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KEY ACHIEVEMENTS

- ✓ Exceeded budgeted surplus target by $10m.
- ✓ Increased revenues from valuations.
- ✓ Increased Commonwealth funding for reserves.

9 FINANCIAL STATEMENTS

FINANCIAL PERFORMANCE

Following are the financial statements for the NSW Department of Lands (Lands) and the Land and Property Information division (LPI).

Lands statements include all financial activities of the Department, including LPI. LPI is also required by NSW Treasury to have a separate financial report, as it operates under the NSW Treasury Commercial Policy Framework.

Lands also administers the Crown Leaseholds Entity (CLE) and the Land Development Working Account (LDWA), on behalf of NSW Treasury. The financial reports for these entities are not included here, as they are reported in the Crown Entity annual report produced by NSW Treasury. To enable a more complete picture of the operations of Lands, some details of the financial results for CLE and LDWA are incorporated into the analysis of financial performance.

How we are funded

Funding for the Department of Lands comes from a mix of government contributions and revenues generated from our commercial functions. Specific information on how we are funded can be found on page 12.

Where any profits go

Most profit, which is referred to in the financial statements as 'surplus', is returned to the Consolidated Fund. LPI pays profits back to the Government in the form of taxes and dividends. For 2008/09 this totalled $16.3m and the dividend payment was set at 100% of the surplus for the year, up from 85% in previous years. Any surplus that is not paid back to the Government goes towards accumulated funds.

CLE distributes most of its cash receipts to the Consolidated Fund of NSW, whilst LDWA contributes 100% of any resulting surplus. For 2008/09 the CLE distributed $69m. As LDWA made a small loss, there was no distribution made. Any accumulated funds within CLE and LDWA remain within those financial entities, which are both consolidated within the Crown Entity and they do not form part of Lands' funds.

Targets for 2008/09

The financial targets for Lands can be seen in the Lands financial statements 'Budget' column. For 2008/09, the overall targeted position was for a $15m surplus. This was exceeded, with the final result bringing a $25m surplus.

Overall revenue/expenditure

Factors contributing to this improved position include:

- increased revenue from valuation services
- Commonwealth funding for the HMAS Adelaide Crown Reserve
- increased earnings by the Public Reserves Management Fund
- doubling of LPI title transfer fees
- decreased employee expenses due to a slower commencement of trainee positions
- focus on maintaining robust expenditure controls.

Economic conditions

The broader economic environment and flow on effects of the global financial crisis placed pressure on areas of our business during the year.

As the NSW housing market slowed, there was a slow down in LPI activity, with fewer land title copies being requested and fewer plans being registered. However, towards the end of the financial year, this area of our business picked up, quite likely in response to the government's first home owner grants. LPI ended the year almost in line with budget targets.

The SCS division experienced a downturn in revenues from business operations, compared with the previous year. The economic environment, on top of the continued drought conditions, contributed to lower consultancy services contracts and a general decrease in customer demand.

Another area affected by the general economic conditions was customer debt levels. 2008/09 saw increases in the level of provisions made for bad debt, across Lands' businesses as well as CLE and LDWA. This is in recognition of potential increased pressures on the ability for customers to pay debts outstanding. At the same time, we increased our focus on debt management activities, reviewing internal processes and putting in place additional reporting regimes.

The State Government brought down a mini budget during November 2008, in response to the global financial crisis which implemented a number of budget restrictions on all government agencies.

This resulted in increased revenue targets and budget restrictions for Lands and CLE. Staffing freezes were also implemented in an effort to reduce costs across government. In response, Lands implemented a program of budget review and reduction, which resulted in many projects which were not committed to, being cancelled or deferred.

Aims for 2009/10

The next financial year will see the bedding down of structural changes resulting from the formation of the Land and Property Management Authority. This will include incorporating the previously 'administered activities' of CLE and LDWA within the authority, although a number of financial entities will continue to be separately reported for 2009/10.

There will be a continued focus on debtors management, as well as cash management and forecasting. We will also continue to review and improve our internal accounting processes.

AUDITOR-GENERAL NEW SOUTH WALES

GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

DEPARTMENT OF LANDS

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Department of Lands (the Department), which comprises the balance sheet as at 30 June 2009, the operating statement, statement of recognised income and expense, cash flow statement, service group statements and a summary of compliance with financial directives for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Department as at 30 June 2009, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

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

Chief Executive Officer's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

- about the future viability of the Department,
- that it 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.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

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

Scott Stanton
Director, Financial Audit Services

20 October 2009
SYDNEY

STATEMENT BY CHIEF EXECUTIVE OFFICER

Pursuant to section 45F (1B) of the *Public Finance and Audit Act 1983*, we state that:

(a) the accompanying financial report has 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 *Public Finance and Audit Regulation 2005*, the Treasurer's Directions and Australian Accounting Standards (including Australian Accounting Interpretations);

(b) the financial report exhibits a true and fair view of the financial position and financial performance of the Department of Lands for the year ended 30 June 2009; and

(c) there are no circumstances which would render any particulars included in the financial report to be misleading or inaccurate.

Bob Costello

Director, Finance and Corporate Support
Land and Property Management Authority
Date: 20 October 2009

Warwick Watkins

Chief Executive Officer
Land and Property Management Authority
Date: 20 October 2009

OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Actual 2009 $'000	Budget 2009 $'000	Actual 2008 $'000
Expenses Excluding Losses				
Operating expenses				
Employee related	2(a)	146,233	151,685	128,905
Other operating expenses	2(b)	80,113	70,052	82,005
Depreciation and amortisation	2(c)	18,583	15,744	16,551
Grants and subsidies	2(d)	10,937	20,513	9,171
Finance costs	2(e)	823	50	925
Other expenses	2(f)	14,286	13,168	10,749
Total Expenses Excluding Losses		**270,975**	**271,212**	**248,306**
Revenue				
Sale of goods and services	3(a)	197,731	192,471	194,417
Investment revenue	3(b)	4,715	4,090	4,096
Retained taxes, fees and fines	3(c)	4,423	3,600	4,323
Grants and contributions	3(d)	9,462	17,213	6,223
Other revenue	3(e)	9,785	1,582	3,785
Total Revenue		**226,116**	**218,956**	**212,844**
Gain/(loss) on disposal	4	47	-	(2,675)
Other gains/(losses)	5	(848)	(145)	(350)
Net Cost of Services	28	**45,660**	**52,401**	**38,487**
Government Contributions				
Recurrent appropriation	6	65,633	62,971	64,149
Capital appropriation	6	628	628	581
Acceptance by the Crown Entity of employee benefits and other liabilities	8	4,692	3,330	4,220
Total Government Contributions		**70,953**	**66,929**	**68,950**
SURPLUS FOR THE YEAR		**25,293**	**14,528**	**30,463**

The accompanying notes form part of these financial statements.

STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Actual 2009 $'000	Budget 2009 $'000	Actual 2008 $'000
Net increase/(decrease) in property, plant and equipment asset revaluation reserve	22	16,261	-	-
Superannuation actuarial losses	22	(144,618)	-	(53,727)
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		**(128,357)**	**-**	**(53,727)**
Surplus for the year		25,293	14,528	30,463
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR		**(103,064)**	**14,528**	**(23,264)**
EFFECT OF CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS				
(Deficit) for the year as reported		-	-	(23,264)
Superannuation actuarial losses	22	-	-	53,727
Restated profit for the year		**-**	**-**	**30,463**

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 30 JUNE 2009

	Notes	Actual 2009 $'000	Budget 2009 $'000	Actual 2008 $'000
ASSETS				
Current Assets				
Cash and cash equivalents	10	42,126	51,813	49,352
Receivables	11	22,075	22,083	22,916
Inventories	12	279	302	311
Other financial assets	13	6,031	6,009	5,642
Non-current asset held for sale	14	576	2,900	-
Total Current Assets		**71,087**	**83,107**	**78,221**
Non-Current Assets				
Receivables	11	41	12	12
Inventories	12	1,513	1,617	1,571
Other financial assets	13	20,986	20,145	20,540
Property, Plant and Equipment	15			
Land and Buildings		112,619	89,343	93,678
Plant and Equipment		19,297	22,960	18,499
Infrastructure systems		27,475	29,317	28,133
Total Property Plant and Equipment	15	159,391	141,620	140,310
Intangible assets	16	30,604	26,395	31,839
Prepaid Superannuation	20	-	7,017	7,017
Total Non-Current Assets		**212,535**	**196,806**	**201,289**
TOTAL ASSETS		**283,622**	**279,913**	**279,510**
LIABILITIES				
Current Liabilities				
Payables	18	30,167	40,487	43,735
Borrowings	19	1,627	1,555	1,555
Provisions	20	61,158	51,182	54,333
Other	21	21	349	968
Total Current Liabilities		**92,973**	**93,573**	**100,591**
Non-Current Liabilities				
Borrowings	19	6,818	12,165	11,386
Provisions	20	143,109	16,292	14,523
Total Non-Current Liabilities		**149,927**	**28,457**	**25,909**
TOTAL LIABILITIES		**242,900**	**122,030**	**126,500**
NET ASSETS		**40,722**	**157,883**	**153,010**
EQUITY				
Reserves	22	50,963	35,356	35,356
Accumulated funds	22	(10,241)	122,527	117,654
TOTAL EQUITY		**40,722**	**157,883**	**153,010**

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Actual 2009 $'000	Budget 2009 $'000	Actual 2008 $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(143,669)	(145,370)	(136,098)
Grants and subsidies		(10,883)	(20,513)	(9,171)
Finance costs		(714)	(50)	(874)
Other		(110,367)	(93,971)	(100,289)
Total Payments		**(265,633)**	**(259,904)**	**(246,432)**
Receipts				
Sale of goods and services		201,501	195,861	205,015
Retained taxes, fees and fines		4,461	-	4,505
Interest received		4,219	4,040	3,796
Other		21,165	31,666	8,801
Total Receipts		**231,346**	**231,567**	**222,117**
Cash flows from Government				
Recurrent appropriation	6	65,654	62,971	65,117
Capital appropriation (excluding equity appropriations)	6	628	628	581
Cash transfers to the Consolidated Fund		(968)	-	(301)
Net Cash flows from Government		**65,314**	**63,599**	**65,397**
NET CASH FLOWS FROM OPERATING ACTIVITIES	28	**31,027**	**35,262**	**41,082**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of Land and Buildings, Plant and Equipment and Infrastructure Systems	4	229	2,105	154
Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems		(17,731)	(19,878)	(20,142)
Advance repayments received		5,182	-	3,901
Advance made		(5,566)	(2,500)	(7,796)
Other				
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(17,886)**	**(20,273)**	**(23,883)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings and advances		220	-	575
Repayment of borrowings and advances		(1,611)	(779)	(1,151)
Contribution to Consolidated Fund		(18,976)	(10,090)	(16,512)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(20,367)**	**(10,869)**	**(17,088)**
NET INCREASE/(DECREASE) IN CASH	(7,226)	4,120	111	
Opening cash and cash equivalents		49,352	47,693	49,241
CLOSING CASH AND CASH EQUIVALENTS	10	**42,126**	**51,813**	**49,352**

The accompanying notes form part of these financial statements.

