out its activities effectively, efficiently and economically,
- about the effectiveness of its internal controls, or
- on the assumptions used in formulating the budget figures disclosed in the financial report.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

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



G J Gibson FCPA
Director of Audit

SYDNEY
21 October 2004

DEPARTMENT OF LANDS
STATEMENT
OF
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) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Director-General
Department of Lands



Director, Financial Services
Department of Lands

Date: 21 October 2004

THE DEPARTMENT OF LANDS
Statement of Financial Performance
For the Year Ended 30 June 2004

	Notes	Actual 2004 \$000	Budget 2004 \$000	Actual 2.04.03 to 30.06.03 \$000
Expenses				
Operating expenses				
Employee related	3(a)	107,089	112,476	39,376
Other operating expenses	3(b)	57,573	37,593	12,711
Maintenance		2,775	3,209	863
Depreciation and amortisation	3(c)	10,797	9,875	2,061
Grants and subsidies	3(d)	3,318	14,102	924
Borrowing Costs	3(e)	321	282	83
Other expenses	3(f)	2,519	2,795	2,146
Total Expenses		<u>184,392</u>	<u>180,332</u>	<u>58,164</u>
Less:				
Retained Revenue				
Sale of goods and services	4(a)	150,695	125,575	34,082
Investment income	4(b)	4,351	1,530	791
Retained taxes, fees and fines	4(c)	3,118	-	826
Grants and Contributions	4(d)	7,455	13,468	5,498
Other revenue	4(e)	2,467	-	1,279
Total Retained Revenue		<u>168,086</u>	<u>140,573</u>	<u>42,476</u>
Gain on disposal of non-current assets	5	210	-	189
Net Cost of Services	26	<u>16,096</u>	<u>39,759</u>	<u>15,499</u>
Government Contributions				
Recurrent appropriation	6	40,000	40,000	6,235
Capital appropriation	6	1,400	1,400	-
Acceptance by the Crown Entity of employees benefits and other liabilities	9	4,936	-	2,292
Total Government Contributions		<u>46,336</u>	<u>41,400</u>	<u>8,527</u>
SURPLUS/(DEFICIT) FOR THE YEAR FROM ORDINARY ACTIVITIES	21	30,240	1,641	(6,972)
NON-OWNER TRANSACTION CHANGES IN EQUITY				
Net increase in asset revaluation reserve	21	153	-	196
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		<u>153</u>	<u>-</u>	<u>196</u>
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS.	21	<u>30,393</u>	<u>1,641</u>	<u>(6,776)</u>

The accompanying notes form part of these statements.

THE DEPARTMENT OF LANDS
Statement of Financial Position
As at 30 June 2004

	Notes	Actual 2004 \$000	Budget 2004 \$00	Actual 2003 \$000
ASSETS				
Current Assets				
Cash	10	75,878	65,379	57,781
Receivables	11	20,389	15,997	15,760
Inventories	12	628	675	675
Other	16	1,393	2,146	1,830
Total Current Assets		98,288	84,197	76,046
Non-Current Assets				
Receivables	11	14,776	14,572	14,216
Inventories	12	1,306	1,450	1,450
Other financial assets	13	509	-	356
Property, Plant and Equipment	14			
Land and Buildings		56,943	56,083	56,185
Plant and Equipment		37,783	38,837	35,460
Total Property Plant and Equipment		94,726	94,920	91,645
Total Non-Current Assets		111,317	110,942	107,667
TOTAL ASSETS		209,605	195,139	183,713
LIABILITIES				
Current Liabilities				
Payables	17	42,947	10,680	10,808
Interest Bearing Liabilities	18	451	451	451
Provisions	19	11,066	20,458	11,967
Other	20	-	1,380	156
Total Current Liabilities		54,464	32,969	23,382
Non-Current Liabilities				
Interest Bearing Liabilities	18	5,497	5,663	5,663
Provisions	19	73,740	91,179	86,145
Other	20	160	160	160
Total Non-Current Liabilities		79,397	97,002	91,968
Total Liabilities		133,861	129,971	115,350
Net Assets		75,744	65,168	68,363
EQUITY				
Reserves	21	349	196	196
Accumulated Funds		75,395	64,972	68,167
Total Equity		75,744	65,168	68,363

The accompanying notes form part of these statements.

THE DEPARTMENT OF LANDS
Statement of Cash Flows
For the Year Ended 30 June 2004

	Notes	Actual 2004 \$'000	Budget 2004 \$'000	Actual 2.04.03 to 30.06.03 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(116,804)	(103,392)	(24,231)
Grants and subsidies		(3,318)	(14,102)	(3,482)
Borrowing costs		(321)	(282)	(83)
Other		(58,574)	(49,957)	(18,924)
Total Payments		<u>(179,017)</u>	<u>(167,733)</u>	<u>(46,720)</u>
Receipts				
Sale of goods and services		152,937	128,569	36,967
Retained taxes, fees and fines		3,330	-	826
Interest received		3,152	1,530	784
Other		9,377	17,382	10,666
Total Receipts		<u>168,796</u>	<u>147,481</u>	<u>49,243</u>
Cash Flows From Government				
Recurrent appropriation		40,000	40,000	6,367
Capital appropriation		1,400	1,400	-
Cash reimbursements from the Crown Entity		715	-	156
Net Cash Flows from Government		<u>42,115</u>	<u>41,400</u>	<u>6,523</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	26	<u>31,894</u>	<u>21,148</u>	<u>9,046</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of Land & Buildings, Plant & Equipment		1,226	2,000	268
Purchases of Land & Buildings, Plant & Equipment		(14,857)	(13,550)	(7,658)
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(13,631)</u>	<u>(11,550)</u>	<u>(7,390)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings and advances		(166)	(2,000)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>(166)</u>	<u>(2,000)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH		18,097	7,598	1,656
Opening cash and cash equivalents		57,781	57,781	-
Cash transferred in as a result of administrative restructuring		-	-	56,125
CLOSING CASH AND CASH EQUIVALENTS	10	<u>75,878</u>	<u>65,379</u>	<u>57,781</u>

The accompanying notes form part of these statements.

