

## 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 2008**

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 2008, 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 "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.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 2008**

**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 2008 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 2008.



COLIN MURPHY  
AUDITOR GENERAL  
29 August 2008

# Certification of Financial Statements

for the year ended 30 June 2008

The accompanying financial statements of the 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 2008 and the financial position as at 30 June 2008.

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  
6 August 2008



Mr Don Punch  
Member of Accountable Authority  
6 August 2008



Ms Val Cartwright  
Chief Finance Officer  
6 August 2008

## Income Statement

for the year ended 30 June 2008

	Note	\$ 2008	\$ 2007
<b>COST OF SERVICES</b>			
<i>Expenses</i>			
Employee benefits expense	<u>6</u>	1,881,433	1,996,747
Supplies and services	<u>7</u>	1,396,638	3,076,303
Depreciation and amortisation expense	<u>8</u>	108,725	120,449
Finance costs	<u>9</u>	337,108	380,544
Accommodation expenses	<u>10</u>	315,188	280,880
Grants and subsidies	<u>11</u>	6,477,248	6,193,443
Loss on disposal of non-current assets	<u>15</u>	12,883	524,000
Other expenses	<u>12</u>	194,290	255,678
<b>Total cost of services</b>		<b>10,723,513</b>	<b>12,828,044</b>
<i>Income</i>			
<b>Revenue</b>			
Commonwealth grants and contributions	<u>13</u>	73,167	191,259
Other revenue	<u>14</u>	358,177	228,266
<b>Total revenue</b>		<b>431,344</b>	<b>419,525</b>
<b>Total income other than income from State Government</b>		<b>431,344</b>	<b>419,525</b>
<b>NET COST OF SERVICES</b>	<u>31</u>	<b>10,292,169</b>	<b>12,408,519</b>
<b>INCOME FROM STATE GOVERNMENT</b>	<u>16</u>		
Service appropriation		8,975,000	8,677,000
Liabilities assumed by the Treasurer		-	4,051
Resources received free of charge		1,258	4,054
Grants from government agencies		1,581,662	698,700
<b>Total income from State Government</b>		<b>10,557,920</b>	<b>9,383,805</b>
<b>SURPLUS / (DEFICIT) FOR THE PERIOD</b>		<b>265,751</b>	<b>(3,024,714)</b>

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

# DISCLOSURES AND LEGAL REQUIREMENTS

## Financial Statements for 2007-08

### Balance Sheet

as at 30 June 2008

	Note	\$ 2008	\$ 2007
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	<u>30</u>	2,343,643	2,347,626
Restricted cash and cash equivalents	<u>17</u>	1,164,794	1,049,440
Receivables	<u>19</u>	75,494	399,624
Amounts receivable for services	<u>20</u>	30,000	30,000
<b>Total current assets</b>		<b>3,613,931</b>	<b>3,826,690</b>
<b>Non-current assets</b>			
Restricted cash and cash equivalents	<u>17</u>	18,785	13,383
Inventories	<u>18</u>	1,209,152	1,209,152
Amounts receivable for services	<u>20</u>	689,000	512,000
Property, plant and equipment	<u>21</u>	5,213,093	4,849,220
Infrastructure	<u>22</u>	941,379	977,586
Intangible assets	<u>23</u>	7,872	6,320
<b>Total non-current assets</b>		<b>8,079,281</b>	<b>7,567,661</b>
<b>TOTAL ASSETS</b>		<b>11,693,212</b>	<b>11,394,351</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	<u>25</u>	71,681	488,473
Borrowings	<u>26</u>	935,168	904,423
Provisions	<u>27</u>	483,766	443,859
Other liabilities	<u>28</u>	93,099	100,666
<b>Total current liabilities</b>		<b>1,583,714</b>	<b>1,937,421</b>
<b>Non-current liabilities</b>			
Borrowings	<u>26</u>	4,066,282	5,001,449
Provisions	<u>27</u>	149,627	130,004
<b>Total non-current liabilities</b>		<b>4,215,909</b>	<b>5,131,453</b>
<b>TOTAL LIABILITIES</b>		<b>5,799,623</b>	<b>7,068,874</b>
<b>NET ASSETS</b>		<b>5,893,589</b>	<b>4,325,477</b>
<b>EQUITY</b>			
Contributed equity	<u>29</u>	6,388,177	5,483,177
Reserves		3,786,864	3,389,503
Accumulated deficiency		(4,281,452)	(4,547,203)
<b>TOTAL EQUITY</b>		<b>5,893,589</b>	<b>4,325,477</b>