SUPPLEMENTARY FINANCIAL STATEMENTS
SERVICE GROUP STATEMENTS* FOR THE YEAR ENDED 30 JUNE 2009

	Service group 1**		Service group 2**		Not attributable		Total	
AGENCY'S EXPENSES AND INCOME	**2009 $'000**	**2008*** $'000**	**2009 $'000**	**2008*** $'000**	**2009 $'000**	**2008*** $'000**	**2009 $'000**	**2008 $'000**
Expenses excluding losses								
Operating expenses								
- Employee related	42,216	38,079	11,246	10,972	92,771	79,854	146,233	128,905
- Other operating expenses	13,607	12,543	15,345	16,480	51,161	52,982	80,113	82,005
Depreciation and amortisation	2,081	1,904	516	389	15,986	14,258	18,583	16,551
Grants and subsidies	8,657	8,084	1,760	552	520	535	10,937	9,171
Finance costs	823	883	-	42	-	-	823	925
Other expenses	9,506	8,406	-	-	4,780	2,343	14,286	10,749
Total Expenses excluding losses	**76,890**	**69,899**	**28,867**	**28,435**	**165,218**	**149,972**	**270,975**	**248,306**
Revenue								
Sale of goods and services	5,991	232	23,116	26,986	168,624	167,199	197,731	194,417
Investment revenue	2,907	1,444	510	47	1,298	2,605	4,715	4,096
Retained taxes, fines and fees	4,423	4,323	-	-	-	-	4,423	4,323
Grants and contributions	8,162	6,003	1,135	-	165	220	9,462	6,223
Other revenue	5,736	3,522	4,045	263	4	-	9,785	3,785
Total Revenue	**27,219**	**15,524**	**28,806**	**27,296**	**170,091**	**170,024**	**226,116**	**212,844**
Gain/(Loss) on disposal	-	(2,671)	51	(2)	(4)	(2)	47	(2,675)
Other gains/(losses)	(492)	(209)	(170)	-	(186)	(141)	(848)	(350)
Net Cost of Services	**50,163**	**57,255**	**180**	**1,141**	**(4,683)**	**(19,909)**	**45,660**	**38,487**
Government Contributions****					70,953	68,950	70,953	68,950
NET EXPENDITURE/(INCOME) FOR THE YEAR	**50,163**	**57,255**	**180**	**1,141**	**(75,636)**	**(88,859)**	**(25,293)**	**(30,463)**
AGENCY'S ASSETS AND LIABILITIES								
Current Assets								
Cash and cash equivalents	21	20	1,311	449	40,794	48,883	42,126	49,352
Receivables	4,027	5,068	7,542	8,764	10,506	9,084	22,075	22,916
Inventories	-	-	130	107	149	204	279	311
Other financial assets	6,031	5,642	-	-	-	-	6,031	5,642
Other	-	-	576	-	-	-	576	-
Non-current assets held for sale	-	-	-	-	-	-	-	-
Total current assets	**10,079**	**10,730**	**9,559**	**9,320**	**51,449**	**58,171**	**71,087**	**78,221**
Non-current assets								
Receivables	-	-	41	12	-	-	41	12
Inventories	-	-	-	-	1,513	1,571	1,513	1,571
Other financial assets	20,986	19,726	-	814	-	-	20,986	20,540
Property, plant and equipment	38,170	39,137	25,819	17,862	95,402	83,311	159,391	140,310
Intangibles	538	1,378	-	-	30,066	30,461	30,604	31,839
Prepaid superannuation	-	-	-	962	-	6,055	-	7,017
Total non-current assets	**59,694**	**60,241**	**25,860**	**19,650**	**126,981**	**121,398**	**212,535**	**201,289**
TOTAL ASSETS	**69,773**	**70,971**	**35,419**	**28,970**	**178,430**	**179,569**	**283,622**	**279,510**

SUPPLEMENTARY FINANCIAL STATEMENTS SERVICE GROUP STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 cont.*

	Service group 1**		Service group 2**		Not attributable		Total	
	2009 $'000	2008*** $'000	2009 $'000	2008*** $'000	2009 $'000	2008*** $'000	2009 $'000	2008 $'000
Current liabilities								
Payables	(2,307)	(1,484)	6,782	7,171	25,692	38,048	30,167	43,735
Borrowings	1,627	1,550	-	5	-	-	1,627	1,555
Provisions	5,613	5,202	6,164	5,615	49,381	43,516	61,158	54,333
Other	-	887	-	81	21	-	21	968
Total current liabilities	**4,933**	**6,155**	**12,946**	**12,872**	**75,094**	**81,564**	**92,973**	**100,591**
Non-current liabilities								
Borrowings	6,818	8,233	-	3,153	-	-	6,818	11,386
Provisions	234	1	6,401	1,094	136,474	13,428	143,109	14,523
Total non-current liabilities	**7,052**	**8,234**	**6,401**	**4,247**	**136,474**	**13,428**	**149,927**	**25,909**
TOTAL LIABILITIES	**11,985**	**14,389**	**19,347**	**17,119**	**211,568**	**94,992**	**242,900**	**126,500**
NET ASSETS	**57,788**	**56,582**	**16,072**	**11,851**	**(33,138)**	**84,577**	**40,722**	**153,010**

* NSW Budget Paper No. 3 has replaced program statements with service group statements. Service group statements focus on the key measure of service delivery performance. The former program statements align exactly with the new service group statement.

** The names and purposes of each service group are summarised in note 9.

*** Comparative amounts have been reclassified to align with the change in focus from programs to service groups as required.

**** Appropriations are made on a Department basis and not by individual service groups. Consequently Government contributions must be included in the 'Not Attributable' column (which also includes the Land and Property Information commercial activity).

	Service group 1**		Service group 2**		Not attributable		Total	
ADMINISTERED EXPENSES AND INCOME	2009 $'000	2008*** $'000	2009 $'000	2008*** $'000	2009 $'000	2008*** $'000	2009 $'000	2008 $'000
Administered expenses								
Other	72,505	165,634	-	-	-	-	72,505	165,634
Total administered expenses	**72,505**	**165,634**	**-**	**-**	**-**	**-**	**72,505**	**165,634**
Administered income								
Transfer receipts	81,168	151,142	-	-	-	-	81,168	151,142
Total administered income	**81,168**	**151,142**	**-**	**-**	**-**	**-**	**81,168**	**151,142**
Administered income less expenses	**8,663**	**(14,492)**	**-**	**-**	**-**	**-**	**8,663**	**(14,492)**

Administered assets and liabilities are disclosed on note 30.

SUPPLEMENTARY FINANCIAL STATEMENTS
SUMMARY OF COMPLIANCE WITH FINANCIAL DIRECTIVES
FOR THE YEAR ENDED 30 JUNE 2009

	2009				2008			
	Recurrent Appropriation $'000	Expenditure/ Net Claim on Consolidated Fund $'000	Capital Appropriation $'000	Expenditure/ Net claim on Consolidated Fund $'000	Recurrent Appropriation $'000	Expenditure/ Net claim on Consolidated Fund $'000	Capital Appropriation $'000	Expenditure/ Net claim on Consolidated Fund $'000
ORIGINAL BUDGET APPROPRIATION/EXPENDITURE								
- Appropriation Act	62,971	62,971	628	628	60,680	59,889	1,431	581
- Additional Appropriations	-	-	-	-	-	-	-	-
- s21A PF&AA – special appropriation	-	-	-	-	-	-	-	-
- s24 PF&AA – transfers of functions between departments	-	-	-	-	520	520	-	-
- s26 PF&AA – Commonwealth specific purpose payments	-	-	-	-	-	-	-	-
OTHER APPROPRIATIONS/ EXPENDITURE								
- Treasurer's Advance	2,683	2,683	-	-	7,429	3,263	-	-
- Section 22 – expenditure for certain works and services	-	-	-	-	-	-	-	-
- Transfers to/from another agency (s31 of the Appropriation Act)	(21)	(21)	-	-	558	477	-	-
Total Appropriations Expenditure/ Net Claim on Consolidated Fund (Includes transfer payments)	**65,633**	**65,633**	**628**	**628**	**69,187**	**64,149**	**1,431**	**581**
Amount drawn down against Appropriation		**65,654**		**628**		**65,117**		**581**
Liability to Consolidated Fund *		**21**		**-**		**968**		**-**

Notes

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 down against Appropriation' and the 'Total Expenditure/Net Claim on Consolidated Fund'.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting entity

The Department of Lands (the Department), as a 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 division (LPI). The semi-commercial conservation and land management services are operated through Soil Conservation Service division (SCS). The management of Crown land is operated through budget dependent Crown Lands division (CLD), whom also administer two entities within the Crown Entity, namely the Crown Leaseholds Entity (CLE) and Land Development Working Account (LDWA). This financial report does not include the results of the Crown Entity 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.

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

The Department is a NSW Government Department and is a not-for-profit entity (as profit is not its principal objective). It has no cash generating units. The Department is consolidated as part of the NSW Total State Sector Accounts.

This consolidated financial report for the year ended 30 June 2009 has been authorised for issue by the Chief Executive Officer on 20 October 2009.

b. Basis of preparation

The Department's financial report is a general purpose financial report, which has been prepared on an accrual basis in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* and *Regulation 2005*
- the financial reporting directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer.

Property, plant and equipment, investment property and financial assets at 'fair value through profit or loss' and available for sale, are measured at fair value. Non-current assets available for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Other financial report items are prepared in accordance with historical cost convention.

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

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

c. Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

d. Administered activities

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

Transactions and balances relating to the administered activities are not recognised as the Department's revenues, expenses, assets and liabilities, but are disclosed in the administered notes 29 to 32.