**SUMMARY OF COMPLIANCE WITH FINANCIAL DIRECTIVES
FOR THE PERIOD TO 30 JUNE 2004**

	2004				2003			
	Recurrent Appropriation Consolidated Fund \$'000	Expenditure/ Net Claim on \$'000	Capital Appropriation Consolidated Fund \$'000	Expenditure Net Claim on \$'000	Recurrent Appropriation \$'000	Expenditure \$'000	Capital Appropriation \$'000	Expenditure \$'000
ORIGINAL BUDGET APPROPRIATION / EXPENDITURE								
<ul style="list-style-type: none"> • Appropriation Act • Additional Appropriations • S21A PF&AA - special appropriation • S24 PF&AA - t'fer of function between Departments • S26 PF&AA - Commonwealth SPP 	39,584	39,584	1,000	1,000	6,367	6,235	372	391
OTHER APPROPRIATIONS / EXPENDITURE								
<ul style="list-style-type: none"> • Treasurer's Advance • Sec 22 - exp for certain works, services • S24 PF&AA - t'fer of function between Departments 	416	416	400	400	6,367	6,235	372	391
Transfers to/from another agency (S25 of the appropriation Act)	416	416	400	400	-	-	-	-
Total Appropriations Expenditure / Net Claim on Consolidated Fund (including transfer payments)	40,000	40,000	1,400	1,400	6,367	6,235	372	391
Amount drawn down against Appropriation Liability to Consolidated Fund		40,000		1,400		6,367		-
						132		N/a

Notes:

- 1 The summary of compliance is based on the assumption that Consolidated Fund moneys are spent first
- 2 The Liability to Consolidated Fund represents the difference between the "Amount drawn down against Appropriation" and the "Total Expenditure / Net Claim on Consolidated Fund"

PROGRAM STATEMENT - EXPENSES AND REVENUES FOR THE YEAR END 30 JUNE 2004

AGENCY'S EXPENSES & REVENUES	Program 1*		Program 2*		Commercial Activity		Not Attributable		Total	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Expenses										
Operating Expenses	27,058	8,077	10,458	3,465	69,573	27,834			107,089	39,376
-Employee Related	9,676	3,019	10,666	2,568	37,231	7,124			57,573	12,711
-Other Operating Expenses	206	20	95	8	2,474	835			2,775	863
Maintenance	184	41	672	130	9,941	1,890			10,797	2,061
Depreciation and Amortisation	2,994	924			324				3,318	924
Grants and Subsidies	1		42	11	278	72			321	83
Borrowing Costs	1,054	594			1,465	1,552			2,519	2,146
Other Expenses	41,173	12,675	21,933	6,182	121,286	39,307			184,392	58,164
Retained Revenue										
Sale of Goods and Services	1,348	320	18,760	5,331	130,587	28,431			150,695	34,082
Investment Income	1,022	246	5	3	3,324	542			4,351	791
Retained taxes, fines and fees	3,118	826							3,118	826
Grants and Contributions	7,041	5,498	414						7,455	5,498
Other Revenue	695	50	18	12	1,754	1,217			2,467	1,279
Total Retained Revenue	13,224	6,940	19,197	5,346	135,665	30,190			168,086	42,476
Gain / (Loss) on Disposal of Non Current Assets	(1)	(3)	101	151	110	41			210	189
NET COST OF SERVICES	27,950	5,738	2,635	685	(14,489)	9,076			16,096	15,499
Government Contributions**							46,336	8,527	46,336	8,527
NET EXPENDITURE/(REVENUE)	27,950	5,738	2,635	685	(14,489)	9,076	(46,336)	(8,527)	(30,240)	6,972
NET EXPENDITURE/(REVENUE) FOR THE YEAR	27,950	5,738	2,635	685	(14,489)	9,076	(46,336)	(8,527)	(30,240)	6,972
ADMINISTERED EXPENSES & REVENUES										
Administered Expenses										
Transfer payments other	(164,583)	(103,811)							(164,583)	(103,811)
Total Administered Expenses	(164,583)	(103,811)							(164,583)	(103,811)
Administered Revenues										
Transfer receipts Consolidated Fund	53,042	53,690							53,042	53,690
Taxes, fees and fines Other Operating Expenses										
Total Administered Revenues	53,042	53,690							53,042	53,690
Administered Revenues less Expenses	(111,541)	(50,121)							(111,541)	(50,121)

2002/03 comparative data is for the period 2 April 2003 to 30 June 2003, being the period that the Department existed following the changes in Government administration.

* The name and purpose of each program are summarised in Note 8.

** Appropriations are made on an agency basis and not individual programs.

Consequently, government contributions must be included in the "Not Attributable" column.

DEPARTMENT OF LANDS
Notes to and Forming Part of the Financial Statements
for the year ended 30 June 2004

1. REPORTING ENTITY

The Department of Lands (the Department), as the reporting entity, was created on 2 April 2003, following an administrative restructure. It is responsible for the provision of land and property related spatial information, the management of Crown lands and the provision of soil conservation and land management services. The land and property information activities are operated as a non budget-dependent activity through Land and Property Information (LPI) and the semi-commercial conservation and land management services through Soil Services (SS). These financial statements do not include the results of the Crown Entities administered by the Department, which are reported elsewhere. The Department primarily operates in New South Wales, Australia. The Head Office is located at 1 Prince Albert Road, Queens Square, Sydney NSW 2000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

The Department's financial statements are a general-purpose financial report, which has been prepared on an accrual 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 and Regulation; and
- the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under section 9(2)(n) of the Act.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative pronouncement of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS 6 "Accounting Policies" is considered.

Except for certain investments, land and buildings, which are recorded at fair value, the financial statements are prepared in accordance with the historical cost convention. All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency. The accounting policies adopted are consistent with those of the previous period.

b. Administered Activities

The Department administers, but does not control, certain activities on behalf of the Crown. It is accountable for the transactions relating to those administered activities but does not have the discretion, for example, to deploy the resources for the achievement of the department's own objectives. Transactions and balances relating to the administered activities are not recognised as the department's revenues, expenses, assets and liabilities, but are disclosed in Notes 28 to 31 as "Administered Assets", "Administered Liabilities", "Administered Expenses", and "Administered Revenues".

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

c. Revenue Recognition

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

DEPARTMENT OF LANDS
Notes to and Forming Part of the Financial Statements
for the year ended 30 June 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Parliamentary Appropriations and Contributions from other Bodies

Parliamentary appropriations and contributions from other bodies (including grants and donations) are 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 20 of "Other current liabilities". The amount will be repaid and the liability will be extinguished next financial year.

Sale of Goods and Services

Revenue from the sale of goods and services comprises revenue from the provision of products or services ie user charges. User charges are recognised as revenue when the Department obtains control of the assets that result from them.

(ii) Investment Income

Interest revenue is recognised as it accrues. Rent revenue is recognised in accordance with AAS 17 "Accounting for Leases". Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

d. Employee Benefits and other provisions

(i) Salaries and Wages, Annual Leave, Sick Leave and On-costs

Liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave are recognised and measured in respect of employees' services 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 Department's liabilities (apart from the commercial and semi-commercial activities) for long service leave and superannuation are assumed by the Crown Entity. The Department 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 at present value, based on the application of factors prescribed by TC03/08, to the amounts calculated using the actual remuneration rates for all employees with five or more years of service.