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

## Statement of Changes in Equity

for the year ended 30 June 2008

	Note	\$ 2008	\$ 2007
<b>Balance of equity at start of period</b>		<b>4,325,477</b>	<b>5,882,537</b>
<b>CONTRIBUTED EQUITY</b>	<u>29</u>		
Balance at start of period		5,483,177	4,607,177
Capital contribution		905,000	876,000
<b>Balance at end of period</b>		<b>6,388,177</b>	<b>5,483,177</b>
<b>RESERVES</b>	<u>29</u>		
Asset revaluation reserve			
Balance at start of period		3,389,503	3,512,086
Gain from asset revaluation		397,361	591,654
Transfer to accumulated deficiency [a]		-	(714,237)
<b>Balance at end of period</b>		<b>3,786,864</b>	<b>3,389,503</b>
<b>ACCUMULATED DEFICIENCY</b>	<u>29</u>		
Balance at start of period		(4,547,203)	(2,236,726)
Transfer from asset revaluation reserve [a]		-	714,237
<b>Result for the period</b>		<b>265,751</b>	<b>(3,024,714)</b>
<b>Balance at end of period</b>		<b>(4,281,452)</b>	<b>(4,547,203)</b>
<b>Balance of equity at end of period</b>		<b>5,893,589</b>	<b>4,325,477</b>
<b>Total income and expense for the period [b]</b>		<b>663,112</b>	<b>(2,433,060)</b>

[a] Amounts associated with revaluations on land and buildings sold have been transferred from asset revaluation reserve to accumulated deficiency.

[b] The aggregate net amount attributable to each category of equity is: surplus \$265,751 plus gains from asset revaluation \$397,361 (2007: deficient \$3,024,714 plus gains from asset revaluation of \$591,654).

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

# DISCLOSURES AND LEGAL REQUIREMENTS

## Financial Statements for 2007-08

### Cash Flow Statement

for the year ended 30 June 2008

	Note	\$ 2008	\$ 2007
<b>CASH FLOWS FROM STATE GOVERNMENT</b>			
Service appropriation		8,768,000	8,532,000
Capital contributions		905,000	876,000
Holding account drawdowns		30,000	30,000
Grants from State Government agencies		1,575,175	713,700
<b>Net cash provided by State Government</b>		<b>11,278,175</b>	<b>10,151,700</b>
<b>Utilised as follows:</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee benefits		(1,807,888)	(1,867,356)
Supplies and services		(1,379,631)	(3,065,543)
Finance costs		(345,294)	(391,278)
Accommodation		(315,188)	(280,880)
Grants and subsidies		(6,928,067)	(6,019,983)
GST payments on purchases		(821,896)	(1,027,833)
Other payments		(194,290)	(266,435)
<b>Receipts</b>			
User charges and fees		-	97,206
Commonwealth grants and contributions		174,032	81,377
GST receipts on sales		201,394	151,719
GST receipts from taxation authority		867,998	610,018
Other receipts		345,315	159,957
<b>Net cash used in operating activities</b>	<u>31</u>	<b>(10,203,515)</b>	<b>(11,819,031)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of non-current physical assets		90	501,000
Purchase of non-current physical assets		(53,554)	(46,721)
<b>Net cash provided by investing activities</b>		<b>(53,464)</b>	<b>454,279</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		(904,423)	(874,746)
<b>Net cash used in financing activities</b>		<b>(904,423)</b>	<b>(874,746)</b>
Net increase / (decrease) in cash and cash equivalents held		116,773	(2,087,798)
Cash assets at the beginning of the financial year		3,410,449	5,498,247
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	<u>30</u>	<b>3,527,222</b>	<b>3,410,449</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2008

### 1. Australian equivalents to International Financial Reporting Standards

#### [a] General

The Commission's financial statements for the year ended 30 June 2008 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).

#### [b] 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 2008.

### 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 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 2008

**[c] Reporting entity**

The reporting entity is the South West Development Commission.

