

DISCLOSURES AND LEGAL REQUIREMENTS

Financial and other statements



Auditor General

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

SOUTH WEST DEVELOPMENT COMMISSION FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2009

I have audited the accounts, financial statements, controls and key performance indicators of the South West Development Commission.

The financial statements comprise the Balance Sheet as at 30 June 2009, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, a summary of significant accounting policies and other explanatory Notes.

The key performance indicators consist of key indicators of effectiveness and efficiency.

Board's Responsibility for the Financial Statements and Key Performance Indicators

The Board is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions, and the key performance indicators. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and key performance indicators that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and complying with the Financial Management Act 2006 and other relevant written law.

Summary of my Role

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements, controls and key performance indicators based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. Refer www.audit.wa.gov.au/pubs/AuditPracStatement_Feb09.pdf.

An audit does not guarantee that every amount and disclosure in the financial statements and key performance indicators is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements and key performance indicators.

**South West Development Commission
Financial Statements and Key Performance Indicators for the year ended 30 June 2009**

Audit Opinion

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the South West Development Commission at 30 June 2009 and its financial performance and cash flows for the year ended on that date. They are in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions;
- (ii) the controls exercised by the Commission provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (iii) the key performance indicators of the Commission are relevant and appropriate to help users assess the Commission's performance and fairly represent the indicated performance for the year ended 30 June 2009.



COLIN MURPHY
AUDITOR GENERAL
3 September 2009

Certification of Financial Statements

for the year ended 30 June 2009

The accompanying financial statements of South West Development Commission have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 2009 and the financial position as at 30 June 2009.

At the date of signing we are not aware of any circumstances which would render any particulars included in the financial statements misleading or inaccurate.



Mr Stan Liaros
Chairman of Accountable Authority
31 July 2009



Mr Don Punch
Member of Accountable Authority
31 July 2009



Ms Val Cartwright
Chief Finance Officer
31 July 2009

Income Statement

for the year ended 30 June 2009

	Note	\$ 2009	\$ 2008
COST OF SERVICES			
<i>Expenses</i>			
Employee benefits expense	<u>6</u>	1,998,969	1,881,433
Supplies and services	<u>7</u>	1,116,031	1,396,638
Depreciation and amortisation expense	<u>8</u>	111,795	108,725
Finance costs	<u>9</u>	253,639	337,108
Accommodation expenses	<u>10</u>	288,814	315,188
Grants and subsidies	<u>11</u>	4,296,997	6,477,248
Loss on disposal of non-current assets	<u>16</u>	-	12,883
Other expenses	<u>12</u>	190,195	194,290
Total cost of services		8,256,440	10,723,513
<i>Income</i>			
REVENUE			
User charges and fees	<u>13</u>	121,042	73,167
Grants and contributions	<u>14</u>	159,166	715,662
Other revenue	<u>15</u>	2,347,738	144,177
Total revenue		2,627,946	933,006
Total income other than income from State Government		2,627,946	933,006
NET COST OF SERVICES	<u>32</u>	(5,628,494)	(9,790,507)
INCOME FROM STATE GOVERNMENT	<u>17</u>		
Service appropriation		11,504,000	8,975,000
Grants from government agencies		500,000	1,080,000
Resources received free of charge		-	1,258
Royalties for Regions Funds		4,440,000	-
Total income from State Government		16,444,000	10,056,258
SURPLUS FOR THE PERIOD		10,815,506	265,751

The Income Statement should be read in conjunction with the accompanying notes.

Balance Sheet

as at 30 June 2009

	Note	\$ 2009	\$ 2008
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents	<u>31</u>	1,137,170	2,343,643
Restricted cash and cash equivalents	<u>18</u>	12,390,613	1,164,794
Receivables	<u>20</u>	455,482	75,495
Amounts receivable for services	<u>21</u>	30,000	30,000
Total current assets		14,013,265	3,613,932
<i>Non-current assets</i>			
Restricted cash and cash equivalents	<u>18</u>	24,040	18,785
Inventories	<u>19</u>	1,209,152	1,209,152
Amounts receivable for services	<u>21</u>	802,000	689,000
Property, plant and equipment	<u>22</u>	5,237,790	5,187,275
Infrastructure	<u>23</u>	1,150,000	941,379
Intangible assets	<u>24</u>	16,539	7,872
Total non-current assets		8,439,521	8,053,463
TOTAL ASSETS		22,452,786	11,667,395
LIABILITIES			
<i>Current liabilities</i>			
Payables	<u>26</u>	63,507	71,681
Borrowings	<u>27</u>	4,066,282	935,168
Provisions	<u>28</u>	489,979	483,766
Other liabilities	<u>29</u>	1,894	93,099
Total current liabilities		4,621,662	1,583,714
<i>Non-current liabilities</i>			
Borrowings	<u>27</u>	-	4,066,282
Provisions	<u>28</u>	111,451	149,627
Total non-current liabilities		111,451	4,215,909
TOTAL LIABILITIES		4,733,113	5,799,623
NET ASSETS		17,719,673	5,867,772
<i>Equity</i>			
Contributed equity	<u>30</u>	7,323,177	6,388,177
Reserves		3,888,259	3,786,864
Accumulated surplus / (deficit)		6,508,237	(4,307,269)
TOTAL EQUITY		17,719,673	5,867,772

The Balance Sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the year ended 30 June 2009

	Note	\$ 2009	\$ 2008
Balance of equity at start of period		5,867,772	4,325,477
CONTRIBUTED EQUITY	<u>30</u>		
Balance at start of period		6,388,177	5,483,177
Capital contribution		935,000	905,000
Balance at end of period		7,323,177	6,388,177
RESERVES	<u>30</u>		
<i>Asset revaluation reserve</i>			
Balance at start of period		3,786,864	3,389,503
Gains from asset revaluation		101,395	397,361
Balance at end of period		3,888,259	3,786,864
ACCUMULATED SURPLUS / (DEFICIENCY)	<u>30</u>		
Balance at start of period		(4,307,269)	(4,547,203)
Correction of prior period error [b]		-	(25,817)
Restated balance at start of year		(4,307,269)	(4,573,020)
Surplus for the period		10,815,506	265,751
Balance at end of period		6,508,237	(4,307,269)
Balance of equity at end of period		17,719,673	5,867,772
Total income and expense for the period [a]		10,916,901	663,112

[a] The aggregate net amount attributable to each category of equity is: surplus \$10,815,506 plus gains from asset revaluation \$101,395 (2008: surplus \$265,751 plus gains from asset revaluation of \$397,361).