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

DEPARTMENT OF LANDS
Notes to and Forming Part of the Financial Statements
for the year ended 30 June 2004

The Department's commercial (LPI) and semi-commercial (SS) activities are responsible for the employees' superannuation entitlements under the State Superannuation Scheme, State Authorities Superannuation Scheme and State Authorities Non-Contributory Superannuation Scheme. The superannuation liability under these schemes has been adjusted to reflect the liability as assessed by William Mercer Limited. As advised by Pillar Administration Corporation, the commercial and semi-commercial activities make periodic contributions to the superannuation reserve account to discharge any emerging superannuation liabilities.

The Department's semi-commercial activities contribute up to 4.11% of the employees' salaries and wages to the Treasury Special Deposits (Extended Leave and Leave on Termination Pool) Account. This contribution which discharges all liability for long service leave is expensed as incurred. However, in accordance with Treasury requirements and AAS 30 "Accounting for Employee Entitlements" the nominal value of long service leave is recognised both as a liability and as an asset.

(iii) Other Provisions

Other provisions exist when the Department has a present legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events. These provisions are recognised when it is probable that a future sacrifice of economic benefits will be required and the amount can be measured reliably.

Any provisions for restructuring are recognised either when a detailed formal plan has been developed within prescribed time limits and where the entity has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring.

e. Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

f. Insurance

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

g. Accounting for the Goods and Services Tax (GST)

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

- the amount of GST incurred by the department 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.

h. Acquisition of Assets

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value at the acquisition date. The discount rate used is the incremental borrowing rate being the rate at which a similar borrowing could be obtained.

i. Plant and equipment

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

DEPARTMENT OF LANDS
Notes to and Forming Part of the Financial Statements
for the year ended 30 June 2004

j. Revaluation of Physical Non-Current Assets

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 the 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 in 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 service potential.

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 was completed on 30 June 2001 and was based on an

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

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

Otherwise, 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 the same 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.

k. Assets Not Able to be Reliably Measured

The Department does not hold assets that have not been recognised in the Statement of Financial Position.

l. Depreciation of Non-Current Physical Assets

Except for a limited number of heritage assets, depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Department. The normal life expectancies of major asset categories are as follows:

Asset Class	Number of Years
Buildings-Cottages and Dwellings/ Office Buildings/ Accommodation	40
Leasehold Improvements	Life of lease
Plant and Equipment	5-15
Computers	4
Motor Vehicles	5
Marine Craft	5
Furniture and Major Fitouts	10

DEPARTMENT OF LANDS
Notes to and Forming Part of the Financial Statements
for the year ended 30 June 2004

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

m. Maintenance and Repairs

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.

n. Leased Assets

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 leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the inception of the lease. The corresponding liability is established at the same amount.

Lease payments are allocated between the principal component and the interest expense. The Department does not have any finance leases.

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred.

o. Receivables

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

p. Inventories

Inventories are stated at the lower of cost and net realisable value. In the case of raw materials and spare parts, cost is assigned on the basis of Weighted Average method. Work-in-progress cost is determined by specific identification method includes direct materials, direct labour and an appropriate proportion of overheads determined by reference to the percentage completed on each contract.

q. Other financial assets

"Other financial assets" are recognised at fair value. For non-current "other financial assets", revaluation increments and decrements are recognised in the same manner as physical non-current assets. For current "other financial assets", revaluation increments or decrements are recognised in the Statement of Financial Performance.

r. Trust Funds

The Australian Bureau of Statistics commissions the mapping agencies of all States to provide certain services. A Memorandum of Understanding governs the operations of the Public Sector Mapping Agencies (PSMA). The Department acquired an investment of \$1 in one share in PSMA Australia Limited, being an incorporated joint venture of the Public Sector Mapping Agencies. The investment is reflected in the Department's financial statements in accordance with AAS14 "Accounting for Investments in Associates". (Refer note 27)

s. Restricted Assets

Legislation or Treasury Directions impose restrictions on the use of certain assets of the Department.

The Department administers the Torrens Assurance Fund. The Torrens Assurance Fund was established under S133A of the Real Property Act as a Special Deposit Account administered by the Register-General. Refer to note 15.

DEPARTMENT OF LANDS
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The Department administers the Public Reserves Management Fund (PRMF) which provides funds for the development, maintenance and protection of Crown land reserves throughout NSW. Crown reserves are generally managed by reserve trusts which are incorporated bodies administered by local government councils, volunteer boards of management or other responsible organisations such as Rural Lands protection Boards. Refer to note 15.

The PRMF was established by the Public Reserves Management Fund Act 1987.

t. Other assets

Other assets including prepayments are recognised on a cost basis.

u. Equity transfers

The transfer of net assets between agencies as a result of an administrative restructure, transfer of programs / functions and parts thereof between NSW public sector agencies are designated as a contribution by owners by NSWTC 01/11 and are recognised as an adjustment to "Accumulated Funds". This treatment is consistent with Urgent Issues Group Abstract UIG 38 "Contributions by Owners Made to Wholly Owned Public Sector Entities". Transfers arising from an administrative restructure between government departments are recognised at the amount at which the asset was recognised by the transferor government department immediately prior to the restructure. In most instances this will approximate fair value. All other equity transfers are recognised at fair value.

v. Payables

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

w. Interest bearing liabilities

All loans are valued at current capital value; the finance lease liability is determined in accordance with AAS 17 "Leases".

x. Contribution to Consolidated Fund

The Department operates a commercial activity through Land and Property Information NSW. From this operation the Department pays income tax equivalents and dividends to the Consolidated Fund. Tax effect accounting is not required to be applied. Income tax is calculated by applying the prevailing company tax rate to profits earned by LPI. Dividends are paid at the rate of 85% of its after tax profit in two equal instalments, in August and December following the financial year-end. As LPI recorded an operating loss in the last financial year 2003 no income tax equivalents and dividends were payable for that year.

y. Comparative figures

The Department of Lands was created on 2 April 2003 (refer to note 1), therefore for the financial year ended 30 June 2004, the comparative figures from the period ended 30 June 2003 are the transactions for three months only, namely from 2 April 2003 to 30 June 2003.

z. Budgeted Amounts

The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year 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 carried forward actual amounts ie per the audited financial statements (rather than carried forward estimates).