**[d] Contributed equity**

UIG Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities' requires transfers 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.

**[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.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they may be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of, and amounts pertaining to, those undischarged conditions are disclosed in the notes.

**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 2008

**[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 6.55% (2007: 6.14%).

**[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.

### Notes to the Financial Statements

for the year ended 30 June 2008

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.

#### **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.

#### **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 on 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 2008

**[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 2008

#### [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 17 '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 25 '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 2008

**[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 2008

#### **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 – 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 – in order to reflect the true cost of services, 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.

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 2008

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 7.02% 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 2007 that impacted on the Commission:

- AASB 7 'Financial Instruments: Disclosures' (including consequential amendments in AASB 2005-10 'Amendments to Australian Accounting Standards [AASB 132, AASB 1010, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]'). This standard requires new disclosures in relation to financial instruments and while there is no financial impact, the changes have resulted in increased disclosures, both quantitative and qualitative, of the Commission's exposure to risks, including enhanced disclosure regarding components of the Commission's financial position and performance, and changes to the way of presenting certain items in the notes to the financial statements.

### Notes to the Financial Statements

for the year ended 30 June 2008

#### 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 1010 '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. Review of AAS 27 'Financial Reporting by Local Governments', 29 'Financial Reporting by Government Departments' and 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' (December 2007)
  - AASB 1050 'Administered Items' (December 2007)
  - AASB 1051 'Land Under Roads' (December 2007)
  - AASB 1052 'Disaggregated Disclosures' (December 2007)
  - 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] (December 2007)
  - Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities' (revised) (December 2007)

The existing requirements in AAS 27, AAS 29 and AAS 31 have been transferred to the above new and existing topic-based Standards and Interpretation. These requirements remain substantively unchanged. AASB 1050, AASB 1051 and AASB 1052 only apply to government departments. The other Standards and Interpretations make some modifications to disclosures and provide additional guidance; otherwise there will be no financial impact.

#### 6. Employee benefits expense

	\$ 2008	\$ 2007
Wages and salaries	1,537,204	1,555,618
Superannuation - defined contribution plans [a]	158,133	148,748
Superannuation - defined benefit plans (Gold State) [b] [c]	-	4,051
Long service leave [d]	67,436	130,746
Annual leave [d]	118,660	157,584
	<b>1,881,433</b>	<b>1,996,747</b>

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

[b] Defined benefit plans include Gold State (pre-transfer benefit).

[c] An equivalent notional income is also recognised (see note 16 'Income from State Government').

[d] 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 27 'Provisions'.

## Notes to the Financial Statements

for the year ended 30 June 2008

	\$ 2008	\$ 2007
<b>7. Supplies and services</b>		
Communication	43,193	49,849
Consultants and contractors	953,456	591,477
Consumables	124,393	153,013
Travel	2,414	1,914
Other	273,182	2,280,050
	<b>1,396,638</b>	<b>3,076,303</b>
<b>8. Depreciation and amortisation expense</b>		
<b>Depreciation</b>		
Office equipment	33,575	39,259
Buildings	33,745	33,745
Infrastructure	36,207	36,207
<b>Total depreciation</b>	<b>103,527</b>	<b>109,211</b>
<b>Amortisation</b>		
Intangible assets	5,198	11,238
<b>Total amortisation</b>	5,198	11,238
	<b>108,725</b>	<b>120,449</b>
<b>9. Finance costs</b>		
Interest paid	337,108	380,544
	<b>337,108</b>	<b>380,544</b>
<b>10. Accommodation expenses</b>		
Lease rentals	288,950	243,572
Repairs and maintenance	19,455	29,550
Cleaning	6,783	7,758
	<b>315,188</b>	<b>280,880</b>
<b>11. Grants and subsidies</b>		
Non public organisations	1,095,234	3,390,922
Public organisations	5,382,014	2,802,521
	<b>6,477,248</b>	<b>6,193,443</b>
<b>12. Other expenses</b>		
Guarantee fee for loan	11,316	13,054
Repairs and maintenance	37,219	80,604
Employment on-costs [a]	11,041	23,709
Other employment costs	109,514	113,411
Audit costs [b]	25,200	24,900
	<b>194,290</b>	<b>255,678</b>

# DISCLOSURES AND LEGAL REQUIREMENTS

## Financial Statements for 2007-08

### Notes to the Financial Statements

for the year ended 30 June 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 27 '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 33 'Remuneration of auditor'.