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

e. Borrowing costs

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

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 claim experience.

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

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

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

The net amount of GST recoverable from, or payable to the taxation authority, is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. However, the GST components of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

h. Income recognition

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

(i) Parliamentary appropriations and contributions

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

An exception to the above is when appropriations are unspent at year end. In this case, the authority to spend the money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are accounted for as liabilities rather than revenue. This liability is disclosed in note 21 as part of *Current liabilities – other.* The amount will be repaid and the liability will be extinguished in the next financial year.

(ii) Sale of goods

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

(iii) Rendering of services

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

(iv) Investment revenue

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

i. Assets

(i) Acquisition of assets

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

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

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

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

(ii) Capitalisation thresholds

Property, plant and equipment and intangible assets costing $5,000 and above individually are capitalised. Individual items of computer equipment costing $1,000 and above are capitalised when they form part of a network.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES | I. ASSETS cont.

(iii) Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the TPP 07-1 *Valuation of Physical Non-Current Assets at Fair Value Policy* and Guidelines Paper. This policy adopts fair value in accordance with *AASB 116 Property, Plant and Equipment* and *AASB 140 Investment Property*.

Except for certain heritage assets, property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use. Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

The Department re-values each class of property, plant and equipment at least every five years or with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The Department's land and buildings were individually re-valued at 30 June 2006, adjusted by an indexation factor at 30 June 2009.

The Tweed River Sand Bypass infrastructure was re-valued as at 30 June 2007, based on an independent assessment.

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

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

For other assets, any balances of accumulated depreciation 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 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 to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

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

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

(iv) Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, the Department is effectively exempt from *AASB 136 Impairment of Assets* and impairment testing. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

(v) Depreciation of property, plant and equipment

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

All material separately identifiable components of assets are depreciated over their shorter useful lives. The normal life expectancies of major asset categories are as follows.

Asset class	Number of years
Computers	4
Motor vehicles	5
Marine craft	5
Plant and equipment	5-15
Furniture and major fitouts	10
Buildings	40
Infrastructure systems	50
Leasehold improvements	Life of lease
Heritage buildings	Indefinite

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

(vi) Major inspection costs

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

(vii) Maintenance

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

(viii) 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 commencement of the lease term. 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 Operating Statement in the periods in which they are incurred.

(ix) Intangible assets

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

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Development costs are only capitalised when certain criteria are met. Internally developed software costs that are directly associated with the production of identifiable and unique software products controlled by the Department and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development, employee costs and an appropriate portion of relevant overheads. Costs associated with maintaining computer software are recognised as expenses as incurred.

The useful lives of intangible assets are assessed to be finite. Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for intangible assets, the assets are carried at cost less any accumulated amortisation.

The Department's intangible assets are amortised using the straight line method over a period of four years, for software and internally developed software. In general, intangible assets are tested for impairment where an indicator of impairment exists. However, as a not-for-profit entity with no cash generating units, the Department is effectively exempted from impairment testing.

(x) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are accounted for in the Operating Statement when impaired or derecognised or through the amortisation process.

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

(xi) Inventories

Inventories held for distribution are stated at the lower of cost and current replacement cost. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. In the case of raw materials and spare parts, cost is assigned on the basis of weighted average method. Work-

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES | I. ASSETS | (XI) INVENTORIES cont.

in-progress cost is determined by specific identification method and includes direct materials, direct labour and an appropriate proportion of overheads determined by reference to the percentage completed on each contract.

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

(xii) Impairment of financial assets

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

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

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

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

(xiii) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when:

- the contractual rights to the cash flows from the financial asset expire; or
- the Department transfers the financial asset, where substantially all the risks and rewards have been transferred; or if the Department has not transferred substantially all the risks and rewards, the Department has not retained control.

Where the Department has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Department's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled, or expired.

(xiv) Non-current assets (or disposal groups) held for sale.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management is committed to the sale of these assets which are expected to be sold within one year.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(xv) Other financial assets

The zero and low interest loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value and amortised cost thereafter in accordance with *AASB 139 Financial Instrument: Reorganisation and Measurement*. The fair value of the long term loans are estimated as the present value of all future cash receipts, discounted using the Commonwealth Government bond rate at the commencement date of the loans, for the relevant term of the loans. Any changes are accounted for in the Operating Statement when impaired, derecognised or through the amortisation process.

(xvi) Other assets

Other assets are recognised on a cost basis.

(xvii) Restricted assets

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

The Department administers the PRMF which provides funds for the development, maintenance and protection of Crown land reserves throughout NSW. Crown land reserves are generally managed by reserve trusts which are incorporated bodies administered by local government councils, volunteer boards or other responsible organisations such as Rural Lands Protection Boards. The PRMF was established by the *Public Reserves Management Fund Act 1987*. (refer to note 17a)

The Department administers the Torrens Assurance Fund. The Torrens Assurance Fund was established under s134 (1) of the *Real Property Act 1900* as a Special Deposit Account administered by the Registrar-General (refer to note 17b).

j. Liabilities

(i) Payables

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

(ii) Borrowings

Loans are not held for trading or designated at fair value through profit or loss and are recognised at amortised cost using the effective interest method. Gains or losses are recognised in the operating statement on de-recognition.

(iii) Employee benefits and other provisions

(a) Salaries and wages, annual leave, sick leave and on-costs

Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that fall due wholly within 12 months of the reporting date are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts, based on the amounts expected to be paid when the liabilities are settled.

Long-term annual leave that is not expected to be taken within twelve months is measured at present value in accordance with *AASB 119 Employee Benefits*. Market yields on government bonds of 4.01% as at 30 June 2009 are used to discount long-term annual leave.

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

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

(b) Long service leave and superannuation

The Department's liabilities (apart from the commercial and semi-commercial activities) for long service leave and defined benefit 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'.

The Department's long service leave (apart from the commercial and semi-commercial activities) is measured at present value in accordance with *AASB 119 Employee Benefits*. This is based on the application of certain factors (specified by NSW Treasury Circular TC 09/04 – Accounting for Long Service Leave and Annual Leave) to employees with five or more years of service using current rates of pay. These factors were determined based on an actuarial review undertaken to approximate present value.

The Department's semi-commercial activity (SCS) is a member of the non-budget long service leave (LSL) pool. The Department makes long service leave liability contributions to the NSW Treasury Special Deposits Account. This contribution discharges its liability for long service leave and is expensed as incurred. The Department is reimbursed by NSW Treasury for long service leave payments made. SCS's long service leave liability and equivalent asset are recognised in the Balance Sheet at nominal value. Consistent with NSW Treasury TC04/02 reimbursement from the Non-Budget LSL pool is 'virtually certain' and satisfies criteria for recognition as a separate asset. The nominal value is based on employees with five or more years of service using current rates of pay. An actuarial review has confirmed that there is no material difference between the present value and the nominal value.

The Department's commercial (LPI) activity's

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES | J. LIABILITIES | (III) EMPLOYEE BENEFITS AND OTHER PROVISIONS | (B) LONG SERVICE LEAVE AND SUPERANNUATION cont.

liability for long service is measured at present value in accordance with AASB 119. The present value is based on the application of the valuation ratio at the Commonwealth government bond rate at the reporting date to employees with five or more years of service, using expected future rates of pay. This ratio is determined based on a periodical actuarial review to approximate present value. The actuarial review was conducted in January 2009 and is applicable to years 2009 through 2012.

Where the Department does not have the unconditional right to defer settlement beyond 12 months, the liability is recognised as a current liability.

The superannuation expense for the Department's budget dependent areas are 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 employee's 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.

The Department's commercial (LPI) and semi-commercial (SCS) activities are responsible for employee superannuation entitlements under defined contribution plans and defined benefit plans.

Contributions to defined contribution superannuation plans are expensed when incurred. For defined benefit plans, the actuarial valuations are carried out at each reporting date by Pillar Administration using the projected unit credit method. Actuarial gains and losses are recognised directly in equity in the period in which they occur, as per NSW Treasury's mandate. This change in Accounting Policy was introduced with effect from 1 July 2008 through NSW Treasury Circular 09/01. Refer to note 1(k) for more details.

The defined benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service costs, net of the fair value of the plan assets.

(iv) Other provisions

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

Any provisions for restructuring are recognised only when the Department has a detailed formal plan and has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

If the effect of the time value of money is material, provisions are discounted at 5.515%, which is a pre-tax rate as at 30 June 2009 that reflects the current market assessments of the time value of money and the risks specific to the liability.

k. Change in Accounting Policy

According with NSW Treasury policy, the Department has changed its policy on the recognition of superannuation actuarial gains and losses. Such actuarial gains and losses are now recognised outside of profit or loss, in the 'statement of recognised income and expense'. Previously actuarial gains and losses were recognised through profit or loss. Both options are permissible under *AASB* 119 *Employee Benefits*.

The change in policy has been adopted on the basis that recognition outside profit or loss provides reliable and more relevant information as it better reflects the nature of actuarial gains and losses. This is because actuarial gains/losses are re-measurements, based on assumptions that do not necessarily reflect the ultimate cost of providing superannuation.

Recognition outside profit or loss also harmonises better with the Government Finance Statistics/GAAP comprehensive income presentation for the whole of Government and general government sector, required under *AASB* 1049 *Whole of Government and General Government Sector Financial Reporting*. A comprehensive income presentation will also be available at entity level from 2009/10 under *AASB 101 Presentation of Financial Statements*.

The change in accounting policy increases 2009 'surplus/(deficit) for the period' from $(119.304m) to $25.314m (2008: from $(23.264m) to $30.463m) by excluding from profit the superannuation actuarial loss line item 2009 $144.618m, (2008: $53.727m). The superannuation actuarial loss is now recognised in the 'Statement of Recognised Income and Expense' rather than the 'Operating Statement'.

l. Contribution to Consolidated Fund

The Department operates a commercial activity through Land and Property Information NSW (LPI). From this operation the Department pays income tax equivalents and contributions 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 after adjusting for any superannuation income or expenses recognised in Operating Statement and cash paid to defined superannuation plans. The contributions to the Consolidated Fund are paid at the rate of 100% of after tax adjusted profit, in two instalments in August and December.

m. Reclassification and correction of prior period errors

The 2008 comparative information has been revised to reflect reclassifications in accordance with *AASB 108 Accounting Polices, Changes in Accounting Estimates and Errors*. AASB 108 requires the correction of prior period information retrospectively, subject to certain limitations, to permit comparability with the current year. The retrospective adjustment occurs by restating the comparative amount in the prior period, or, if the event occurred before the earliest prior period presented, by restating the opening balances of assets, liabilities, and equity for the earliest prior period presented.