[b] The Commission has changed its asset recognition policy from \$1,000 to \$5,000 as from 1 July 2008 in accordance with the Treasurers instructions.

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Cash Flow Statement

for the year ended 30 June 2009

	Note	\$ 2009	\$ 2008
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		11,361,000	8,768,000
Capital contributions		935,000	905,000
Holding account drawdowns		30,000	30,000
Grant from State government agency		500,000	1,080,000
Royalties for the Regions Fund		4,440,000	-
Net cash provided by State Government		17,266,000	10,783,000
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Payments</i>			
Employee benefits		(2,017,745)	(1,807,888)
Supplies and services		(1,129,954)	(1,379,631)
Finance costs		(353,825)	(345,294)
Accommodation		(286,372)	(315,188)
Grants and subsidies		(4,296,997)	(6,928,067)
GST payments on purchases		(576,983)	(821,896)
Other payments		(190,129)	(194,290)
<i>Receipts</i>			
User charges and fees		134,157	174,032
Grants and contributions		184,166	495,175
GST receipts on sales		289,326	201,394
GST receipts from taxation authority		107,277	867,998
Other receipts		2,100,612	345,315
Net cash (used in) operating activities	<u>32</u>	(6,036,467)	(9,708,340)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non-current physical assets		-	90
Purchase of non-current physical assets		(31,040)	(53,554)
Net cash (used in) investing activities		(31,040)	(53,464)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(1,173,892)	(904,423)
Net cash (used in) financing activities		(1,173,892)	(904,423)
Net increase in cash and cash equivalents held		10,024,601	116,773
Cash and cash equivalents at the beginning of period		3,527,222	3,410,449
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	<u>31</u>	13,551,823	3,527,222

The Cash Flow Statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the year ended 30 June 2009

1. Australian equivalents to international financial reporting standards

General

The Commission's financial statements for the year ended 30 June 2009 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

In preparing these financial statements the Commission has adopted, where relevant to its operations, new and revised Standards and Interpretations from their operative dates as issued by the AASB and formerly the Urgent Issues Group (UIG).

Early adoption of standards

The Commission cannot early adopt an Australian Accounting Standard or Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. No Standards and Interpretations that have been issued or amended but are not yet effective have been early adopted by the Commission for the annual reporting period ended 30 June 2009.

2. Summary of significant accounting policies

[a] General statement

The financial statements constitute a general-purpose financial report, which has been prepared in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording.

The Financial Management Act and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Where modification is required and has a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

[b] Basis of preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, modified by the revaluation of land, buildings and infrastructure which have been measured at fair value except for land inventories held for sale on a cost basis.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars.

The judgements that have been made in the process of applying the Commission's accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed at note 3 'Judgements made by management in applying accounting policies'.

The key assumptions made concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed at note 4 'Key sources of estimation uncertainty'.

Notes to the Financial Statements

for the year ended 30 June 2009

[c] Reporting entity

The reporting entity is South West Development Commission.

[d] Contributed equity

AASB Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities' requires transfers, other than as a result of a restructure of administrative arrangements, in the nature of equity contributions to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital contributions (appropriations) have been designated as contributions by owners by Treasurer's Instruction (TI) 955 'Contributions by Owners made to Wholly Owned Public Sector Entities' and have been credited directly to Contributed Equity.

Transfer of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal.

[e] Income

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

Service appropriations

Service Appropriations are recognised as revenues at nominal value in the period in which the Commission gains control of the appropriated funds. The Commission gains control of appropriated funds at the time those funds are deposited to the bank account or credited to the holding account held at Treasury.

Sale of goods

Revenue is recognised from the sale of goods and disposal of other assets when the significant risks and rewards of ownership control transfer to the purchaser and can be measured reliably.

Rendering of services

Revenue is recognised on delivery of the service to the client or by reference to the stage of completion of the transaction.

Interest

Revenue is recognised as the interest accrues.

Grants, donations, gifts and other non-reciprocal contributions

Revenue is recognised at the fair value when the Commission obtains control over the assets comprising the contributions, usually when cash is received.

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

Gains

Gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on the disposal of non-current assets and some revaluations of non-current assets.

Notes to the Financial Statements

for the year ended 30 June 2009

[f] **Borrowing costs**

Borrowing costs for qualifying assets are capitalised net of any investment income earned on the unexpended portion of the borrowings. Other borrowing costs are expensed when incurred.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Commission's outstanding borrowings during the year, in this case 5.11% (2008: 6.55%).

[g] **Property, plant and equipment and infrastructure**

Capitalisation / expensing of assets

Items of property, plant and equipment and infrastructure costing over \$5,000 are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment and infrastructure costing less than \$5,000 are immediately expensed direct to the Income Statement (other than where they form part of a group of similar items which are significant in total).

Initial recognition and measurement

All items of property, plant and equipment and infrastructure are initially recognised at cost.

For items of property, plant and equipment and infrastructure acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

Subsequent measurement

After recognition as an asset, the revaluation model is used for the measurement of land and buildings and the cost model for all other property, plant and equipment. Land, buildings and infrastructure are carried at fair value less accumulated depreciation on buildings and infrastructure and accumulated impairment losses. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Where market-based evidence is available, the fair value of land and buildings is determined on the basis of current market buying values determined by reference to recent market transactions. When buildings are re-valued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the re-valued amount.

Where market-based evidence is not available, the fair value of land and buildings is determined on the basis of existing use. This normally applies where buildings are specialised or where land use is restricted. Fair value for existing use assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the depreciated replacement cost. Where the fair value of buildings is dependent on using the depreciated replacement cost, the gross carrying amount and the accumulated depreciation are restated proportionately.