	\$ 2008	\$ 2007
<b>13. Commonwealth grants and contributions</b>		
Recurrent	73,167	191,259
	<b>73,167</b>	<b>191,259</b>
<b>14. Other revenue</b>		
Sundry income	101,899	106,382
Conference fees	28,391	97,206
Grants public organisations	214,000	12,500
Rental from property	11,670	10,037
Government vehicle scheme	2,217	2,141
	<b>358,177</b>	<b>228,266</b>
<b>15. Net gain / (loss) on disposal of non-current assets</b>		
Costs of disposal of non-current assets:		
Land	-	(1,025,000)
Office equipment	(12,973)	-
Proceeds from disposal of non-current assets:		
Land	-	501,000
Office equipment	90	-
	<b>(12,883)</b>	<b>(524,000)</b>
<b>16. Income from State Government</b>		
Appropriation received during the year:		
Service appropriation [a]	8,975,000	8,677,000
	<b>8,975,000</b>	<b>8,677,000</b>
The following liabilities have been assumed by the Treasurer during the financial year:		
Superannuation [b]	-	4,051
<b>Total liabilities assumed by the Treasurer</b>	-	<b>4,051</b>
Resources received free of charge [c]		
Determined on the basis of the following estimates provided by agencies:		
Crown Solicitor's Office	1,258	4,054
	<b>1,258</b>	<b>4,054</b>
Grants received from government agencies	1,581,662	698,700
	<b>1,581,662</b>	<b>698,700</b>
<b>Total revenue from State Government</b>	<b>10,557,920</b>	<b>9,383,805</b>

## Notes to the Financial Statements

for the year ended 30 June 2008

[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] The assumption of the superannuation liability by the Treasurer is a notional income to match the notional superannuation expense reported in respect of current employees who have a transfer benefit entitlement under the Gold State Superannuation scheme. (The notional superannuation expense is disclosed at note 6 'Employee benefits expense'). There was a reduction in the liability for 2007-08 therefore no expense or income disclosed.

[c] 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.

	\$ 2008	\$ 2007
<b>17. Restricted cash and cash equivalents</b>		
<b>Current</b>		
Restricted projects		
Cash held in the account to be used specifically for the approved projects listed:		
Restore Collie River Boardwalk	-	197,182
Lake Kepwari	598,110	435,364
Repairs Bunbury Court House	-	37,511
Collie Industrial Park	-	53,325
AED Priority Projects	25,119	35,000
Regional Development Scheme	98,490	156,490
Intensive Agriculture Futures	26,605	24,568
Bulletin Board (PBSS)	10,000	10,000
South West Indigenous Mapping	79,541	100,000
Escape for A While	119,700	-
Building a Better Harvey	175,000	-
Critical Horizons	32,229	-
<b>Total current restricted cash</b>	<b>1,164,794</b>	<b>1,049,440</b>
<b>Non-current</b>		
Accrued salaries suspense [a]	18,785	13,383
	<b>18,785</b>	<b>13,383</b>

[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.

# DISCLOSURES AND LEGAL REQUIREMENTS

## Financial Statements for 2007-08

### Notes to the Financial Statements

for the year ended 30 June 2008

	\$ 2008	\$ 2007
<b>18. Inventories</b>		
The amount of inventories recognised and included in the financial statements is as follows:		
Non-current at cost	1,209,152	1,209,152
	<b>1,209,152</b>	<b>1,209,152</b>
The Commission values inventories at the lower of cost or net realisable value and is land held for sale.		
<b>19. Receivables</b>		
<b>Current</b>		
Government agencies	16,500	131,869
External	12,035	5,049
Accrued revenue	20,004	-
GST receivable	19,265	257,046
Prepayments	7,690	5,660
	<b>75,494</b>	<b>399,624</b>
<b>Credit risk</b>		
Ageing of receivables past due but not impaired based on the information provided to senior management, at the balance sheet date:		
Not more than 3 months	28,535	136,918
	<b>28,355</b>	<b>136,918</b>
<b>20. Amounts receivable for services</b>		
Current	30,000	30,000
Non-current	689,000	512,000
	<b>719,000</b>	<b>542,000</b>

This asset 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.