Note 23 of this report includes the 2008 financial statements with the items affected by reclassifications. Explanations of the differences to the amounts reported in the audited 2008 Department of Lands financial statements are shown.

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

o. New Australian Accounting Standards issued but not effective

The Department of Lands financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

The following new Accounting Standards and Interpretations have not been applied and are not yet effective for the period ending 30 June 2009. NSW Treasury TC09/03 has mandated that agencies do not early adopt any of the new standards or interpretations.

- AASB 3 *Business Combinations* (issued March 2008).
- AASB 8 *Operating Segments* (issued February 2007).
- AASB 101 *Presentation of financial statements* (issued September 2007).
- AASB 123 *Borrowing costs* (issued June 2007).
- AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123* (issued June 2007).
- AASB 127 *Consolidated and Separate Financial Statements* (issued March 2008).
- AASB 1039 *Concise Financial Reports* (issued August 2008).
- AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8* (issued February 2007).
- AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* (issued September 2007).
- AASB 2007-10 *Further Amendments to Australian Accounting Standards arising from AASB 101* (issued December 2007).
- AASB 2008-1 *Amendments to Australian Accounting Standard – Share based Payments: Vesting Conditions and Cancellations [AASB 2]* (issued February 2008).
- AASB 2008-2 *Amendments to Australian Accounting Standards – Puttable Financial*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES | O. NEW AUSTRALIAN ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE cont.

Instruments and Obligations arising on Liquidation (issued March 2008).

- AASB 2008-3 *Amendments to Australian Accounting Standards and Interpretations arising from AASB 3 and AASB 127* (issued March 2008).
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process Project* (issued July 2008).
- AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (issued July 2008).
- AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (issued July 2008).
- AASB 2008-8 *Amendments to Australian Accounting Standards – Eligible Hedged Items* (issued August 2008).
- AASB 2008-9 *Amendments to AASB 1049 for consistency with AASB 101* (issued September 2008).
- AASB 2008-11 *Amendments to Australian Accounting Standard – Business Combinations Among Not-for-Profit Entities* (issued November 2008).
- AASB 2009-1 *Amendments to Australian Accounting Standards – Borrowing Costs of Not-for-Profit Public Sector Entities* (issued April 2009).
- AASB 2009-2 *Amendments to Australian Accounting Standards Improving Disclosures about Financial Instruments* (issued April 2009).
- Interpretation 15 *Agreements for the Construction of Real Estate* (issued August 2008).
- Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* (issued August 2008).
- Interpretation 17 *Distributions of Non-Cash Assets to Owners* (issued December 2008) and *AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-Cash Assets to Owners* (issued December 2008).
- Interpretation 18 *Transfers of Assets from Customers* (issued March 2009).

It is considered that the impact of these new Standards and Interpretations in future periods will have no material impact on the financial statements of the Department.

2. EXPENSES EXCLUDING LOSSES

a. Employee related expenses

	2009 $'000	2008 $'000
Salaries and wages (including Recreation Leave)	120,496	109,927
Superannuation – defined benefit plans	1,302	(1,417)
Superannuation – defined contribution plans	4,471	3,692
Long service leave	10,297	7,427
Workers compensation insurance	995	791
Payroll tax and fringe benefits tax	7,902	7,872
Redundancies	273	471
Other on-costs	497	142
	146,233	**128,905**

In addition to the $146.233m (2008 - $128.9m), $0.763m (2008 - $0.808m) was incurred in employee related expenses in respect of the Tweed River Sand Bypass project directly undertaken and/or managed by the Department. $3.705m (2008 - $3.642m) of salaries and wages were capitalised as part of a project for the titling system.

b. Other operating expenses

	2009 $'000	2008 $'000
Valuation services contractors	18,880	17,721
Operating lease rental expense - minimum lease payments	3,243	2,904
Cleaning and Utilities	2,154	2,118
EDP – Information Technologies Services	4,658	3,903
Furniture, plant and equipment	535	816
Cost of sales	2,847	3,142
Consultancies and Other Contractors	17,171	16,740
Promotion, publicity and events management	899	851
Travel expenses	1,880	1,868
Telecommunication expenses	2,272	2,315
Motor vehicle expenses	8,559	8,870
Insurance	1,717	1,653
Audit of financial reports	282	305
Freight and postage	947	1,026
Legal fees	288	259
Staff development and other costs	1,702	1,522
Administration	2,751	2,182
Taxes	5,383	9,931
Maintenance*	2,827	2,834
Other	1,118	1,045
	80,113	**82,005**

The audit fee for the audit of the Department's and LPI's 2009 financial reports is $276,000 (2008 - $286,000) excluding GST.

2. EXPENSES EXCLUDING LOSSES | B. OTHER OPERATING EXPENSES cont.

- **Reconciliation of maintenance expenses:**

	2009 $'000	2008 $'000
Maintenance expenses – contracted labour and other (non-employee related), as above	2,827	2,834
Maintenance related employee expenses included in note 2(a)	281	331
Total maintenance expenses included in note 2(a) and 2(b)	**3,108**	**3,165**

In addition to the $80.113m (2008 - $82.005m) $5.996m (2008 - $4.245m) was incurred in other expenses in respect of the Tweed River Sand Bypass project managed by the Department.

c. Depreciation and amortisation expense

	2009 $'000	2008 $'000
Depreciation of:		
Buildings and Leasehold Improvements	857	591
Plant and Equipment	5,244	5,038
Infrastructure Systems	658	658
Total depreciation	**6,759**	**6,287**
Amortisation of Intangible Assets	11,824	10,264
	18,583	**16,551**

The Queens Square building in Sydney and seven other buildings in country NSW are classified as heritage buildings. During 2007, the residual value, useful life and depreciation method of these heritage buildings were reviewed, in accordance with AASB 116 *Property, Plant and Equipment*. The useful lives were determined to be indefinite, in line with the intention of NSW Treasury TPP 07-1 *Valuation of Physical Non-Current Assets at Fair Value*. Depreciation is therefore no longer recognised for these buildings.

d. Grants and subsidies

	2009 $'000	2008 $'000
Public Reserve Management Fund	2,638	3,590
CTC grant	1,096	-
Wild Dog Destruction Board Grant	1,228	1,570
State Park Trusts	1,491	1,451
Other	4,484	2,560
	10,937	**9,171**

e. Finance costs

	2009 $'000	2008 $'000
Interest	714	874
Unwinding of discount rate	109	51
	823	**925**

The $714K interest expense (2008 - $874K), relates to borrowing costs (2008 - $833K) for the Tweed River Sand Bypass project managed by the Department.

f. Other expenses

	2009 $'000	2008 $'000
Fishing Port Maintenance	2,626	2,360
Tweed River Sand Bypass project	6,759	5,054
Waterways Maintenance	-	16
Torrens Assurance Fund	4,780	2,343
Minor Dams Expenditure	121	976
	14,286	**10,749**

3. REVENUE

a. Sale of goods and services

	2009 $'000	2008 $'000
Sales of goods		
Mapping	2,780	3,068
Other	20	25
	2,800	**3,093**
Rendering of services		
Title	123,219	123,092
Valuation	37,870	35,297
Torrens Assurance Fund	2,917	3,196
Fees for services	3,208	1,978
SCS services	22,819	23,171
Search Fees	290	406
Agistment Fees	58	485
Other	4,550	3,699
	194,931	**191,324**
Total Sale of goods and services	**197,731**	**194,417**

b. Investment revenue

	2009 $'000	2008 $'000
Interest revenue from financial assets not at fair value through profit or loss	1,320	295
Interest from Treasury	2,086	2,727
PRMF loan interest	1,156	944
Rents	153	130
	4,715	**4,096**

c. Retained taxes, fees and fines

	2009 $'000	2008 $'000
Caravan Park Levy	4,423	4,323
	4,423	**4,323**

d. Grants and contributions

	2009 $'000	2008 $'000
Grants and contributions	5,988	3,783
Tweed River Sand Bypass project – Queensland Government's contribution	3,474	2,440
	9,462	**6,223**

The Tweed River Sand Bypass project is a joint operation of the NSW Government and the Queensland Government. NSW Government owns 75% of the project and 25% is owned by the QLD Government.

e. Other revenue

	2009 $'000	2008 $'000
Crown conversion project income	5,344	2,971
Diesel Fuel Rebate	609	162
SCS loan forgiven	3,159	-
Other revenue	673	652
	9,785	**3,785**

The loan from Treasury of $3.159m to the Soil Conservation Service was written off in June 2009. (Refer note 19)

4. GAIN/(LOSS) ON DISPOSAL

	2009 $'000	2008 $'000
Gain/(loss) on disposal of land and buildings		
Proceeds from disposal	93	-
Written down value of assets disposed	(53)	-
Net (loss) on disposal of land and buildings	**40**	**-**
Gain/(loss) on disposal of plant and equipment		
Proceeds from disposal	136	154
Written down value of assets disposed	(129)	(2,829)
Net (loss) on disposal of plant and equipment	**7**	**(2,675)**
Net (loss) on disposal of Non-Current Assets	**47**	**(2,675)**

With the NSW Treasury's approval, $2.671m of previously capitalised minor dams construction costs were written off in 2008.

5. OTHER GAINS/(LOSSES)

	2009 $'000	2008 $'000
Impairment of receivables	(373)	(89)
Impairment of PRMF loan	(475)	(261)
	(848)	**(350)**

6. APPROPRIATIONS

	2009 $'000	2008 $'000
Recurrent Appropriations		
Total recurrent draw-downs from NSW Treasury (per Summary of Compliance)	65,654	65,117
Less: Liability to Consolidated Fund (per Summary of Compliance)	(21)	(968)
	65,633	**64,149**
Comprising:		
Recurrent appropriations (per Operating Statement)	65,633	64,149
	65,633	**64,149**
Capital Appropriations		
Total capital draw-downs from NSW Treasury (per Summary of Compliance)	628	581
Less: Liability to Consolidated Fund (per Summary of Compliance)	-	-
	628	**581**
Comprising:		
Capital appropriations (per Operating Statement)	628	581
	628	**581**

7. INDIVIDUALLY SIGNIFICANT ITEMS

There are no individually significant items.