Independent valuations of land and buildings are provided annually by the Western Australian Land Information Authority (Valuation Services) and recognised with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

Fair value of infrastructure has been determined by reference to the depreciated replacement cost (existing use basis) as the assets are specialised and no market-based evidence of value is available.

When infrastructure is re-valued, the accumulated depreciation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its re-valued amount.

The most significant assumptions in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated useful life. Professional judgement by the valuer is required where evidence does not provide a clear distinction between market type assets and existing use assets.

Notes to the Financial Statements

for the year ended 30 June 2009

Derecognition

Upon disposal or derecognition of an item of property, plant and equipment and infrastructure, any revaluation reserve relating to that asset is transferred directly to retained earnings.

Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets as described in note 22 'Property, plant and equipment'.

Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Land is not depreciated. Depreciation on other assets is calculated using the straight line methods, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

- Buildings 20 years - 40 years
- Office equipment 2 years - 10 years
- Infrastructure 30 years

Works of art controlled by the Commission are classified as property, plant and equipment, which are anticipated to have very long and indefinite useful lives. Their service potential has not, in any material sense, been consumed during the reporting period and so no depreciation has been recognised.

[h] **Intangible assets**

Capitalisation / expensing of assets

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing over \$50,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred below these thresholds are immediately expensed directly to the Income Statement.

All acquired and internally developed intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal consideration, the cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life) on the straight line basis using rates which are reviewed annually. All intangible assets controlled by the Commission have a finite useful life and zero residual value. The expected useful lives of this class of intangible asset are:

- Software 2 years

Computer software

Software that is an integral part of the related hardware is treated as property, plant and equipment. Software that is not an integral part of the related hardware is treated as an intangible asset. Software costing less than \$5,000 is expensed in the year of acquisition.

Website costs

Website costs are charged as expenses when they are incurred unless they relate to the acquisition or development of an asset when they may be capitalised and amortised. Generally, costs in relation to feasibility studies during the planning of a website, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a website, to the extent that they represent probable future economic benefits that can be reliably measured, are capitalised.

Notes to the Financial Statements

for the year ended 30 June 2009

[i] Impairment of assets

Property, plant and equipment, infrastructure and intangible assets are tested for any indication of impairment at each balance sheet date. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is written down to the recoverable amount and impairment is recognised. As the Commission is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated or where the replacement cost is falling. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of an asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at each balance sheet date irrespective of whether there is any indication of impairment.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairments at each balance sheet date.

[j] Non-current assets classified as held for sale

Non-current assets (or disposal groups) held for sale are recognised at the lower of carrying amount and fair value less costs to sell and are presented separately from other assets in the Balance Sheet. Assets classified as held for sale are not depreciated or amortised.

[k] Inventories

Inventories consist of land held for development and resale. Inventories are measured at the lower of cost or net realisable value. Development costs are capitalised and maintenance costs are expensed.

[l] Leases

The Commission holds operating leases for head office and a number of branch office buildings. Lease payments are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties.

Notes to the Financial Statements

for the year ended 30 June 2009

[m] Financial instruments

In addition to cash, the Commission has two categories of financial instrument:

- Loans and receivables; and
- Financial liabilities measured at amortised cost.

These have been disaggregated into the following classes:

Financial assets

- Cash and cash equivalents
- Restricted cash and cash equivalents
- Receivables
- Amounts receivable for services

Financial liabilities

- Payables
- WATC borrowings

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

[n] Cash and cash equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents (and restricted cash and cash equivalent) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of change in value.

[o] Accrued salaries

The accrued salaries expense account (see note 18 'Restricted cash and cash equivalents') consists of amounts paid annually into a suspense account over a period of 10 financial years to largely meet the additional cash outflow in each eleventh year when 27 pays occur in that year instead of the normal 26. No interest is received on this account.

Accrued salaries (see note 26 'Payables') represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a few days of the financial year end. The Commission considers the carrying amount of accrued salaries to be equivalent to its net fair value.

[p] Amounts receivable for services (holding account)

The Commission receives funding on an accrual basis that recognises the full annual cash and non-cash cost of services. The appropriations are paid partly in cash and partly as an asset (holding account receivable) that is accessible on the emergence of the cash funding requirement to cover items such as leave entitlement and asset replacement.

Notes to the Financial Statements

for the year ended 30 June 2009

[q] Receivables

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts (impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Commission will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

[r] Payables

Payables are recognised at the amounts payable when the Commission becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as they are generally settled within 30 days.

[s] Borrowings

All loans are initially recognised at cost, being the fair value of the net proceeds received. Subsequent measurement is at amortised cost using the effective interest rate method.

[t] Provisions

Provisions are liabilities of uncertain timing and amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date.

Provisions – employee benefits:

Annual leave and long service leave

The liability of annual and long service leave expected to be settled within 12 months after the balance sheet date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual and long service leave expected to be settled more than 12 months after the balance sheet date is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by employees up to the balance sheet date.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

The expected future payments are discounted using market yields at the balance sheet date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

All annual leave and unconditional long service leave provisions are classified as current liabilities as the Commission does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Purchased leave

The provision for purchased leave relates to Public Service employees who have entered into an agreement to self-fund up to an additional four weeks leave per calendar year. The provision recognises the value of salary set aside for employees and is measured at the nominal amounts expected to be paid when the liabilities are settled. This liability is measured on the same basis as annual leave.

Notes to the Financial Statements

for the year ended 30 June 2009

Superannuation

The Government Employees Superannuation Board (GESB) administers the following superannuation schemes.

Employees may contribute to the Pension Scheme, a defined benefit pension scheme now closed to new members or the Gold State Superannuation Scheme (GSS) a defined benefit lump sum scheme also closed to new members.

The Commission has no liabilities under the Pension or the GSS schemes. The liabilities for the unfunded Pension Scheme and the unfunded GSS Scheme transfer benefits due to members, who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS Scheme obligations are funded by concurrent contributions made by the Commission to GESB. The concurrently funded part of the GSS Scheme is a defined contribution scheme as these contributions extinguish all liabilities in respect of the concurrently funded GSS Scheme obligations.