# DISCLOSURES AND LEGAL REQUIREMENTS

## Financial Statements for 2007-08

### Notes to the Financial Statements

for the year ended 30 June 2008

	\$ 2008	\$ 2007
<b>21. Property, plant and equipment</b>		
<b>Office equipment</b>		
At cost	244,927	266,814
Accumulated depreciation	(119,432)	(141,576)
	<b>125,495</b>	<b>125,238</b>
<b>Buildings</b>		
At fair value [a]	1,052,500	882,500
Accumulated depreciation	(1,124)	(34,640)
	<b>1,051,376</b>	<b>847,860</b>
<b>Land</b>		
At fair value [a]	4,023,002	3,862,902
	<b>4,023,002</b>	<b>3,862,902</b>
<b>Works of art</b>		
At fair value	13,220	13,220
	<b>13,220</b>	<b>13,220</b>
<b>Total property, plant and equipment</b>	<b>5,213,093</b>	<b>4,849,220</b>

[a] Freehold land and buildings were re valued as at 1 July 2007 by the Western Australian Land Information Authority (Valuation Services). The valuations were performed during the year ended 30 June 2008 and recognised at 30 June 2008. In undertaking the revaluation, fair value was determined by reference to market values for land: \$1,335,000 and buildings: \$0. For the remaining balance, fair value of land and buildings was determined on the basis of current use and fair value of buildings was determined on the basis of depreciated value.

Valuation Services, the office of the Auditor General and the Department of Treasury and Finance assessed the valuations globally to ensure that the valuations provided (as at 1 July 2007) were compliant with fair value at 30 June 2008.

#### Reconciliations

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

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	-	-	(68,692)	(68,692)
Depreciation written back	-	-	55,720	55,720
Depreciation	-	(33,745)	(33,575)	(67,320)
<b>Carrying amount at end of year</b>	<b>4,023,002</b>	<b>1,051,376</b>	<b>138,715</b>	<b>5,213,093</b>

# DISCLOSURES AND LEGAL REQUIREMENTS

## Financial Statements for 2007-08

### Notes to the Financial Statements

for the year ended 30 June 2008

2007	\$ Land	\$ Buildings	\$ Office equipment and works of art	\$ Total
Carrying amount at start of year	4,376,300	768,050	171,883	5,316,233
Additions	33,502	-	5,832	39,334
Revaluation	478,100	113,554	-	591,654
Disposals	(1,025,000)	-	(23,395)	(1,048,395)
Depreciation written back	-	-	23,395	23,395
Depreciation	-	(33,744)	(39,257)	(73,001)
<b>Carrying amount at end of year</b>	<b>3,862,902</b>	<b>847,860</b>	<b>138,458</b>	<b>4,849,220</b>

#### 22. Infrastructure

	\$ 2008	\$ 2007
At fair value	1,050,278	1,050,278
Accumulated depreciation	(108,899)	(72,692)
	<b>941,379</b>	<b>977,586</b>

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 July 2005.

#### Reconciliations

Carrying amount at start of year	977,586	1,013,793
Depreciation	(36,207)	(36,207)
<b>Carrying amount at end of year</b>	<b>941,379</b>	<b>977,586</b>

#### 23. Intangible assets

##### Computer software

At cost	36,894	30,144
Accumulated depreciation	(29,022)	(23,824)
	<b>7,872</b>	<b>6,320</b>

#### Reconciliations

Carrying amount at start of year	6,320	10,174
Additions	6,750	7,384
Depreciation	(5,198)	(11,238)
<b>Carrying amount at end of year</b>	<b>7,872</b>	<b>6,320</b>

# DISCLOSURES AND LEGAL REQUIREMENTS

## Financial Statements for 2007-08

### Notes to the Financial Statements

for the year ended 30 June 2008

#### 24. Impairment of assets

There were no indications of impairment of property, plant and equipment, infrastructure and intangible assets at 30 June 2008.

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.

All surplus assets at 30 June 2008 have been classified as assets held for sale or written off.