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

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

	2009 $'000	2008 $'000
Superannuation	2,033	1,580
Long service leave	2,540	2,545
Payroll tax on superannuation	119	95
	4,692	**4,220**

9. SERVICE GROUPS OF THE DEPARTMENT

a. Service group 1 – Crown Lands

Objectives: This service group covers managment of the Crown land estate. Services include land administration in relation to leaseholds, licences, permits, Crown roads, acquisitions, sales, non commercial tenures, the Land Board, processing Aboriginal and Native Title land claims. They also include Crown reserves administartion including recreational areas, walking tracks, showgrounds and caravan parks.

b. Service group 2 – Soil Conservation Service and Rural Services

Objectives: This service group covers provision of a specialist consulting service and a soil and water conservation earthworks team. It also supports the operations of the Rural Communities Consulatative Council (RCCC) and implements programs to assist rural communities.

c. Not Attributable

The 'not attributable' group includes government appropriations to the Department, as well as the commercial activities of Land and Property Information New South Wales (LPI). LPI Objectives are explained below.

LPI Objectives: Land and Property Information (LPI) manages the State's land and property registration system, mapping, survey and land valuation services. LPI is a commercial business division within the Department of Lands.

10. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	2009 $'000	2008 $'000
Cash at bank and on hand	42,126	49,352
Closing Cash and Cash Equivalents	**42,126**	**49,352**

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

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

	2009 $'000	2008 $'000
Cash at bank and on hand (per balance sheet)	42,126	49,352
Closing Cash and Cash Equivalents (per Cash Flow Statement)	**42,126**	**49,352**

11. CURRENT/NON-CURRENT ASSETS – RECEIVABLES

	2009 $'000	2008 $'000
Current Receivables		
Sale of goods and services	10,797	8,786
Less: Allowance for impairment	(270)	(204)
Accrued income – Sale of goods and services	3,277	4,740
GST receivable	671	1,574
Retained taxes, fees and fines	45	82
Interest Receivable	1,029	2,006
Long Service Leave (note 20)	4,093	4,072
Prepayments	1,709	1,773
Other	724	87
	22,075	**22,916**
Non-Current Receivables		
Long Service Leave (note 20)	41	12
	41	**12**
Movement in the Allowance for Impairment		
Balance at 1 July	(204)	(382)
Amounts written off during the year	307	267
Increase/(decrease) in allowance recognised in profit or loss	(373)	(89)
Balance as at 30 June	**(270)**	**(204)**

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in note 33.

12. CURRENT/NON-CURRENT ASSETS – INVENTORIES

	2009 $'000	2008 $'000
Current Inventories		
At Cost		
Goods for resale	150	204
Consumables and spare parts	129	107
	279	**311**
Non-Current Inventories		
At Cost		
Goods for resale	1,513	1,571
	1,513	**1,571**

Goods for resale (map stocks) are split 9% (2008 – 11.5%) current which is expected to be sold within the twelve months after the reporting date and 91% (2008 – 88.5%) non-current. The split is based on the entity's normal operating cycle.

There was no write down of inventories during the financial year ended 30 June 2009 (2008 - Nil).

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

	2009 $'000	2008 $'000
Current other Financial assets		
PRMF low interest loan to be paid within 12 months (a)	6,538	6,009
Less: Allowance for impairment	(507)	(367)
	6,031	**5,642**
Non-Current other financial assets		
PRMF low interest loan to be repaid more than 12 months (a)	20,986	19,726
Investment in PSMA Ltd (b)	-	814
	20,986	**20,540**

(a) The Public Reserves Management Fund (PRMF) provides low interest loans to Crown land reserves with terms ranging from 5 years to 20 years. They are initially recognised at fair value and amortised cost thereafter. (Refer note 1 i (xv) Other financial assets)

(b) The Deparment represents the NSW Government on the Board of PSMA Ltd. The Department holds one share, but does not have control or significant influence on the policy and operations of PSMA Ltd. The investment is disclosed at the cost of one dollar.

14. NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

	2009 $'000	2008 $'000
Assets held for sale		
Land and Buildings	576	-
Total	**576**	**-**
Liabilities associated with assets held for sale	-	-
	-	**-**
Amounts recognised in equity relating to assets held for sale		
Property, Plant and Equipment asset revaluation increments/decrements	-	-
Available-for-sale financial asset revaluation increments/decrements	-	-
	-	**-**

Four properties of the Department's Soil Conservation Service division are identified as being held for sale as at reporting date. These properties are currently being actively marketed for sale and are expected to be sold within 12 months. These assets are surplus to current business operational requirements. Disposal of these assets is part of a government approved business revitalisation strategy.

15. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings $'000	Plant and Equipment $'000	Infrastructure Systems $'000	Total $'000
At 1 July 2008 - fair value				
Gross carrying amount	94,948	48,907	32,904	176,759
Accumulated depreciation and impairment	(1,270)	(30,408)	(4,771)	(36,449)
Net carrying amount	**93,678**	**18,499**	**28,133**	**140,310**
At 30 June 2009 - fair value				
Gross carrying amount	114,675	52,558	32,904	200,137
Accumulated depreciation and impairment	(2,056)	(33,261)	(5,429)	(40,746)
Net carrying amount	**112,619**	**19,297**	**27,475**	**159,391**

Reconciliation

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

Year ended 30 June 2009				
Net carrying amount at start of the year	93,678	18,499	28,133	140,310
Additions	1,216	6,142	-	7,358
Disposals	(53)	(129)	-	(182)
Revaluation increment	16,261	-	-	16,261
Depreciation expense	(857)	(5,244)	(658)	(6,759)
Reclassification	-	-	-	-
Transfer to assets held for sale	(576)	-	-	(576)
Acquisition through Administrative restructure (note 24)	2,950	29	-	2,979
Net carrying amount at end of year	**112,619**	**19,297**	**27,475**	**159,391**

At 1 July 2007 - fair value				
Gross carrying amount	86,774	46,656	30,980	164,410
Accumulated depreciation and impairment	(680)	(28,165)	(2,189)	(31,034)
Net carrying amount	**86,094**	**18,491**	**28,791**	**133,376**
At 30 June 2008 - fair value				
Gross carrying amount	94,948	48,907	32,904	176,759
Accumulated depreciation and impairment	(1,270)	(30,408)	(4,771)	(36,449)
Net carrying amount	**93,678**	**18,499**	**28,133**	**140,310**

Reconciliation

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

	Land and Buildings $'000	Plant and Equipment $'000	Infrastructure Systems $'000	Total $'000
Year ended 30 June 2008				
Net carrying amount at start of the year	86,094	18,491	28,791	133,376
Additions	3,587	5,241	-	8,828
Disposals	-	(2,829)	-	(2,829)
Revaluation increment	-	-	-	-
Depreciation expense	(591)	(5,038)	(658)	(6,287)
Reclassification	(2,634)	2,634	-	-
Acquisition through Administrative restructure (note 24)	7,222	-	-	7,222
Net carrying amount at end of year	**93,678**	**18,499**	**28,133**	**140,310**

16. INTANGIBLE ASSETS

	Software $'000	Total $'000
At 1 July 2008		
Cost (gross carrying amount)	74,200	74,200
Accumulated amortisation and impairment	(42,361)	(42,361)
Net carrying amount	**31,839**	**31,839**
At 30 June 2009		
Cost (gross carrying amount)	84,789	84,789
Accumulated amortisation and impairment	(54,185)	(54,185)
Net carrying amount	**30,604**	**30,604**
Year ended 30 June 2009		
Net carrying amount at start of year	31,839	31,839
Additions:		
- externally acquired	601	601
- internally developed	9,988	9,988
Reclassification	-	-
Amortisation expense	(11,824)	(11,824)
Net carrying amount at end of year	**30,604**	**30,604**
At 1 July 2007		
Cost (gross carrying amount)	62,967	62,967
Accumulated amortisation and impairment	(32,097)	(32,097)
Net carrying amount	**30,870**	**30,870**
At 30 June 2008		
Cost (gross carrying amount)	74,200	74,200
Accumulated amortisation and impairment	(42,361)	(42,361)
Net carrying amount	**31,839**	**31,839**
Year ended 30 June 2008		
Net carrying amount at start of year	30,870	30,870
Additions		
- externally acquired	863	863
- internally developed	10,370	10,370
Reclassification	-	-
Amortisation expense	(10,264)	(10,264)
Net carrying amount at end of year	**31,839**	**31,839**

17. 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:

a. Public Reserve Management Fund (PRMF)

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

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

The following is a summary of balances in the PRMF

	2009 $'000	2008 $'000
Current Assets		
Cash	15,049	10,412
Receivable	1,401	1,217
Other financial assets	6,538	6,009
	22,988	**17,638**
Non-Current Assets		
Other financial assets	20,986	19,726
	43,974	**37,364**

17. RESTRICTED ASSETS CONT

b. Torrens Assurance Fund (TAF)

The Department operates the Torrens Assurance Fund within the Special Deposit Accounts. The fund was established under Section 134(1) of the *Real Property Act 1900*. It meets claims for loss arising out of fraud or agency error and is funded by a $4 charge on each land dealing lodged. The following is a summary of transactions in the Torrens Assurance Fund. Refer also to note 26(a) which identifies contingent liabilities relating to this fund.

	2009 $'000	2008 $'000
Opening cash balance	18,407	17,554
Add:		
Revenue (refer note 3a)	2,917	3,196
Less:		
Expenditure (refer note 2f)	(4,780)	(2,343)
Cash balance at year end	**16,544**	**18,407**

18. CURRENT LIABILITIES – PAYABLES

	2009 $'000	2008 $'000
Accrued salaries, wages and on-costs	3,009	2,683
Creditors	8,903	9,011
Revenue received in advance	4,491	5,259
Contributions to Consolidated Fund (note 22)	11,389	18,976
Income Tax Equivalent payable	1,974	5,802
Payable to administed Crown entities	-	1,659
Other	401	345
	30,167	**43,735**

The intercompany bank account is reclassified to payable from cash at bank in 2009. (Refer note 23)
Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in note 33.