Employees commencing employment prior to 16 April 2007 who are not members of either the Pension or the GSS schemes become non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). Both of these schemes are accumulation schemes. The Commission makes concurrent contributions to GESB on behalf of employees in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. These contributions extinguish the liability for superannuation charges in respect of the WSS and GESBS schemes.

The GESB makes all benefit payments in respect of the Pension and GSS schemes, and is recouped by the Treasurer for the employer's share.

Provisions – other:

Employment on-costs

Employment on-costs, including worker's compensation insurance, are not employee benefits and are recognised as separate liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses' and are not included as part of the Commission's 'Employee benefits expense'. The related liability is included in Employment on-costs provision.

[u] Superannuation expense

The following elements are included in calculating a superannuation expense in the Income Statement.

- Defined benefit plans – for 2007-08, the change in the unfunded employer's liability (i.e. current service cost and, actuarial gains and losses) assumed by the Treasurer in respect of current employees who are members of the Pension Scheme and current employees who accrued a benefit on transfer from that Scheme to the Gold State Superannuation Scheme (GSS); and
- Defined contribution plans – employer contributions paid to the GSS (concurrent contributions) and the West State Superannuation Scheme (WSS, and the GESB Super Scheme (GESBS).

Defined benefit plans – for 2007-08, the movements, (i.e. current service cost, and actuarial gains and losses) in the liabilities in respect of the Pension Scheme and the GSS transfer benefits are recognised as expenses. As these liabilities are assumed by the Treasurer, a revenue titled 'Liabilities assumed by the Treasurer' equivalent to the expense is recognised under Income from State Government in the Income Statement. Commencing 2008-09, the reporting of annual movements in these notional liabilities has been discontinued and is no longer recognised in the Income Statement.

The superannuation expense does not include payment of pensions to retirees, as this does not constitute part of the costs of services provided in the current year.

Notes to the Financial Statements

for the year ended 30 June 2009

The GSS Scheme is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, apart from the transfer benefit, it is a defined contribution plan for agency purposes because the concurrent contributions (defined contributions) made by the agency to GESB extinguishes the agency's obligations to the related superannuation liability.

[v] Resources received free of charge or for nominal consideration

Resources received free of charge or for nominal value that can be reliably measured are recognised as revenues and as assets or expenses as appropriate at fair value.

[w] Comparative figures

Comparative figures are, when appropriate, reclassified to be comparable with figures presented in the current financial year.

3. Judgements made by management in applying accounting policies

The judgement that has been made in the process of applying accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

Operating lease commitment

The Commission has entered into a commercial lease and has determined that the lessor retains all the significant risks and rewards of the ownership of the property. Accordingly, the lease has been classified as an operating lease.

4. Key sources of estimation uncertainty

The key estimates and assumptions made concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

Employee benefits provision

A discount rate of 5.41% per annum applied to long service leave provisions. The discount rate is based upon the Commonwealth 7 year Treasury Bond rates published by the Reserve Bank of Australia.

5. Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Commission has applied the following Australian Accounting Standards and Australian Accounting Interpretations effective for annual reporting periods beginning on or after 1 July 2008 that impacted on the Commission:

Review of AAS 27 'Financial Reporting by Local Governments', AAS 29 'Financial Reporting by government Departments' and AAS 31 'Financial Reporting by Governments'. The AASB has made the following pronouncements from its short term review of AAS 27, AAS 29 and AAS 31:

- AASB 1004 'Contributions';
- AASB 1050 'Administered Items';
- AASB 1051 'Land Under Roads';
- AASB 1052 'Disaggregated Disclosures';
- AASB 2007-9 'Amendments to Australian Accounting Standards arising from the review of AAS's 27.29 and 31 [AASB 3, AASB 5, AASB 8, AASB 101, AASB 114, AASB 116, AASB 127 and AASB 137]; and Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities'.

Notes to the Financial Statements

for the year ended 30 June 2009

The existing requirements in AAS 27, AAS 29 and AAS 31 have been transferred to the above new and revised topic-based Standards and Interpretation. These requirements remain substantively unchanged. AASB 1050, AASB 1051 and AASB 1052 do not apply to Statutory Authorities. The other Standards and Interpretation make some modifications to disclosures and provide additional guidance; otherwise there is no financial impact.

Voluntary changes in Accounting Policy

The Commission increased the asset capitalisation threshold to \$5,000 for plant and equipment.

Future impact of Australian Accounting Standards not yet operative

The Commission cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. Consequently, the Commission has not applied the following Australian Accounting Standards and Australian Accounting Interpretations that have been issued but are not yet effective. These will be applied from their application date:

1. AASB 101 'Presentation of Financial Statements' (September 2007). This standard has been revised and will change the structure of the financial statements. These changes will require that owner changes in equity are presented separately from non-owner changes in equity. The Commission does not expect any financial impact when the Standard is first applied.
2. AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to owners [AASB 5 & AASB 110]'. This standard amends AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' in respect of the classification, presentation and measurement of non-current assets held for distribution to owners in their capacity as owners. This may impact on the presentation and classification of Crown land held by the Commission where the Crown land is to be sold by the Department for Planning and Infrastructure. The Commission does not expect any financial impact when the Standard is first applied prospectively.

	\$ 2009	\$ 2008
6. Employee benefits expense		
Wages and salaries	1,670,813	1,537,204
Superannuation - defined contribution plans [a]	162,724	158,133
Long service leave [b]	34,154	67,436
Annual leave [b]	131,278	118,660
	1,998,969	1,881,433

[a] Defined contribution plans include West State and Gold State and GESB Super Scheme (contributions paid).

[b] Includes a superannuation contribution component.

Employment on-costs such as workers' compensation insurance are included at note 12 'Other expenses'. The employment on-costs liability is included at note 28 'Provisions'. Commencing in 2008-09, the reporting of notional superannuation expense and equivalent notional income has been discontinued.