DEPARTMENT OF LANDS
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3. EXPENSES**3(a). EMPLOYEE RELATED EXPENSES**

**02.04.03 to
30.06.2003**

	2004	2003
	\$000	\$000
Employee related expenses comprise the following specific items:		
Salaries & wages (including Recreation Leave)	86,545	22,137
Superannuation	4,754	9,672
Long service leave	6,807	5,084
Workers compensation insurance	1,047	452
Payroll tax and fringe benefits tax	5,738	1,341
Payroll tax on employer's superannuation contribution	-	368
Redundancies	2,198	322
	<u>107,089</u>	<u>39,376</u>

3(b). OTHER OPERATING EXPENSES

Valuation services contractors	9,453	2,340
Operating lease rental expense		
- Minimum lease payments	2,864	825
EDP - Information Technologies Services	3,904	529
Furniture, plant and equipment	631	238
Stores & Materials	5,798	907
Consultancies & Other Contractors	2,804	1,745
Promotion, publicity and events management	614	143
Travel expenses	1,169	819
Telecommunication expenses	2,023	498
Motor vehicle expenses	7,422	1,966
Insurance	3,405	90
Auditor's remuneration -audit or review of financial reports	284	48
Freight & postage	832	146
Legal fees	82	30
Staff related & development	898	302
Administration	2,209	1,842
Taxes	11,947	78
Bad & doubtful debts	738	77
Other	496	88
	<u>57,573</u>	<u>12,711</u>

3(c). DEPRECIATION

Buildings and Leasehold Improvements	847	203
Plant and equipment	9,950	1,858
	<u>10,797</u>	<u>2,061</u>

3(d). GRANTS AND SUBSIDIES

Fishing Ports Annual Provisions	792	334
Public Reserve Management Fund	954	422
Board of Surveying and Spatial Information	260	52
Other	1,312	116
	<u>3,318</u>	<u>924</u>

DEPARTMENT OF LANDS
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	2004	2003
	\$000	\$000
3(e). BORROWING COSTS		
Interest payable on loans	42	11
Finance lease interest charges	279	72
	<u>321</u>	<u>83</u>
3 (f). OTHER EXPENSES		
Fishing Port Maintenance	1,054	594
Torrens Assurance Fund	1,465	1,552
	<u>2,519</u>	<u>2,146</u>
4. REVENUES		
4(a) SALE OF GOODS AND SERVICES		
Title	101,017	24,502
Valuation	22,937	2,288
Mapping	3,657	1,143
Torrens Assurance Fund	2,017	498
Fees for Services	754	842
Soil Services	17,344	4,159
Search fees	285	92
Agistment Fees	745	-
Other	1,939	558
	<u>150,695</u>	<u>34,082</u>
4(b) INVESTMENT INCOME		
Rents	117	4
Interest	4,234	787
	<u>4,351</u>	<u>791</u>
4(c) RETAINED FEES		
Caravan Park Levy	3,118	826
	<u>3,118</u>	<u>826</u>
4(d) GRANTS AND CONTRIBUTIONS		
Contributions from Other Entities	7,439	5,488
Other	16	10
	<u>7,455</u>	<u>5,498</u>
4(e) OTHER REVENUE		
Printing and publishing	418	127
Digital database sales	13	9
International projects	651	147
Corporate support	520	502
Other revenue	865	494
	<u>2,467</u>	<u>1,279</u>

Other revenue comprises Public Reserves Management Fund income and income from sale of surveyor maps etc.

DEPARTMENT OF LANDS
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	<u>2004</u>	<u>2003</u>
	<u>\$000</u>	<u>\$000</u>
5. GAIN / (LOSS) ON DISPOSAL OF NON-CURRENT ASSETS		
Gain/(loss) on disposal of land & buildings		
Proceeds from disposal	-	11
Carrying value of assets disposed	(70)	(23)
Net (loss) on disposal of Motor Vehicles	<u>(70)</u>	<u>(12)</u>
Gain/(loss) on disposal of plant and equipment		
Proceeds from disposal	1,226	347
Carrying value of assets disposed	(946)	(146)
Net gain on disposal of plant and equipment	<u>280</u>	<u>201</u>
Gain on disposal of Non-Current Assets	<u>210</u>	<u>189</u>
6. APPROPRIATIONS		
Recurrent Appropriations		
Total recurrent drawdowns from Treasury (per Summary of Compliance)	40,000	6,367
Less: Liability to Consolidated Fund (per Summary of Compliance)	-	132
Total	<u>40,000</u>	<u>6,235</u>
<i>Comprising:</i>		
Recurrent appropriations (per Statement of Financial Performance)	40,000	6,235
Total	<u>40,000</u>	<u>6,235</u>
Capital Appropriations		
Total capital drawdowns from Treasury (per Summary of Compliance)	1,400	-
Less: Amount repaid for lapsed Appropriation	-	-
Less: Liability to Consolidated Fund (per Summary of Compliance)	-	-
Total	<u>1,400</u>	<u>-</u>
<i>Comprising:</i>		
Capital appropriations (per Statement of Financial Performance)	1,400	-
Total	<u>1,400</u>	<u>-</u>

7. INDIVIDUALLY SIGNIFICANT ITEMS

Included in expenses from ordinary activities is \$15.940m for superannuation expenses written back due to the income earned in the superannuation fund reserves. In 2003 - \$9.663m for superannuation for 3 months from 2 April to 30 June 2003 was included in the expenses from ordinary activities. That amount includes a significant negative result following triennial review by the Pillar Administration Corporation.

DEPARTMENT OF LANDS
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8. PROGRAMS/ACTIVITIES OF THE DEPARTMENT

(a) Program 1 - Crown Lands

Objectives: Effective and sustainable use of the Crown Estate of New South Wales.

(b) Program 2 - Soil Services

Objectives: Protection and conservation of the soil resources of New South Wales by provision of a cost-effective conservation earthmoving and consultancy service. Set the industry standard for conservation earthworks design and construction. Provide a specialist consulting service in environmental protection and rehabilitation, resource planning and assessment, environmental engineering and training in soil conservation thus contributing to effective and sustainable use of the State's soil resources.

(c) Commercial Activity - Land and Property Information New South Wales

Objectives: To provide integrated and enhanced land and property information services through innovative use of information and communications technology and expand the range of services delivered online.

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

	2004	02.04.03 to
	\$000	30.06.2003
	<u> </u>	<u> </u>
The following liabilities and expenses have been assumed by the Crown Entity.		
Superannuation	2,157	738
Long service leave	2,650	1,510
Payroll tax on superannuation	129	44
	<u>4,936</u>	<u>2,292</u>

10. CURRENT ASSETS - CASH

Cash at bank and on hand	75,878	57,781
Closing Cash and Cash Equivalents	<u>75,878</u>	<u>57,781</u>

For the purpose of the Statement of Cash Flows, cash includes cash on hand and cash at bank.