19. CURRENT/NON-CURRENT LIABILITIES - BORROWINGS

	2009 $'000	2008 $'000
Current Liabilities		
Promissory note	1,551	1,452
Advance from NSW Treasury	76	103
	1,627	**1,555**
Non-Current Liabilities		
Promissory note	5,723	7,274
Advance from NSW Treasury	1,095	4,112
	6,818	**11,386**
Repayment of borrowings		
Not later than 1 year	1,627	1,555
Between 1 year and 5 years	6,818	7,816
Later than 5 years	-	3,570
Total borrowings (excluding finance leases)	**8,445**	**12,941**

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings, are disclosed in note 33.

The Department's borrowings include promissory notes issued by ANZ bank which are used to fund the Department's Tweed River Sand Bypass project jointly with the Queensland Government. The total face value of the promissory notes is $21m, 75% of which is recognised by the Department as borrowings. The promissory notes are repayable over a 12 year term with four quarterly repayments each year commencing from 2001.

The NSW Treasury approved a loan funding of $2m for the upgrading of the Cudgegong River Park. The funds have been advanced interest free to the PRMF and then loaned to the Cudgegong River Park Trust. Five loan instalments totalling $1,910k which are repayable over a term of ten years at an interest rate of 3% per annum have been advanced to the trust. The principal repayments made by the trust are repaid to the NSW Treasury and interest earned on the loan is retained in the PRMF. In the event of default by the trust, the PRMF would be liable for repaying any outstanding debt to the Crown.

Between 1956 and 1987, the NSW Treasury provided funds totalling $3.3m to the Soil Conservation Service for financing the purchase of replacement plant for the entity's plant hire scheme to landholders. Upon its commercialisation in the late 1980s the advance was transferred to the business operation that late became the current Soil Conservation Service. In June 2009, the NSW Treasury approved that the remaining balance $3.2m of SCS loan be written off.

20. CURRENT/NON-CURRENT LIABILITIES – PROVISIONS

	2009 $'000	2008 $'000
Current Provision		
Employee benefits and related on-costs		
Recreation leave	12,490	11,931
Long service leave	40,442	36,272
Oncosts on employee benefits	8,129	6,130
Other	97	-
Total Current Provisions	**61,158**	**54,333**
Non-Current Provision		
Employee benefits and related on-costs		
Long service leave	299	127
Superannuation *	142,271	14,372
Oncosts on employee benefits	67	24
Other Provision		
Make good provision	216	-
Provision for lease incentive	256	-
Total Non-Current Provisions	**143,109**	**14,523**
Total Provisions	**204,267**	**68,856**
Aggregate employee benefits and related on-costs		
Provisions – current	61,158	54,333
Provisions – non-current	143,109	14,523
Accrued salaries, wages and on-costs (note 18)	3,009	2,683
	207,276	**71,539**
The amount of leave liability expected to be settled:		
Within the 12 months	11,788	17,722
After more than 12 months	41,442	30,608
	53,230	**48,330**

* Superannuation in 2009 is classified a liability of $142.271m (2008: asset of $7.017m and a liability of $14.372m). See note 20(b).

Movements in provisions (other than employee benefits)

Movements in each class of provision during the financial year, other than employee benefits are set out below:

2009	**Make good $'000**	**Lease incentive $'000**	**Total $'000**
Carrying amount at the beginning of financial year	-	-	-
Additional provisions recognised	259	266	525
Amount used	(43)	(10)	(53)
Carrying amount at the end of financial year	**216**	**256**	**472**

a. Employees' long service leave liability

The Department's semi-commercial service (SCS)'s long service leave liability and the corresponding receivable from the Treasury Long Service Leave Pool are reported as follows (note 1 j (iii)b).

	2009 $'000	2008 $'000
Current Liability	4,093	4,072
Non-Current Liability	41	12
	4,134	**4,084**
Current Receivable (note 11)	4,093	4,072
Non-Current Receivable (note 11)	41	12
	4,134	**4,084**

20. CURRENT/NON-CURRENT LIABILITIES – PROVISIONS cont

b. 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 Pillar Administration. 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 Pillar Administration. The Department has no control over interest distributions. The reserve account can only be used for the settlement of superannuation liabilities.

Actuarial gains and losses are recognised in the surplus or deficit in the year they occur.

- The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:
- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS).

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

Superannuation position using AASB 119 basis

	SASS		SANCS		SSS		Total	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**	**2009 $'000**	**2008 $'000**	**2009 $'000**	**2008 $'000**
Accrued liability	44,785	41,178	20,520	18,825	432,677	345,185	497,982	405,188
Estimated reserve account balance	(42,406)	(45,269)	(19,398)	(21,751)	(293,907)	(330,813)	(355,711)	(397,833)
Net (asset)/liability	2,379	(4,091)	1,122	(2,926)	138,770	14,372	142,271	7,355
Future Service Liability **	(10,743)	(9,642)	(7,917)	(6,799)	(21,957)	(15,970)	(40,617)	(32,411)
Surplus in excess of recovery available from schemes	-	-	-	-	-	-	-	-
Net (asset)/liability to be recognised in balance sheet	**2,379**	**(4,091)**	**1,122**	**(2,926)**	**138,770**	**14,372**	**142,271**	**7,355**

** The Future Service Liability (FSL) does not have to be recognised by an employer. It is only used to determine if an asset ceiling limit should be imposed (AASB 119, para 58). Under AASB 119, any prepaid superannuation asset recognised cannot exceed the total of any unrecognised past service cost and the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the 'surplus in excess of recovery' is zero, no asset ceiling limit is imposed.

The Department has two separate accounts under administration. One account for staff in the LPI operational and corporate services divisions, and the other for staff in Soil Conservation Service division. Whilst on consolidation, the net asset position is reported as stated above, in practice the surplus in excess of the future service liability in one account cannot be used to offset the deficit in other superannuation accounts. Actuarial advice was used to provide the consolidated position for the Department's reporting. The balance sheet reports the SASS, SSS and SANCS scheme liabilities of $142.3m in Non-Current Liability.

Reconciliation of the present value of the defined benefit obligation

	SASS		SANCS		SSS		Total	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**	**2009 $'000**	**2008 $'000**	**2009 $'000**	**2008 $'000**
Present value of partly funded defined benefit obligation at beginning of the year	41,178	41,023	18,825	18,282	345,185	335,697	405,188	395,002
Current service cost	1,657	1,603	961	984	2,688	2,840	5,306	5,427
Interest cost	2,622	2,558	1,177	1,117	22,242	21,129	26,041	24,804
Contributions by fund participants	964	927	-	-	3,752	3,880	4,716	4,807
Actuarial (gains)/losses	525	1,920	906	106	78,090	(2,583)	79,521	(4,397)
Benefits paid	(2,161)	(3,013)	(1,349)	(1,664)	(19,280)	(15,778)	(22,790)	(20,455)
Present value of partly funded defined benefit obligation at end of the year	**44,785**	**41,178**	**20,520**	**18,825**	**432,677**	**345,185**	**497,982**	**405,188**

Reconciliation of the fair value of fund assets

	SASS		SANCS		SSS		Total	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**	**2009 $'000**	**2008 $'000**	**2009 $'000**	**2008 $'000**
Fair value of fund assets at beginning of the year	45,269	41,312	21,751	19,594	330,813	367,867	397,833	428,773
Expected return on fund assets	3,659	3,158	1,743	1,535	26,676	28,536	32,078	33,229
Actuarial gains/(losses)	(7,209)	(5,566)	(3,860)	(2,744)	(54,027)	(49,814)	(65,096)	(58,124)
Employer contributions	1,884	8,451	1,113	5,030	5,973	(3,878)	8,970	9,603
Contributions by fund participants	964	927	-	-	3,752	3,880	4,716	4,807
Benefits paid	(2,161)	(3,013)	(1,349)	(1,664)	(19,280)	(15,778)	(22,790)	(20,455)
Fair value of fund assets at end of the year	**42,406**	**45,269**	**19,398**	**21,751**	**293,907**	**330,813**	**355,711**	**397,833**

20. CURRENT/NON-CURRENT LIABILITIES – PROVISIONS | B.SUPERANNUATION LIABILITY cont

Reconciliation of the assets and liabilities recognised in the balance sheet

	SASS		SANCS		SSS		Total	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Present value of partly funded defined benefit obligation at end of year	44,785	41,178	20,520	18,825	432,677	345,185	497,982	405,188
Fair value of fund assets at end of year	(42,406)	(45,269)	(19,398)	(21,751)	(293,907)	(330,813)	(355,711)	(397,833)
Subtotal	2,379	(4,091)	1,122	(2,926)	138,770	14,372	142,271	7,355
Unrecognised past service cost	-	-	-	-	-	-	-	-
Unrecognised gain/(loss)	-	-	-	-	-	-	-	-
Adjustment for limitation on net asset	-	-	-	-	-	-	-	-
Net Liability/(Asset) recognised in balance sheet at end of year	**2,379**	**(4,091)**	**1,122**	**(2,926)**	**138,770**	**14,372**	**142,271**	**7,355**

Expense recognised in income statement

	SASS		SANCS		SSS		Total	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current service cost	1,657	1,603	961	984	2,689	2,840	5,307	5,427
Interest cost	2,622	2,558	1,177	1,117	22,242	21,129	26,041	24,804
Expected return on fund assets (net of expenses)	(3,659)	(3,158)	(1,743)	(1,535)	(26,676)	(28,536)	(32,078)	(33,229)
Actuarial losses/(gains) recognised in year	-	-	-	-	-	-	-	-
Past service cost	-	-	-	-	-	-	-	-
Movement in adjustment for limitation on net asset	-	-	-	-	-	-	-	-
Curtailment or settlement (gain)/loss	-	-	-	-	-	-	-	-
Expense/(income) recognised	**620**	**1,003**	**395**	**566**	**(1,745)**	**(4,567)**	**(730)**	**(2,998)**

The superannuation expense recognised in the Operating Statement is included 'employee expenses'. Superannuation actuarial gains/losses of $144.6m (2008: $53.7m) are separately identified in the 'statement of recognised income and expense' This item and the 'Movement in adjustment for limitation on net asset' item have been moved from the 'Expense Recognised in Income Statement' table to the table Amounts Recognised in the Statement of Recognised Income and Expense table following.

Amounts recognised in the statement of recognised income and expense.

	SASS		SANCS		SSS		Total	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Actuarial (gains)/losses	7,734	3,646	4,766	2,850	132,118	47,231	144,618	53,727
Adjustment for limit on net asset	-	-	-	-	-	-	-	-

The cumulative amount of actuarial (gains)/losses recognised in the 'statement of recognised income and expense' since 1 July 2004 is $118.195m.