Notes to the Financial Statements

for the year ended 30 June 2009

	\$ 2009	\$ 2008
7. Supplies and services		
Communication	45,125	43,193
Consultants and contractors	630,283	953,456
Consumables	155,826	124,393
Travel	2,549	2,414
Other	282,248	273,182
	1,116,031	1,396,638
8. Depreciation and amortisation expense		
<i>Depreciation</i>		
Office equipment	20,633	33,575
Buildings	45,398	33,745
Infrastructure	38,541	36,207
Total depreciation	104,572	103,527
<i>Amortisation</i>		
Intangible assets	7,223	5,198
Total amortisation	7,223	5,198
	Total depreciation and amortisation	108,725
	111,795	108,725
9. Finance costs		
Interest paid	253,639	337,108
	253,639	337,108
10. Accommodation expenses		
Lease rentals	248,062	288,950
Repairs and maintenance	20,026	19,455
Cleaning	20,726	6,783
	288,814	315,188
11. Grants and subsidies		
Non public organisations	508,649	1,095,234
Public organisations	3,788,348	5,382,014
	4,296,997	6,477,248
12. Other expenses		
Guarantee fee for loan	11,550	11,316
Repairs and maintenance	56,035	37,219
Employment on-costs [a]	13,759	11,041
Other employment costs	81,651	109,514
Audit costs [b]	27,200	25,200
	190,195	194,290

Notes to the Financial Statements

for the year ended 30 June 2009

	\$ 2009	\$ 2008
[a] Includes workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at note 28 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.		
[b] Audit fees, see note 34 'Remuneration of auditor'		
13. User charges and fees		
Austrade Service Agreement (Commonwealth)	121,042	73,167
	121,042	73,167
14. Grants and contributions		
Shire of Collie		200,000
Non public organisations	51,166	141,000
Public organisations	108,000	501,662
	159,166	715,662
15. Other revenue		
Sundry income	87,515	101,899
Busselton Jetty refurbishment	2,000,300	-
Conference fees	-	28,391
Rental from property	10,446	11,670
Government vehicle scheme	2,315	2,217
Revaluation increment (offsetting decrement)	247,162	-
	2,347,738	144,177
16. Net gain / (loss) on disposal of non-current assets		
<i>Costs of disposal of non-current assets</i>		
Office equipment	-	(12,973)
<i>Proceeds from disposal of non-current assets</i>		
Office equipment	-	90
Net (loss)	-	(12,883)
17. Income from State Government		
<i>Appropriation received during the year</i>		
Service appropriation [a]	11,504,000	8,975,000
	11,504,000	8,975,000
Grant from government agencies - Department of Local Government and Regional Development	500,000	1,080,000
	500,000	1,080,000

Notes to the Financial Statements

for the year ended 30 June 2009

	\$ 2009	\$ 2008
<i>Resources received free of charge</i> [b]		
Determined on the basis of the following estimates provided by agencies:		
Crown Solicitor's Office	-	1,258
	-	1,258
<i>Royalties for Regions Fund</i>		
Regional Infrastructure and Headwork's Account [c]	4,440,000	-
	4,440,000	-
Total revenue from State Government	16,444,000	10,056,258

[a] Service appropriations are accrual amounts reflecting the net cost of services delivered. The appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.

[b] Where assets or services have been received free of charge or for nominal cost, the Commission recognises revenues (except where the contribution of assets or services is in the nature of contributions by owners, in which case the Commission shall make a direct adjustment to equity) equivalent to the fair value of the assets and/or the fair value of those services that can be reliably determined and which would have been purchased if not donated, and those fair values shall be recognised as assets or expenses, as applicable. The exception occurs where the contribution of assets or services are in the nature of contributions by owners, in which case the Commission makes the adjustment direct to equity.

[c] This is a sub-fund within the over-arching 'Royalties for Regions Fund'. The recurrent funds are committed to projects and programs in WA regional areas.

18. Restricted cash and cash equivalents

Current

Restricted projects

Cash held in the account to be used specifically for the approved projects listed:

Lake Kepwari	2,922,931	598,110
AED Priority Projects	17,342	25,119
Regional Development Scheme	15,000	98,490
Intensive Agriculture Futures	-	26,605
Bulletin Board (PBSS)	-	10,000
South West Indigenous Mapping	39,641	79,541
Escape for A While	176,200	119,700
Building a Better Harvey	175,000	175,000
Critical Horizons	11,094	32,229
Busselton Jetty Refurbishment	4,119,465	-

Notes to the Financial Statements

for the year ended 30 June 2009

	\$ 2009	\$ 2008
Active Ageing	59,385	
Bunbury Data Centre	200,000	
Marshall Waller Clifton's Journal	32,000	
Bunbury-Jiaxing Development Office	49,327	
Active Ageing Strategy	153,901	
Kemerton Marketing	16,060	
Coastal Enhancement	20,000	
Royalties for Regions	4,383,267	
Total current restricted cash	12,390,613	1,164,794
<i>Non-current</i>	24,040	18,785
Accrued salaries suspense [a]	24,040	18,785

[a] Amount held is only to be used for the purpose of meeting the 27th pay in a financial year that occurs every 11 years.

19. Inventories

<i>Non-current</i>		
Land (at cost)	1,209,152	1,209,152
Total non-current	1,209,152	1,209,152

The Commission values inventories at the lower of cost or net realisable value and is land held for sale.

20. Receivables

<i>Current</i>		
Government agencies	-	16,500
External	-	12,035
Accrued revenue	6,889	20,004
GST receivable	198,954	19,265
Prepayments	249,639	7,691
	455,482	75,495

21. Amounts receivable for services

Current	30,000	30,000
Non-current	802,000	689,000
	832,000	719,000

Represents the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement or payment of leave liability.

Notes to the Financial Statements

for the year ended 30 June 2009

	\$ 2009	\$ 2008
22. Property, plant and equipment		
<i>Office equipment</i>		
At cost	146,837	131,685
Accumulated depreciation	(50,047)	(29,412)
	96,790	102,273
<i>Buildings</i>		
At fair value [a]	1,200,000	1,050,000
	1,200,000	1,050,000
<i>Land</i>		
At fair value [a]	3,929,000	4,023,002
	3,929,000	4,023,002
<i>Works of art</i>		
At fair value	12,000	12,000
	12,000	12,000
Total property, plant and equipment	5,237,790	5,187,275

[a] Freehold land and buildings were revalued as at 1 April 2009 by the Western Australian Land Information Authority (Valuation Services). The valuations were performed during the year ended 30 June 2009 and recognised at 30 June 2009. In undertaking the revaluation, fair value was determined by reference to market values for land: \$1,200,000 and buildings: \$Nil.

Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the reporting period are set out below.

2009	\$ Land	\$ Buildings	\$ Office equipment and works of art	\$ Total
Carrying amount at start of year	4,023,002	1,050,000	114,273	5,187,275
Additions	-	-	15,150	15,150
Revaluation	(94,002)	195,397	-	101,395
Depreciation	-	(45,397)	(20,633)	(66,030)
Carrying amount at end of year	3,929,000	1,200,000	108,790	5,237,790

Notes to the Financial Statements

for the year ended 30 June 2009

2008	\$ Land	\$ Buildings	\$ Office equipment and works of art	\$ Total
Carrying amount at start of year	3,862,902	847,860	138,458	4,849,220
Additions	-	-	46,804	46,804
Revaluation	160,100	237,261	-	397,361
Disposals- change in Recapitalisation	-	(1,376)	(24,442)	(25,818)
Disposals	-	-	(12,972)	(12,972)
Depreciation	-	(33,745)	(33,575)	(67,320)
Carrying amount at end of year	4,023,002	1,050,000	114,273	5,187,275

23. Infrastructure

	\$ 2009	\$ 2008
At fair value	1,150,000	1,050,278
Accumulated depreciation	(11,386)	(108,899)
	1,150,000	941,379

The latest revaluation of infrastructure was performed in accordance with an independent valuation by the Western Australian Land Information Authority (Valuation Services). Fair value (depreciated replacement value) was determined by existing use. The effective date of the valuation is 1 April 2009.

Reconciliations

Carrying amount at start of year	941,379	977,586
Revaluation	247,162	-
Depreciation	(38,541)	(36,207)
Carrying amount at end of year	1,150,000	941,379

24. Intangible assets

Computer software

At cost	22,640	36,894
Accumulated depreciation	(6,101)	(29,022)
	16,539	7,872

Reconciliations

Carrying amount at start of year	7,872	6,320
Additions	15,890	6,750
Depreciation	(7,223)	(5,198)
Carrying amount at end of year	16,539	7,872

25. Impairment of assets

There were no indications of impairment of property, plant and equipment, infrastructure and intangible assets at 30 June 2009.

The Commission held no goodwill or intangible assets with an indefinite useful life during the reporting period and at reporting date there were no intangible assets not yet available for use.

Notes to the Financial Statements

for the year ended 30 June 2009

	\$ 2009	\$ 2008
All surplus assets at 30 June 2009 have been classified as assets held for sale or written off.		
26. Payables		
<i>Current</i>		
Other payables	-	2,815
Accrued expenses	27,683	43,425
Accrued salaries	35,824	25,441
	63,507	71,681
27. Borrowings		
<i>Current</i>		
Amount due to the WATC	4,066,282	935,168
	4,066,282	935,168
<i>Non-current</i>		
Amount due to the WATC	-	4,066,282
	-	4,066,282
Total borrowings	4,066,282	5,001,450
28. Provisions		
<i>Current</i>		
Employee benefits provision:		
Annual leave [a]	253,341	259,294
Long service leave [b]	232,245	220,157
	485,586	479,451
<i>Other provisions</i>		
Employment on-costs [c]	4,393	4,315
	4,393	4,315
Total current provisions	489,979	483,766
<i>Non-current</i>		
Long service leave [b]	110,438	148,267
	110,438	148,267
<i>Other provisions</i>		
Employment on-costs [c]	1,013	1,360
	1,013	1,360
Total non-current provisions	111,451	149,627
Total provisions	601,430	633,393

Notes to the Financial Statements

for the year ended 30 June 2009

	\$ 2009	\$ 2008
[a] Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after reporting date. Assessments indicate that actual settlement of the liabilities will occur as follows:		
Within 12 months of reporting date	253,341	224,720
More than 12 months after reporting date	-	34,574
	253,341	259,294
[b] Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after reporting date. Assessments indicate that actual settlement of the liabilities will occur as follows:		
Within 12 months of reporting date	137,166	103,715
More than 12 months after reporting date	205,517	264,709
	342,683	368,424
[c] The settlement of annual and long service leave liabilities give rise to the payment of employment on-costs including workers compensation insurance. The provision is the present value of expected future payments. The associated expense is included at note 12 'Other expenses'.		
<i>Movements in provisions</i>		
Movements in provisions during the financial year, other than employee benefits, are set out below.		
<i>Employment on-cost provision</i>		
Carrying amount at start of year	5,675	5,140
Additional provisions recognised	111	535
Payments/other sacrifices of economic benefits	(380)	-
Carrying amount at end of year	5,406	5,675
29. Other liabilities		
<i>Current</i>		
Accrued superannuation	1,894	1,141
Accrued interest	-	91,958
	1,894	93,099

Notes to the Financial Statements

for the year ended 30 June 2009

	\$ 2009	\$ 2008
30. Equity		
Equity represents the residual interest in the net assets of the Commission. The State Government holds the equity interest in the Commission on behalf of the community. The asset revaluation reserve represents that portion of equity resulting from the revaluation of non-current assets.		
<i>Contributed equity</i>		
Balance at start of year	6,388,177	5,483,177
<i>Contributions by owners</i>		
Capital contribution [a]	935,000	905,000
Balance at end of year	7,323,177	6,388,177
<i>Reserves</i>		
Asset revaluation reserve:		
Balance at start of year	3,786,864	3,389,503
Net revaluation increments:		
Land	(94,002)	160,100
Buildings	195,397	237,261
Balance at end of year	3,888,259	3,786,864
<i>Accumulated surplus/ (deficit)</i>		
Balance at start of year	(4,307,269)	(4,547,203)
Correction of prior period error	-	(25,817)
Result for the period	10,815,506	265,751
Balance at end of year	6,508,237	(4,307,269)
[a] Capital contributions (appropriations) have been designated as contributions by owners in Treasurer's Instruction 955 and are credited directly to equity in the Balance Sheet.		