Cash 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 at bank and on hand (per Statement of Financial Position)	75,878	57,781
Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>75,878</u>	<u>57,781</u>

11. CURRENT/NON CURRENT ASSETS - RECEIVABLES

Current Receivables:

Sale of goods and services	9,050	8,643
Accrued income - Sale of goods and services	3,082	2,214
GST receivable	1,086	493
Short-term loans	4,927	3,182
Retained taxes, fees and fines	128	34
Interest Receivable	2,099	1,017
Long Service Leave (note 19)	298	131

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	2004	2003
	\$000	\$000
Other	252	128
Less: Provision for doubtful debts	(533)	(389)
	<u>20,389</u>	<u>15,760</u>
Non-Current Receivables:		
Public Reserve Management Fund	12,096	11,591
Long Service Leave (note 19)	2,680	2,625
	<u>14,776</u>	<u>14,216</u>

12. CURRENT/NON ASSETS - INVENTORIES

Current Inventories

At Cost		
Raw materials	9	4
Goods for resale	326	362
Consumables and spare parts	326	342
Provision for obsolescence	(33)	(33)
	<u>628</u>	<u>675</u>

Non-Current Inventories

At Cost		
Goods for resale	1,306	1,450
	<u>1,306</u>	<u>1,450</u>

Raw materials are classified as current assets because they are used within a short time.

Goods for resale (map stocks) are split 20% current and 80% non-current based on 5-year usage. There was no write down of inventories during the financial year ended 30 June 2004 (2003 - NIL).

13. CURRENT/NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

Non-Current

Investment in Public Sector Mapping Authority (PSMA)	509	356
(Refer to Note 27)	<u>509</u>	<u>356</u>

Investment in PSMA is treated as non-current asset as it is not readily tradeable in the market and is the subject of a NSW Government Regulation that is unlikely to change in the short-term.

14. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

LAND AND BUILDINGS

At Fair Value	58,240	56,617
Less:		
Accumulated Depreciation	(1,297)	(432)
	<u>56,943</u>	<u>56,185</u>

PLANT AND EQUIPMENT

At Fair Value	79,463	71,218
Less:		
Accumulated Depreciation	(41,680)	(35,758)
	<u>37,783</u>	<u>35,460</u>

Total Property, Plant and Equipment at Net Book Value	<u>94,726</u>	<u>91,645</u>
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DEPARTMENT OF LANDS
Notes to and Forming Part of the Financial Statements
for the year ended 30 June 2004

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

Reconciliations

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

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
2004			
Carrying amount at 1/07/03	56,185	35,460	91,645
Additions	1,696	13,161	14,857
Reclassification	(44)	44	-
Disposals	(70)	(946)	(1,016)
Depreciation expense	(847)	(9,950)	(10,797)
Transfer in due to Admin Restructure	23	14	37
Carrying amount at 30/06/04	<u>56,943</u>	<u>37,783</u>	<u>94,726</u>

15. RESTRICTED ASSETS

Legislation or Treasury Directions impose restrictions on the use of certain assets of the Department. As such, the following are considered to be restricted assets:

Public Reserve Management Fund	2004	2003
Current Assets:	\$000	\$000
Cash	8,314	7,734
Receivables	4,927	3,181
Receivables	12,096	11,591
	<u>25,337</u>	<u>22,506</u>

Under Current Assets, Cash comprises Public Reserves Management Fund of \$8.314m (2003 - \$7.734 m). Receivables both current and non-current comprise Public Reserves Management funds.

Public Reserve Management Fund (PRMF)

The Department administers the PRMF under the *Public Reserve Management Fund Act 1987* within the Special Deposit Account in Treasury called the Public Reserves Management Fund. The fund is only to be used for grants and loans allocated for the following programs:

- a. Caravan park levy income development works
- b. Showgrounds assistance scheme
- c. Local parks, reserves and walking tracks
- d. Reserves of high visitation/regional significance
- e. Consultancies for plans of management and business plans
- f. Commercial initiatives on Crown reserves
- g. Major regional recreation projects (across a number of reserves) managed the Department of Lands.

DEPARTMENT OF LANDS
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15. RESTRICTED ASSETS (continued)

Torrens Assurance Fund - Special Deposit Account

The Department operates the Torrens Assurance Fund within the Special Deposit Accounts. The Fund was established under Section 133A of the Real Property Act 1900. It meets claims for loss arising out of fraud or agency error and is funded by a \$2 charge on each land dealing lodged. The following is a summary of transactions in the Torrens Assurance Fund (note 24(a)).

	2004	2003
	\$000	\$000
Opening cash balance	8,273	9,327
Add:		
Revenue	2,017	498
Less:		
Expenditure	(1,465)	(1,552)
Cash balance at year end	8,825	8,273

16. CURRENT/NON-CURRENT ASSETS - OTHER

Current Assets - Other

Prepayments	1,393	1,830
	1,393	1,830

The prepaid superannuation of \$294k reported as "Current Assets - Other" in 2003 is reclassified to superannuation provisions.

17. CURRENT LIABILITIES - PAYABLES

Accrued salaries, wages and on-costs	1,724	2,132
Creditors	5,633	4,855
Fees in Advance	1,746	2,456
Contributions to Consolidated Fund (note 21)	23,049	-
Income Tax Equivalent payable	9,034	-
Other	1,761	1,365
	42,947	10,808

18. CURRENT/NON-CURRENT LIABILITIES - INTEREST BEARING LIABILITIES

Secured/Unsecured

Current Liabilities

Finance lease commitments	446	446
Advance from Treasury (unsecured)	5	5
	451	451

Secured/Unsecured

Non-Current Liabilities

Finance lease commitments	2,323	2,483
Advance from Treasury (unsecured)	3,174	3,180
	5,497	5,663

DEPARTMENT OF LANDS
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18. CURRENT/NON-CURRENT LIABILITIES - INTEREST BEARING LIABILITIES (continued)

Repayment of Borrowings (excluding finance leases)

	2004	2003
	\$000	\$000
Not later than 1 year	5	5
Between 1 year and 5 years	21	21
Later than 5 years	3,153	3,159
Total borrowings at face value (excluding finance leases)	<u>3,179</u>	<u>3,185</u>

19. CURRENT/NON-CURRENT LIABILITIES - PROVISIONS

Current employee benefits and related on-costs

Recreation leave	6,482	7,593
Long service leave	3,865	3,797
Oncosts on employee benefits	679	570
Fringe Benefits Tax	40	7
Total provisions	<u>11,066</u>	<u>11,967</u>