Before, 1 July 2004 and the adoption of AEIFRS, it was not practical to determine the cumulative actuarial gain/loss as if the new policy had always been applied, given that the actuarial gains and losses were not separately identified and accumulated, and the superannuation expense was calculated on a different basis.

Fund assets

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

	2009	2008
Australian equities	32.1%	31.6%
Overseas equities	26.0%	25.4%
Australian fixed interest securities	6.2%	7.4%
Overseas fixed interest securities	4.7%	7.5%
Property	10.0%	11.0%
Cash	8.0%	6.1%
Other	13.0%	11.0%

Fair value of fund assets

All fund assets are invested by the Superannuation Trustee Corporation (STC) at arm's length through independent fund managers.

Expected rate of return on assets

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

20. CURRENT/NON-CURRENT LIABILITIES – PROVISIONS | B.SUPERANNUATION LIABILITY cont

Actual return on fund assets

	SASS		SANCS		SSS		Total	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Actual return on fund assets	**(4,427)**	**(2,685)**	**(2,117)**	**(1,209)**	**(32,265)**	**(23,994)**	**(38,809)**	**(27,888)**

Valuation method and principal actuarial assumptions at the balance sheet date

(i) Valuation method

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

(ii) Economic assumptions

	2009	2008
Salary increase rate (excluding promotional increases)	3.5% pa	3.5% pa
Rate of CPI Increase	2.5% pa	2.5% pa
Expected rate of return on assets	8.13%	8.3%
Discount rate	5.59%	6.55%

(iii) Demographic assumptions

The demographic assumptions at 30 June 2009 are those that will be used in the 2009 triennial actuarial valuation. The triennial review report will be available from the NSW Treasury website, after it is tabled in Parliament in December 2009.

Historical information

	SASS		SANCS		SSS		Total	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Present value of defined benefit obligation	44,785	41,178	20,520	18,825	432,677	345,185	497,982	405,188
Fair value of fund assets	(42,406)	(45,269)	(19,398)	(21,751)	(293,907)	(330,813)	(355,711)	(397,833)
(Surplus)/Deficit in fund	2,379	(4,091)	1,122	(2,926)	138,770	14,372	142,271	7,355
Experience adjustments – Fund liabilities	525	(1,920)	906	106	78,090	(2,583)	79,521	(4,397)
Experience adjustments – Fund assets	7,209	5,566	3,860	2,744	54,027	49,814	65,096	58,124

Expected Contributions

	SASS		SANCS		SSS		Total	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Expected employer contributions to be paid in the next reporting period	1,831	1,762	1,099	1,117	6,004	6,208	8,934	9,087

Funding arrangements for employer contributions

(i) Surplus/deficit

The following is a summary of the 30 June 2009 financial position of the fund calculated in accordance with AAS 25 – Financial Reporting by Superannuation Plans.

	SASS		SANCS		SSS		Total	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Accrued benefits	41,661	41,144	18,849	18,924	314,428	318,954	374,938	379,022
Net market value of fund assets	(42,406)	(45,269)	(19,398)	(21,751)	(293,907)	(330,813)	(355,711)	(397,833)
Net (surplus)/deficit	**(745)**	**(4,125)**	**(549)**	**(2,827)**	**20,521**	**(11,859)**	**19,227**	**(18,811)**

(ii) Contribution recommendations

Recommended contribution rates for the entity are:

SASS multiple of member contributions		SANCS % member salary		SSS multiple of member contributions	
2009	2008	2009	2008	2009	2008
1.90	1.90	2.50	2.50	1.60	1.60

(iii) Funding method

The method used to determine the employer contribution recommendations at the last actuarial review was the *Aggregate Funding* method. The method adopted affects the timing of the cost to the employer.

Under the Aggregate Funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

20. CURRENT/NON-CURRENT LIABILITIES – PROVISIONS | B.SUPERANNUATION LIABILITY cont

(iv) Economic assumptions

The economic assumptions adopted for the last actuarial review of the fund were:

Weighted-average assumptions	2009	2008
Expected rate of return on fund assets backing current pension liabilities	8.3% pa	7.7% pa
Expected rate of return on fund assets backing other liabilities	7.3% pa	7.0% pa
Expected salary increase rate	4.0% pa	4.0% pa
Expected rate of CPI increase	2.5% pa	2.5% pa

Nature of asset/liability

If a surplus exists in the employer's interest in the fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of fund assets and the defined benefit obligation.

21. CURRENT LIABILITIES – OTHER

Unspent Parliamentary Appropriations are refundable to the Consolidated Fund as the authority to spend the money lapses on 30 June each year. For detailed calculations refer to the Summary of Compliance with financial directive, in the supplementary financial statements.

	2009 $'000	2008 $'000
Other current liabilities		
Liability to Consolidated Fund	21	968
	21	**968**

22. CHANGES IN EQUITY

	Accumulated Funds		Asset Revaluation Reserve		Total Equity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Balance at the beginning of the year	117,654	152,672	35,356	35,249	153,010	187,921
Changes in equity - transactions with owners as owners						
Fair value of net asset transferred in on administrative restructure (note 24)	2,979	7,222	-	-	2,979	7,222
Contribution to Consolidated Fund	(11,389)	(18,976)			(11,389)	(18,976)
Total	**(8,410)**	**(11,754)**	**-**	**-**	**(8,410)**	**(11,754)**
Changes in equity - other than transactions with owners as owners						
Surplus for the year	25,293	30,463	-	-	25,293	30,463
Superannuation actuarial losses	(144,618)	(53,727)	-	-	(144,618)	(53,727)
Increment on revaluation of land and buildings	-	-	16,261	-	16,261	-
Increment on revaluation of other financial assets	(160)	-	(654)	107	(814)	107
Increment on revaluation of infrastructure	-	-	-	-	-	-
Total	**(119,485)**	**(23,264)**	**15,607**	**107**	**(103,878)**	**(23,157)**
Balance at the end of the year	**(10,241)**	**117,654**	**50,963**	**35,356**	**40,722**	**153,010**

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 property, plant and equipment as discussed in note 1i(iii).

23. RECLASSIFICATIONS

The following reclassifications were identified during 2009 and have been adjusted in the 2008 comparatives.

Operating statement

		Previously reported figure for 2007/08 $'000	Reclassification $'000	Comparative figure reported in 2008/09 $'000
Expenses				
Employee related expenses	(a)	182,632	(53,727)	128,905
Revenue				
Investment revenue	(b)	4,270	(174)	4,096
Grants and contributions	(b)	6,049	174	6,223
Surplus/(deficit) for the year	(a)	(23,264)	53,727	30,463

Balance sheet

		Previously reported figure for 2007/08 $'000	Reclassification $'000	Comparative figure reported in 2008/09 $'000
Assets				
Current Assets				
Cash and cash equivalents	(c)	47,693	1,659	49,352
Receivables	(d)	22,549	367	22,916
Other financial assets	(d)	6,009	(367)	5,642
Non-Current Assets				
Liabilities				
Current Liabilities				
Payables	(c)(e)	42,001	1,734	43,735
Provisions	(e)	54,408	(75)	54,333
Equity				
Reserves	(f)	35,356	-	35,356
Accumulated funds	(f)	117,654	-	117,654

(a) Restate superannuation actuarial loss directly to equity instead of through the operating statement, in accordance with the NSW Treasury instruction TC 09/01.

(b) Reclassification of initial grant revenue from zero interest loans from investment income (note 3b) to grants and contributions (note 3d) in accordance with the NSW Treasury Policy Paper TPP 08/1.

(c) Reclassification of an intercompany bank account from cash and cash equivalents (note 10) to payables (note 18).

(d) Reclassification of Provision for Doubtful Debts related to PRMF loans from receivables (note 11) to other financial assets (note 13).

(e) Reclassification of FBT payable from provisions (note 20) to payables (note 18).

24. INCREASE IN NET ASSETS FROM EQUITY TRANSFERS

Following the administrative restructure of the Department of Natural Resources, land and buildings valued at $2.979m were transferred to the Department in 2009 (2008 - $7.222m).

	2009 $'000	2008 $'000
Assets		
Land	1,089	2,912
Buildings and Cottages	1,861	4,528
Buildings and Cottages - accumulated depreciation	-	(218)
Plant and equipment	29	-
Total Assets	**2,979**	**7,222**
Liabilities		
Total Liabilities	-	-
Increase in Net Assets	**2,979**	**7,222**

25. COMMITMENTS FOR EXPENDITURE

a. Capital commitments

Aggregate capital expenditure for acquisition of items contracted for at balance date and not provided for:

	2009 $'000	2008 $'000
Not later than one year	1,796	2,549
Total (including GST)	**1,796**	**2,549**

b. Other expenditure commitments

Aggregated below are commitments for the acquisition of items contracted for at reporting date including mass valuation contracts with various suppliers and other expenditures.

	2009 $'000	2008 $'000
Not later than one year	23,431	20,901
Later than one year and not later than five years	4,576	10,633
Total (including GST)	**28,007**	**31,534**

c. Operating lease commitments – as lessee

The Department has entered into commercial property leases and commercial leases on certain motor vehicles and items of telecommunication equipment. These leases have an average life of between three and seven years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases for accommodation and motor vehicles for varying contract periods/ suppliers, are as follows.

	2009 $'000	2008 $'000
Not later than one year	5,886	5,550
Later than one year and not later than five years	8,265	4,778
Total (including GST)	**14,151**	**10,328**

The total capital commitments, other expenditure commitments and operating lease commitments above include input tax credits of $3.997m (2008 - $4.026m) that are expected to be recovered from the Australian Taxation Office.

26. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	2009 $'000	2008 $'000
Liabilities		
Torrens Assurance Fund	13,865	15,956
	13,865	**15,956**

a. Torrens Assurance Fund

The Department maintains a special deposit account for claims arising through fraud or departmental error (the Torrens Assurance Fund). Estimates of the potential liability for claims that have been made against the fund, but which are not yet finalised, are identified as contingent liabilities. These liabilities have been estimated on the assumption that all disputed claims will be lost by the Department.

b. Insurance claims

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.

c. Other contingent liabilities

The Department has received a claim in respect of copyright royalties, relating to the sale of plans containing surveyor's drawings. At this stage, Lands is not able to determine a reliable estimate of the potential costs involved, as this matter is in dispute. Therefore, this has been identified as a contingent liability and no provision has been made for any future liability.