NOTES TO THE CASH FLOW:

31. Reconciliation of cash

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

Cash and cash equivalent	1,137,170	2,343,643
Restricted cash and cash equivalent (refer to note 18)	12,414,653	1,183,579
	13,551,823	3,527,222

Notes to the Financial Statements

for the year ended 30 June 2009

	\$ 2009	\$ 2008
32. Reconciliation of net cost of services to net cash flows provided by / (used in) operating activities		
Net cost of services	(5,628,494)	(9,790,507)
<i>Non-cash items</i>		
Depreciation expense	111,795	108,725
Net (gain) / loss on sale of non-current assets	-	12,883
Revaluation increment (offsetting decrement)	(247,162)	-
Adjustment for other non-cash items	-	(401)
<i>(Increase) / decrease in assets</i>		
Current receivables	38,426	88,003
<i>Increase / (decrease) in liabilities</i>		
Current accounts payable	(100,134)	(424,973)
Current provisions	6,214	39,907
Other current liabilities	753	619
Non-current provisions	(38,176)	19,623
GST Nett receipts	(179,689)	237,781
Net cash (used in) operating activities	(6,036,467)	(9,708,340)

33. Remuneration of members of the accountable authority and senior officers

Remuneration of members of the accountable authority

The numbers of members of the accountable authority, whose total of fees, salaries, superannuation and other benefits for the financial year, fall within the following bands are:

\$ 0 - \$10,000	8	9
\$10,001 - \$20,000	2	1
Total remuneration of the members of the accountable authority is:	60,329	36,561

The superannuation included here represents the superannuation expenses incurred by the Commission in respect of members of the accountable authority.

No members of the accountable authority are members of the Pension Scheme.

Notes to the Financial Statements

for the year ended 30 June 2009

	\$ 2009	\$ 2008
<i>Remuneration of senior officers</i>		
The number of senior officers other than senior officers reported as members of the accountable authority, whose total fees, salaries, superannuation and other benefits for the financial year, fall within the following bands is:		
\$80,001 - \$110,000	2	2
\$110,001 - \$150,000	1	1
\$150,001 - \$200,000	2	1
The total remuneration of senior officers is:	692,861	442,318

The superannuation included here represents the superannuation expense incurred by the Commission in respect of senior officers other than senior officers reported as members of the accountable authority.

No senior officers are members of the Pension Scheme.

34. Remuneration of auditor

Remuneration to the Auditor General for the financial years is as follows:

Auditing the accounts, financial statements and performance indicators:	22,900	20,700
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Payment for auditing services is paid in the following year. The audit fee for 2008-09 will be paid in 2009-10.

35. Lease commitments

Non cancellable operating lease commitments

Commitments for minimum lease payments are payable as follows:

Motor vehicle - not later than one year	44,717	65,963
Motor vehicle - later than one year, not later than five years	17,448	14,205
Office rentals - not later than one year	312,815	290,521
Office rentals - later than one year, not later than five years	314,011	600,277

Notes to the Financial Statements

for the year ended 30 June 2009

36. Contingent liabilities and contingent assets

There are no contingent liabilities or assets that the Commission is aware of as at 30 June 2009.

Contaminated sites

Under the *Contaminated Sites Act 2003*, the Commission is required to report known and suspected contaminated sites to the Department of Environment and Conservation (DEC). In accordance with the Act, DEC classifies these sites on the basis of the risk to human health, the environment and environmental values. Where sites are classified as *contaminated – remediation required* or *possibly contaminated – investigation required*, the Commission may have a liability in respect of investigation or remediation expenses.

The Commission has no known or suspected contaminated sites.

37. Events occurring after the balance sheet date

There are no events occurring after the balance sheet date that the Commission is aware of as at the date of this report.

38. Explanatory statement

Significant variations between estimates and actual results for income and expenses are shown below. Significant variations are considered to be those greater than 10% or \$30,000.

Significant variances between estimated and actual results for 2009

	Actual \$ 2009	Estimates \$ 2009	\$ Variance
<i>Expenses</i>			
Supplies and services	1,116,031	4,956,000	(3,839,969)
Depreciation and amortisation expense	111,795	143,000	(31,205)
Accommodation expenses	288,814	347,000	(58,186)
Grants and subsidies	4,296,997	771,000	3,525,997
<i>Income</i>			
Grants and contributions	159,166	938,000	(778,834)
Other revenue	2,336,352	20,000	2,316,352
Service appropriation	11,504,000	6,485,000	5,019,000

Notes to the Financial Statements

for the year ended 30 June 2009

Supplies and services

The variance is due to delayed project expenditure in supplies and services.

Depreciation and amortisation expense

Reduced depreciation is due to revaluation of Buildings and Infrastructure under the depreciated replacement cost method.

Accommodation expense

The variance is due to outgoings expenditure included in supplies and services.

Grants and subsidies

Increased expenditure is due to the Busselton Jetty Refurbishment Project.

Grants and contributions

The variance is due to overestimation of funds to be received for projects from external sources.

Other revenue

Includes funds returned to be applied to the Busselton Jetty Refurbishment Project.

Service appropriations

The variance is due to increased appropriations towards the Busselton Jetty Refurbishment Project.

Significant variances between actual results for 2008 and 2009

	\$ 2009	\$ 2008	\$ Variance
<i>Expenses</i>			
Supplies and services	1,116,031	1,396,638	(280,607)
Finance costs	253,639	337,108	(83,469)
Grants and subsidies	4,296,997	6,477,248	(2,180,251)
<i>Income</i>			
User charges and fees	121,042	73,167	47,875
Grants and contributions	159,166	715,662	(556,496)
Other revenue	2,336,352	144,177	2,192,175
Service appropriation	11,504,000	8,975,000	2,529,000
Royalties for Regions fund	4,440,000	-	4,440,000

Notes to the Financial Statements

for the year ended 30 June 2009

Supplies and services

The variance is due to delayed project expenditure in supplies and services.