Non-Current employee benefits and related on-costs

Recreation leave	4,046	3,144
Long service leave	31,926	30,756
Superannuation	34,482	49,895
Oncosts on employee benefits	3,286	2,350
	<u>73,740</u>	<u>86,145</u>

Aggregate employee entitlements

Provisions - current	11,066	11,967
Provisions - non-current	73,740	86,145
Accrued salaries, wages and on-costs (note 17)	1,724	2,132
	<u>86,530</u>	<u>100,244</u>

The superannuation provision of \$49.895m in year 2003 includes prepaid superannuation of \$.294m previously reported under "Current Assets - Other" and the under funded super of \$1.224m previously reported under "Current Liabilities - Other". The superannuation provision in year 2003 has therefore been increased from \$48.965m to \$49.895m (the under funded of \$1.224m less the prepaid of \$.294m)

Superannuation liability

The Department's commercial and semi-commercial activities are responsible for funding the employer's superannuation liability through monthly contributions to the Department's reserve account held at the Superannuation Administration Corporation. Superannuation payments to retiring employees are made out of this reserve account. Periodically the department's reserve account balance is augmented by interest distributions made at the discretion of the Superannuation Administration Corporation. The Department has no control over interest distributions. The reserve account can only be used for the settlement of superannuation liabilities.

Actuarial assessments for the defined benefit schemes: State Superannuation Scheme, State Authorities Superannuation Scheme and State Authorities Non-Contributory Superannuation Scheme (SSS, SASS and SANCS) have been made for the year ended 30 June 2004 based on the full requirements of AAS25.

DEPARTMENT OF LANDS
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19. CURRENT/NON-CURRENT LIABILITIES - PROVISIONS (continued)

	Assessed Liability		Reserve Account		Superannuation Prepaid/(Deficit)	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000
State Superannuation Scheme	199,000	184,344	168,936	138,535	(30,064)	(45,809)
State Authorities Superannuation Scheme	16,595	13,862	13,347	11,295	(3,248)	(2,567)
Sub-Total	215,595	198,206	182,283	149,830	(33,312)	(48,376)
State Authorities Non-Contributory Superannuation Scheme	13,692	11,854	12,522	10,335	(1,170)	(1,519)
	229,287	210,060	194,805	160,165	(34,482)	(49,895)

The Department's commercial and semi-commercial services superannuation liabilities as at 30 June 2004 as assessed by William Mercer Limited were based on the following key assumptions:

	2004 %	2005 %	2006 %
• Rate of Investment Return	7.0	7.0	7.0
• Rate of General Salary Increase	4.0	4.0	4.0
• Rate of Increase in CPI	2.5	2.5	2.5

Employees' long service leave liability

The department's semi-commercial services long service leave liability and the corresponding receivable from the Treasury are reported as follows:

	2004 \$000	2003 \$000
Current Liability	298	131
Non-Current Liability	2,680	2,625
	2,978	2,756
Current Receivable (note 11)	298	131
Non-Current Receivable (note 11)	2,680	2,625
	2,978	2,756

20. CURRENT/NON-CURRENT LIABILITIES - OTHER

Liability to Consolidated Fund	-	156
Interest free advance from Treasury (unsecured)	160	160
	160	316
Reported as follows:		
Current liabilities	-	156
Non-Current Liabilities	160	160
	160	316

The under funded State Authorities Non-Contributory Superannuation Scheme of \$1.224m reported under current liabilities - other in 2003 is reclassified to superannuation provisions.

DEPARTMENT OF LANDS
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21. CHANGES IN EQUITY

	Accumulated Funds		Asset Revaluation Reserve		Total Equity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Balance at the beginning of the financial year	68,167	-	196	-	68,363	-
Fair value of net assets transferred in on formation of Department	-	74,953	-	-	-	74,953
Transactions with owners as owners						
Contributions to Consolidated Fund	(23,049)	-	-	-	(23,049)	-
Transfers from asset revaluation reserve on administration restructure	37	186	-	-	37	186
Total	45,155	75,139	196	-	45,351	75,139
Other than transactions with owners as owners						
Surplus (Deficit) for the year	30,240	(6,972)	-	-	30,240	(6,972)
Increment/(Decrement) on revaluation	-	-	153	196	153	196
Total	30,240	(6,972)	153	196	30,393	(6,776)
Balance at the end of the financial year	75,395	68,167	349	196	75,744	68,363

Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the Department's policy on the "Revaluation of Physical Non-Current Assets" as discussed in Note 2(j).

22. INCREASE / DECREASE IN NET ASSETS FROM EQUITY TRANSFERS

There was no administrative restructuring for financial year ended 30 June 2004.

	2004	2003
	\$'000	\$'000
Total Assets	-	175,166
Total Liabilities	-	100,213
Net assets	-	74,593

23. COMMITMENTS FOR EXPENDITURE**(a). Other Expenditure Commitments**

Aggregate of other expenditure for the acquisition of items as detailed below contracted for at balance date and not provided for:

Not later than 1 year	12,698	10,244
Later than 1 year and not later than 5 years	11,370	10,591
Total (including GST)	24,068	20,835

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23. COMMITMENTS FOR EXPENDITURE (continued)

(b). Operating Lease Commitments

Future non-cancellable operating lease rentals not provided for and payable for property, plant and equipment for varying contract periods/suppliers.

	2004	2003
	\$'000	\$'000
Not later than 1 year	3,873	3,673
Later than 1 year but not later than 5 years	4,140	3,574
Total (including GST)	8,013	7,247

(c) Finance Lease Commitments

Not later than 1 year	446	446
Later than 1 year but not later than 5 years	1,783	1,783
Later than 5 years	2,229	2,675
Minimum lease payments	4,458	4,904
Less: future finance charge	(1,689)	(1,975)
Total (including GST)	2,769	2,929

Classified as:

Current	446	446
Non-current	2,323	2,483
	2,769	2,929

The total 'other expenditure commitments' and 'operating lease commitments' above include input tax credits of \$2.917m (2003 - \$2.553m) that are expected to be recovered from the Australian Taxation Office.

24. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) The Department maintains a special deposit account for claims arising through fraud or Departmental error (Torrens Assurance Fund). As at 30 June 2004 known claims were assessed to have an estimated gross liability of \$ 8.127m (2003 - \$8.342m). These liabilities have been estimated on the assumption that all disputed claims will be lost by LPI branch.