27. BUDGET REVIEW

a. Net cost of services

In 2009 the employee related expenses have increased on the 2008 level, resulting from valuation staff transferred from Department of Commerce and additional trainees to replace those expected to retire. The delay in recruitment of trainees resulted in a lower than budgeted result for employee expenses.

Increased operating expenses against budget primarily relate to drought assistance to farmers in the Western Division ($1m), costs incurred for Treasury for asset revaluation work ($5.3m), claims against the Torrens Assurance Fund ($2.4m), increased depreciation of assets and bushfire mitigation works funded by the Rural Fire Service and the Commonwealth.

Grants and subsidies expenditure reflects the Australian Accounting Standard requirement to eliminate payments made between divisions of the same economic entity. As a result the community service obligation subsidy paid to LPI in 2009 of $13.2m does not appear in these accounts. This is the reason for the lower than budget expenditure in this area. Costs incurred in delivering the community service obligations are in general operating expenses.

Revenues in 2009 increased against budget by $7.2m. Variances include increased interest on invested funds, increased sale of valuation services provided to the Office of State Revenue, costs recovered from Treasury for asset revaluation work and additional revenue raised through the Public Reserves Management Fund. Grant and contributions income has increased in 2009 on the comparable result for 2008 due to funding received from the Commonwealth for work on the HMAS Adelaide.

27. BUDGET REVIEW cont.

b. Assets and liabilities

Current Assets have declined against budget due to lower cash holding than planned.

Property plant and equipment increased during the year compared to budget resulting from the transfer of assets to the Department from the disaggregation of the Department of Natural Resources. Asset purchases were primarily software and other information technology assets categorised under intangible assets.

Non-current liabilities increased mainly due to the employer's increasing exposure to future superannuation costs, reflected by low benchmark returns achieved on invested employer reserve assets

c. Cash flows

Net operating cash flows reflect minimal growth in the property related transactions. Revenues are consistent with budget however operating costs in 2009 increased against budget due to additional Budget funded grants ($2m) and other payments made.

Investing cash flows reflect the capital asset investment strategy for the Department, with the majority of investment in 2009 going into new and improved business systems and information technology infrastructure. During 2009 $8.9m more than budgeted was paid in dividends to Treasury.

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

	2009 $'000	2008 $'000
Net Cash flow from Operating Activities	**31,027**	**41,082**
Cash flows from Government	(65,314)	(65,397)
Acceptance by the Crown Entity of employee entitlements and other liabilities	(4,692)	(4,220)
Depreciation	(18,583)	(16,551)
Net gain/(loss) on sale of non-current assets	47	(2,675)
Net gain/(loss) on financial assets/liabilities not at fair value through profit or loss	1,218	337
(Increase)/decrease in provisions	9,421	38,027
(Decrease)/increase in receivables and prepayments	(7,828)	(29,143)
(Decrease)/increase in inventories	(90)	(6)
Decrease/(increase) in current liabilities	9,134	59
Net Cost of Services	**(45,660)**	**(38,487)**

29. ADMINISTERED REVENUE AND EXPENSES

	Crown Leaseholds Entity $'000	Land Development Working Account $'000	2009 $'000	2008 $'000
Revenue	68,072	13,096	81,168	151,142
Expenses	(29,957)	(13,509)	(43,466)	(41,383)
Losses on disposal of assets	(21,116)	-	(21,116)	(88,807)
Other losses	(7,923)	-	(7,923)	(35,444)
Operating surplus/(deficit)	**9,076**	**(413)**	**8,663**	**(14,492)**

30. ADMINISTERED ASSETS AND LIABILITIES

	Crown Leaseholds Entity $'000	Land Development Working Account $'000	2009 $'000	2008 $'000
Administered Assets				
Cash	8,729	12,377	21,106	35,678
Receivables	35,936	3,954	39,890	47,499
Land in course of development	-	5,723	5,723	6,163
Crown land	6,250,822	-	6,250,822	6,271,212
Plant and equipment	-	5	5	8
Total Administered Assets	**6,295,487**	**22,059**	**6,317,546**	**6,360,560**
Administered liabilities				
Unearned revenue	17,428	-	17,428	19,536
Accounts payable and provisions	972,181	7,499	979,680	993,812
Liability to Consolidated Fund	-	-	-	9,000
Amount due to Crown Leasehold	-	3,790	3,790	15,907
Total Administered Liabilities	**989,609**	**11,289**	**1,000,898**	**1,038,255**

31. ADMINISTERED INCOME – DEBTS WRITTEN OFF

	Crown Leaseholds Entity $'000	Land Development Working Account $'000	2009 $'000	2008 $'000
Bad debt expense	627	162	789	201
	627	**162**	**789**	**201**

Administered debts for lease and land income of $789k were written off during the year (2008 - $201k) .

32. ADMINISTERED INCOME – SCHEDULE OF UNCOLLECTED AMOUNTS

	2009 $'000	2008 $'000
Analysis of uncollected amounts		
Less than 90 days	1,628	2,786
Greater than 90 days and less than 180 days	1,404	1,910
Greater than 180 days	4,301	19,527
	7,333	**24,223**
Less: allowance for impairment	(777)	(892)
	6,556	23,331
Amounts not yet called – incomplete purchases	21,881	21,540
Total	**28,437**	**44,871**

33. FINANCIAL INSTRUMENTS

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

The Department's main risks arising from financial instruments are outlined below, together with the Department's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout this financial report.

The Director General has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Department, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the Lands Audit and Risk Committee and internal audit on a continuous basis.

a. Financial instrument categories

Class	Note	Category	2009 $'000 Carrying amount	2008 $'000 Carrying amount
Financial Assets				
Cash and Cash Equivalents	10	n/a	42,126	49,352
Receivables (1)	11	Receivables measured at cost	12,281	10,308
Other financial assets	13	Loans and receivables measured at amorised cost	27,017	25,368
Financial Liabilities				
Payables (2)	18	Payables measured at cost	9,303	9,281
Borrowings	19	Financial liabilities measured at amortised cost	8,445	12,941

Notes

1. Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).
2. Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

b. Credit risk

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations, resulting in a financial loss to the Department. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Department, including cash and receivables. The Department has not granted any financial guarantees. Credit risk associated with the Department's financial assets, is managed through the selection of counterparties, establishment of minimum credit rating standards and careful management of customer credit arrangements. Bank guarantees are also held for customers with large regular dealings with the Department.

Cash

Cash comprises cash on hand and bank balances within the NSW 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 NSW Treasury.

33. FINANCIAL INSTRUMENTS | B. CREDIT RISK cont.

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. This evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. The credit risk is the carrying amount (net of any allowance or impairment). No interest is earned on trade debtors. Sales are made on terms ranging from zero to 30 days.

The Department is not materially exposed to concentrations of credit risk from a single trade debtor or group of debtors. Based on past experience, debtors that are not past due and not more than 90 days past due are not considered impaired.

The only financial assets that are past due or impaired are within 'sale of goods and services' in the 'receivables' category and 'PRMF loans' in the 'other financial assets' category of the balance sheet.

		Past due but not impaired $'000			Considered
	Total $'000	**< 3 mths overdue**	**3-6 mths overdue**	**> 6 mths overdue**	**impaired $'000**
2009					
Receivables	4,449	3,804	271	104	270
Other Financial Assets	1,755	409	75	764	507
2008					
Receivables	4,146	3,045	218	383	500
Other Financial Assets	860	107	33	649	71

The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired.

c. Liquidity risk

Liquidity risk is the risk that the Department will be unable to meet its payment obligations when they fall due. The Department continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and other advances.

The Department has the following credit standby arrangements.

	2009 $'000	**2008 Limit $'000**
Cheque cashing authority	66	68
MasterCard	750	454
Tape negotiation authority	10,000	8,150
	10,816	**8,672**

During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The Department does not have any bank overdraft facility. The Department's exposure to liquidity risk is deemed insignificant, based on prior periods' data and current assessment of risk.

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 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 table below summarises the maturity profile of the Department's financial liabilities, together with the interest rate exposure.

			Interest rate exposure			Maturity dates		
	Weighted average effective interest %	**Nominal amount $'000**	**Fixed interest rate $'000**	**Variable interest rate $'000**	**Non-interest bearing $'000**	**1 year or less $'000**	**1 to 5 years $'000**	**Over 5 years $'000**
2009								
Trade and other payables		9,303	-	-	9,303	9,303	-	-
Borrowings	8.81%	7,274	7,274	-	-	1,551	5,723	-
Advance repayable		1,566	-	1,566	-	99	530	937
Other		-	-	-	-	-	-	-
Total financial liabilities		**18,143**	**7,274**	**1,566**	**9,303**	**10,953**	**6,253**	**937**
2008								
Trade and other payables		9,281	-	-	9,281	9,281	-	-
Borrowings	8.81%	8,726	8,726	-	-	1,452	7,274	-
Advance repayable		4,658	-	3,159	1,499	158	632	3,868
Other		968	-	-	968	968	-	-
Total financial liabilities		**23,633**	**8,726**	**3,159**	**11,748**	**11,859**	**7,906**	**3,868**

Notes:

1. The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities.
2. The amounts exclude statutory liabilities, revenue received in advance, accrued wages and salaries.

33. FINANCIAL INSTRUMENTS cont.

d. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Department has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Department operates and the time frame for the assessment (ie until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the balance sheet date. The analysis is performed on the same basis for 2008. The analysis assumes that all other variable remain constant.

Interest rate risk

Exposure to interest rate risk arises primary through the Department's interest bearing liabilities. This risk is minimised by undertaking fixed rate borrowings, with Westpac bank. The Department does not account for any fixed rate financial instruments at fair value through profit or loss or as available for sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonable possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Department's exposure to interest rate risk is set out below.

Cash flow sensitivity

		-1%		1%	
	Carrying Amount $'000	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
2009 financial assets:					
Cash and cash equivalents	42,126	(421)	(421)	421	(421)
2008 Financial Assets:					
Cash and cash equivalent	49,352	(494)	(494)	494	494

34. AFTER BALANCE DATE EVENTS

Since balance date, the Public Sector Employment and Management (Departmental Amalgamation) Order 2009 transferred all branches of the Department of Lands to the Land and Property Management Authority and abolished the Department of Lands.

END OF AUDITED FINANCIAL REPORT