Finance costs

The variance is due to the diminishing Western Australian Treasury Corporation loan portfolio and the associated reduced borrowing cost.

Grants and subsidies

Payments are aligned with the activities of the projects funded and will vary accordingly. The current major grant funding is the Busselton Jetty Refurbishment Project.

User charges and fees

The variance is due to timing of the receipt of success payments from the contract for service with Austrade.

Grants and contributions

Amounts vary according to the activity of sourcing funds to undertake project work. Projects include Regional Development Scheme and Pinjarra-Brunswick Sustainability Strategy.

Other revenue

This year includes the return of funds to be utilised for the Busselton Jetty Refurbishment Project (\$2,000,000) from Landcorp previously held for land development.

Service appropriations

The variance is due to the inclusion of funds for the Busselton Jetty Refurbishment Project.

Royalties for Regions Fund

This is the first year that funds have been received for application to the South West Regional Grants Scheme.

Notes to the Financial Statements

for the year ended 30 June 2009

39. Financial instruments

[a] Financial risk management objectives and policies

Financial instruments held by the Commission are cash and cash equivalents, restricted cash and cash equivalents, loans and receivables and payables. The Commission has limited exposure to financial risks. The Commission's overall risk management program focuses on managing the risks identified below.

Credit risk

Credit risk arises when there is the possibility of the Commission's receivables defaulting on their contractual obligations resulting in financial loss to the Commission. The Commission measures credit risk on a fair value basis and monitors risk on a regular basis.

The maximum exposure to credit risk at balance sheet date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment as shown in the table at Note 39(c).

Credit risk associated with the commission's financial assets is minimal because the main receivable is the amounts receivable for services (holding account). For receivables other than government, the Commission trades only with recognised, creditworthy third parties. The Commission has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Commission's exposure to bad debts is minimal. There are no significant concentrations of credit risk.

Provision for impairment of financial assets is calculated based on past experience, and current and expected changes in client credit ratings. For financial assets that are either past due or impaired, refer to Note 20 'Receivables'.

Liquidity risk

The Commission is exposed to liquidity risk through its trading in the normal course of business. Liquidity risk arises when the Commission is unable to meet its financial obligations as they fall due.

The Commission has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

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Market risk

The Commission's does not trade in foreign currency and is not materially exposed to other price risks. The Commission's exposure to market risk for changes in interest rates relates primarily to the long-term debt obligations. The Commission's borrowings are all obtained through the Western Australian Treasury Corporation (WATC) and are at fixed rates with varying maturities. The risk is managed by WATC through portfolio diversification and variation in maturity dates. The Commission is not exposed to interest rate risk because all cash and cash equivalents and restricted cash are non-interest bearing and have no other borrowings.

[b] Categories of financial instruments

In addition to cash, the carrying amounts of each of the following categories of financial assets and financial liabilities at the balance sheet date are as follows:

	\$ 2009	\$ 2008
<i>Financial assets</i>		
Cash and cash equivalents	1,137,170	2,343,643
Restricted cash and cash equivalents	12,414,653	1,183,579
Receivables (1)	6,889	48,539
Amounts receivable for services	832,000	719,000
<i>Financial liabilities</i>		
Financial liabilities measured at amortised cost	65,401	164,780
WATC Borrowings	4,066,282	5,001,450

(1) The amount of receivables excludes GST recoverable from the ATO (statutory receivable)

[c] Financial instruments disclosure

Credit risk, liquidity risk and interest risk exposure

The following table details the exposure to liquidity risk and interest rate risk as at the balance sheet date: The Commission's maximum exposure to credit risk at the balance sheet date is the carrying amount of the financial assets as shown on the following table. The table is based on information provided to senior management of the Commission. The contractual maturity amounts in the table are representative of the undiscounted amounts at the balance sheet date. An adjustment for discounting has been made where material.

The Commission does not hold any collateral as security or other credit enhancements relating to the financial assets it holds.

The Commission does not hold any financial assets that had to have their terms renegotiated that would have otherwise resulted in them being past due or impaired.

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2009	weighted average effective interest rate %	non interest bearing \$	within 1 year \$	1 - 5 years \$	over 5 years \$	adjustment for discounting \$	carrying amount \$
<i>Financial assets</i>							
Cash and cash equivalents		1,137,170	-	-	-	-	1,137,170
Restricted cash and cash equivalents		12,414,653	-	-	-	-	12,414,653
Receivables [a]		6,889	-	-	-	-	6,889
Amounts receivable for services		832,000	-	-	-	-	832,000
		14,390,712	-	-	-	-	14,390,712
<i>Financial liabilities</i>							
Payables		(63,507)	-	-	-	-	(63,507)
Other liabilities		(1,894)	-	-	-	-	(1,894)
WATC borrowings	5.11	-	(4,066,282)	-	-	-	(4,066,282)
		(65,401)	(4,066,282)	-	-	-	(4,131,683)

2008	weighted average effective interest rate %	non interest bearing \$	within 1 year \$	1 - 5 years \$	over 5 years \$	adjustment for discounting \$	carrying amount \$
<i>Financial assets</i>							
Cash and cash equivalents		2,343,643	-	-	-	-	2,343,643
Restricted cash and cash equivalents		1,183,579	-	-	-	-	1,183,579
Receivables [a]		48,539	-	-	-	-	48,539
Amounts receivable for services		719,000	-	-	-	-	719,000
		4,294,761	-	-	-	-	4,294,761
<i>Financial liabilities</i>							
Payables		(71,681)	-	-	-	-	(71,681)
Other liabilities		(93,099)	-	-	-	-	(93,099)
WATC borrowings	6.55	-	(935,168)	(3,897,390)	(168,892)	-	(5,001,450)
		(164,780)	(935,168)	(3,897,390)	(168,892)	-	(5,166,230)

[a] The amount of receivables excludes GST recoverable from the ATO (statutory receivable).

The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities.

Fair values

All financial assets and liabilities recognised in the balance sheet, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes. Interest rate sensitivity analysis not required as the Commission holds no Interest Bearing financial assets or liabilities other than the borrowings from Western Australian Treasury Corporation where the risk is managed through portfolio diversification and variation in maturity dates.