(b) The Department may be liable for payment of compensation payments arising from claims and other matters subject to litigation. The amounts involved cannot be accurately determined and in some instances are subject to arbitration. These claims are covered by the Treasury Managed Fund, and are not expected to exceed \$7.4m (2003 - \$3.8m). In addition, applications for native title under the Native Title Act 1993 and Aboriginal Land Rights Act 1983 have been made over various areas of land and water in New South Wales which might ultimately result in a liability being incurred by the Department. It is not possible to estimate this potential liability.

25. BUDGET REVIEW

STATEMENT OF FINANCIAL PERFORMANCE

Net Cost of Services

The actual net cost of services was lower than budget by \$23.7m. Additional revenues earned of \$27.5m was the major contributing factor in this turn around. The revenues included grants from the Department of Infrastructure Planning and Natural Resources (DIPNR), increased revenues achieved from processing higher numbers of land title documents and investment earnings.

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25. BUDGET REVIEW (continued)

During the Financial year Other Operating Expenses did increase due to increased costs for the Treasury Managed Fund insurance premium previously paid by the DIPNR and other costs transferred but not budgeted as part of the administrative restructure in April 2003. However these costs were met in full by additional grants received from DIPNR or operating revenues received from customers.

STATEMENT OF FINANCIAL POSITION

Assets and Liabilities

Current assets are higher than budget due to the strong growth in revenues from land titles activities with an increase in receivables reflecting increased sales on credit by Soil Services and Land and Property Information Divisions.

Current liabilities increased due to the provision for dividend and tax equivalent owing to Treasury on the Land Property Information business.

Cash Flows

Operating cash flows reflect the increased revenues earned from land titles activity during the financial year.

Investing cash flows reflect the capital asset investment strategy for the department with the majority of this investment in 2003/04 in new and improved business systems and information technology infrastructure.

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

	2004	2003
	\$000	\$000
Net Cash flow from / (used in) Operating Activities	31,894	9,046
Depreciation	(10,797)	(2,061)
Acceptance by the Crown Entity of		
Employee entitlements and other liabilities	(4,221)	(2,136)
Net gain on sale of non-current assets	210	189
Cash flows from Government	(42,115)	(6,526)
Decrease/(increase) in Provisions	13,463	(11,510)
Increase in Receivables	4,750	749
(Decrease) in Inventories	(190)	(125)
(Increase) in Current liabilities	(9,090)	(3,125)
Net Cost of Services	(16,096)	(15,499)

27. TRUST FUNDS

Public Sector Mapping Agency (PSMA)

Refer to note 2 (s)

	2004	2003
	\$000	\$000
Opening accumulated surplus/(deficit) at start of the year	2,850	1,280
Income earned during the year	2,807	3,166
Less:		
Expenses paid during the year	(1,586)	(1,596)
Accumulated surplus/(deficit) at end of the year	4,071	2,850

The Department has a one-eighth (1/8) equity in the closing accumulated surplus, ie:

Accumulated surplus/(deficit) at end of the year	509	356
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28. ADMINISTERED ASSETS AND LIABILITIES

	Crown Leasehold	Land Development Working Acct	2004 \$'000	2003 \$'000
	<u>\$000</u>	<u>\$000</u>	<u>\$'000</u>	<u>\$'000</u>
Administered Assets				
Cash	10,054	16,616	26,670	18,024
Receivables	41,651	3,420	45,071	44,370
Land in course of development	-	6,802	6,802	7,902
Vacant Crown land & Land under Tenure	4,379,242	-	4,379,242	4,520,345
Total Administered Assets	<u>4,430,947</u>	<u>26,838</u>	<u>4,457,785</u>	<u>4,590,641</u>
Administered Liabilities				
Unearned revenue	11,851	-	11,852	10,110
Accounts payable & provision	4,395	9,095	13,490	8,576
Liability to Consolidated Fund	3,010	-	3,010	9,474
Amount due to Crown Leasehold	-	9,591	9,591	-
Treasury advance	-	3,000	3,000	3,000
Total Administered Liabilities	<u>19,256</u>	<u>21,686</u>	<u>40,942</u>	<u>31,160</u>

29. ADMINISTERED REVENUE - DEBTS WRITTEN OFF

Administered debts of \$35,301 were written off during the year (30 June 2003-\$10,395)

30. ADMINISTERED REVENUE - SCHEDULE OF UNCOLLECTED AMOUNTS

	2004 \$'000	2.04.2003 to 30.06 2003 \$'000
	<u>\$'000</u>	<u>\$'000</u>
Analysis of uncollected amounts in respect of Land revenue - Crown Leasehold:		
Less than 90 days	3,724	5,889
Greater than 90 days	14,812	11,146
	<u>18,536</u>	<u>17,035</u>
Less: Provision for doubtful debts	4,173	2,632
	<u>14,363</u>	<u>14,403</u>
Amounts not yet called	27,288	29,493
Total	<u>41,651</u>	<u>43,896</u>

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31. ADMINISTERED REVENUE AND EXPENSES

	Crown Leasehold	Land Development Working Acct	2004 \$'000	2003 \$'000
	<u>\$000</u>	<u>\$000</u>	<u>\$'000</u>	<u>\$'000</u>
Revenue	42,403	10,639	53,042	53,690
Expenses	(160,311)	(4,272)	(164,583)	(103,811)
Operating surplus/(loss)	<u>(117,908)</u>	<u>6,367</u>	<u>(111,541)</u>	<u>(50,121)</u>

Details of Crown revenue collected by the Department and remitted to the Treasury:

Land sales, term purchase instalments and other misc land sales	10,831	14,981
Leases, licences and related land receipts	28,877	22,148
	<u>39,708</u>	<u>37,129</u>

32. FINANCIAL INSTRUMENTS**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 11.00 am unofficial cash rate adjusted for a management fee to Treasury. Interest is reported in the financial statements as it is earned. For the purposes of the Statement of Cash Flows, cash comprises cash on hand and at bank and short-term deposits at call.

Receivables

All trade and other debtors are recognised as amounts receivable at balance date. Collectability of all 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 generally made on 30 days terms.

Bank Overdraft

The Department does not have any bank overdraft facility.

Trade Creditors and Accruals

The liabilities are recognised for amounts due to be paid in the future for goods or 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 not 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. No interest was paid during the year (30 June 2003-Nil). The carrying amount approximates net fair value.

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32. FINANCIAL INSTRUMENTS (continued)

(a) Interest Rate Risk

			Fixed Interest Rate Maturities			Non Interest Bearing	Total Carrying Amount As per the Statement of Financial Position
	Weighted Average Effective interest rate	Floating Interest Rate	1 year or less	1 to 5 years	More than 5 Years		
	%	\$000	\$000	\$000	\$000	\$000	\$000
30 June 2004							
Financial Assets							
Cash	4.18	75,878	-	-	-	-	75,878
Receivables	3.75	17,023	-	-	-	18,142	35,165
Total Financial Assets		92,901	-	-	-	18,142	111,043
30 June 2003							
Cash	3.75	57,781	-	-	-	-	57,781
Receivables	8	21,825	-	-	-	8,151	29,976
Total Financial Assets		79,606	-	-	-	8,151	87,757
30 June 2004							
Financial Liabilities							
Payables		-	-	-	-	42,947	42,947
Interest Bearing	1.3	-	5	21	3,154	-	3,180
Finance lease	9.75	-	446	1,783	540	-	2,769
Other		-	-	-	-	160	160
Total Financial Liabilities		-	451	1,804	3,694	43,107	49,056
30 June 2003							
Payables		-	-	-	-	10,808	10,808
Interest Bearing	1.3	-	5	21	3,159	-	3,185
Finance lease	9.75	-	446	1,783	700	-	2,929
Other		-	-	-	-	160	160
Total Financial Liabilities		-	451	1,804	3,859	10,968	17,082

(b) Credit Risk

Credit risk is the risk of financial loss arising from another party to a contract/or financial position failing to discharge a financial obligation thereunder. The Department's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the Statement of Financial Position.

33. AFTER BALANCE DATE EVENTS

No events have occurred after reporting date that need to be recognised or disclosed in the financial report.

DEPARTMENT OF LANDS
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34. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Explanation of how the transition to AIFRS is being managed.

The Department will apply the Australian Equivalents to International Financial Reporting Standards (AIFRS) from the reporting period beginning 1 July 2005. The Department is managing the transition to the new standards by allocating internal resources 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. Where necessary the Department will also engage legal or accounting professional resources to provide expert advice.

As a result of this exercise, the agency has taken the following steps to manage the transition to the new standards:

The Department's Budget Committee is overseeing the transition. The Director, Financial and Administrative Services is responsible for the project and reports to the Committee on progress against the plan. The Department's Audit Committee also provides input to the process.

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

- o Scope and identify impact of the changes
- o Determine changes to be made to systems, processes, policies.
- o Train staff
- o Implement changes and review

By the end of June 2004, a preliminary assessment of the impact of the changes for the entities administered for the Crown by the Department of Lands had been undertaken. All other stages, including the requisite changes to systems will be completed by the end of November 2004.

NSW Treasury is assisting agencies to manage the transition by developing policies, including mandates of options; presenting training seminars to all agencies; providing a website with up-to-date information to keep agencies informed of any new developments; and establishing an IAS Agency Reference Panel to facilitate a collaborative approach to manage the change.

(b) Key Differences in Accounting Policies

The Department has identified a number of significant differences in accounting policies that will arise from adopting AIFRS. Some differences arise because AIFRS requirements are different from existing AASB requirements. Other differences could arise from options in AIFRS. To ensure consistency at the whole of government level, NSW Treasury has advised the Department of options it is likely to mandate, and will confirm these during 2004-05. This disclosure reflects these likely mandates.

The Department's accounting policies may also be affected by a proposed standard designed to harmonise accounting standards with Government Finance Statistics (GFS). This standard is likely to change the impact of AIFRS and significantly affect the presentation of the income statement. However, the impact is uncertain, because it depends on when this standard is finalised and whether it can be adopted in 2005-06.

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34. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Based on current information, the following key differences in accounting policies are expected to arise from adopting AIFRS:

- ❑ AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* requires retrospective application of the new AIFRS from 1 July 2004, with limited exemptions.
- ❑ AASB 110 *Events after the balance sheet date* states that only dividends "declared" or appropriately "authorised" before the reporting date can be recognised. This is more restrictive than the current approach which is based on "valid expectations". However, this change is not expected to impact on dividend recognition as the signing of the statement of Corporate Intent/Statement of Business Intent before the reporting date to which it relates, "authorises" the dividend and any change in the amount of the dividend after the reporting date constitutes an "adjusting event after the reporting date".

However, the amount of the dividend may be affected by other AIFRS, such as AASB 139 *Financial Instrument Recognition and Measurement* and AASB 119 *Employee Benefits* (refer below) as these standards may impact on retained earnings (on first adoption) and the amount and volatility of profit/loss.

- ❑ AASB 116 *Property, Plant and Equipment* requires the cost and fair value of property, plant and equipment to be increased to include restoration costs, where restoration provisions are recognised under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Major inspection costs must be capitalised and this will require the fair value and depreciation of the related asset to be re-allocated.

For-profit entities must account for asset revaluation increments and decrements on an individual asset basis, rather than on a class basis. This change may decrease accumulated funds.

- ❑ AASB 117 *Leases* requires operating lease contingent rentals to be recognised as an expense on a straight-line basis over the lease term rather than expensing in the financial year incurred.
- ❑ AASB 119 *Employee Benefits* requires the defined benefit obligation to be discounted using the government bond rate at each reporting date rather than the long term expected rate of return on plan assets. This will increase the amount and the future volatility of the unfunded superannuation liability and the volatility of the employee benefit expenses.
- ❑ AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*. For profit entities will either apply the current AASB 120 or early adopt a revised AASB 120, based on the grant requirements in AASB 141 *Agriculture*. The current AASB 120 spreads income over the period necessary to match related costs. A revised AASB 120 based on AASB 141 is likely to require revenue recognition when conditions are satisfied. Both of these alternatives may have the effect of delaying revenue recognition.
- ❑ AASB 1004 *Contributions* applies to *not-for-profit entities* only. Entities will either continue to apply the current requirements in AASB 1004 where grants are normally recognised on receipt, or alternatively apply the proposals on grants included in ED 125 *Financial Reporting by Local Governments*. If the ED 125 approach is applied, revenue and/or expense recognition will be delayed until the agency supplies the related goods and services (where grants are in-substance agreements for the provision of goods and services) or until conditions are satisfied.

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34. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

- AASB 136 *Impairment of Assets* requires an entity to assess at each reporting date whether there is any indication that an asset (or cash generating unit) is impaired and if such indication exists, the entity must estimate the recoverable amount. However, the effect of this Standard should be minimal because all the substantive principles in AASB 136 are already incorporated in Treasury's policy *Valuation of Physical Non-Current Assets at Fair Value*.

- AASB 138 *Intangibles* requires that all research costs must be expensed and restricts capitalisation of development costs. Some previously recognised internally generated intangible assets may need to be derecognised. Further, intangibles assets can only be revalued where there is an active market, which is unlikely to occur. As a result, it is likely that any revaluation increments will need to be derecognised and intangible assets recognised at cost.