	\$ 2008	\$ 2007
<b>25. Payables</b>		
Current		
Other payables	2,815	29,238
Accrued expenses	43,425	-
Accrued salaries	25,441	18,135
Contractual (grant cheques held and not released)	-	441,100
	<b>71,681</b>	<b>488,473</b>
<b>26. Borrowings</b>		
<b>Current</b>		
Amount due to the WATC	935,168	904,423
	<b>935,168</b>	<b>904,423</b>
<b>Non-current</b>		
Amount due to the WATC	4,066,282	5,001,449
	4,066,282	5,001,449
<b>Total borrowings</b>	<b>5,001,450</b>	<b>5,905,872</b>
<b>27. Provisions</b>		
<b>Current</b>		
Employee benefits provision		
Annual leave [a]	259,294	236,012
Long service leave [b]	220,157	203,888
	<b>479,451</b>	<b>439,900</b>
Other provisions		
Employment on-costs [c]	4,315	3,959
	<b>4,315</b>	<b>3,959</b>
<b>Total current provisions</b>	<b>483,766</b>	<b>443,859</b>

# DISCLOSURES AND LEGAL REQUIREMENTS

## Financial Statements for 2007-08

### Notes to the Financial Statements

for the year ended 30 June 2008

	\$ 2008	\$ 2007
<b>Non-current</b>		
Employee benefits provisions		
Long service leave [b]	148,267	128,822
	<b>148,267</b>	<b>128,822</b>
Other provisions		
Employment on-costs [c]	1,360	1,182
	<b>1,360</b>	<b>1,182</b>
<b>Total non-current provisions</b>	<b>149,627</b>	<b>130,004</b>
<b>Total provisions</b>	<b>633,393</b>	<b>573,863</b>

[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	224,720	208,098
More than 12 months after reporting date	34,574	27,914
	<b>259,294</b>	<b>236,012</b>

[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	103,715	76,835
More than 12 months after reporting date	264,709	255,875
	<b>368,424</b>	<b>332,710</b>

[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'.

#### Movements in provisions

Movements in provisions during the financial year, other than employee benefits, are set out below.

<b>Employment on-cost provision</b>		
Carrying amount at start of year	5,140	3,799
Additional provisions recognised	535	1,341
<b>Carrying amount at end of year</b>	<b>5,675</b>	<b>5,140</b>

#### 28. Other liabilities

##### Current

Accrued superannuation	1,141	523
Accrued interest	91,958	100,143
	<b>93,099</b>	<b>100,666</b>

## Notes to the Financial Statements

for the year ended 30 June 2008

**29. 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.

	\$ 2008	\$ 2007
<b>Contributed equity</b>		
Balance at start of year	5,483,177	4,607,177
<b>Contributions by owners:</b>		
Capital contribution	905,000	876,000
<b>Balance at end of year</b>	<b>6,388,177</b>	<b>5,483,177</b>
<b>Reserves</b>		
<b>Asset revaluation reserve</b>		
Balance at start of year	3,389,503	3,512,086
<b>Net revaluation increments:</b>		
Land	160,100	478,100
Buildings	237,261	113,554
<b>Transfer of asset revaluation after sale to accumulated deficiency:</b>		
Land	-	(714,237)
<b>Balance at end of year</b>	<b>3,786,864</b>	<b>3,389,503</b>
<b>Accumulated deficiency</b>		
Balance at start of year	(4,547,203)	(2,236,726)
Transfer from asset revaluation after sale	-	714,237
Result for the period	265,751	(3,024,714)
<b>Balance at end of year</b>	<b>(4,281,452)</b>	<b>(4,547,203)</b>

# DISCLOSURES AND LEGAL REQUIREMENTS

## Financial Statements for 2007-08

### Notes to the Cash Flow Statement

for the year ended 30 June 2008

#### 30. 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:

	\$ 2008	\$ 2007
Cash and cash equivalent	2,343,643	2,347,626
Restricted cash and cash equivalent (refer to note 17)	1,183,579	1,062,823
	<b>3,527,222</b>	<b>3,410,449</b>

#### 31. Reconciliation of net cost of services to net cash flows provided by (used in) operating activities

Net cost of services	(10,286,079)	(12,408,519)
<b>Non-cash items</b>		
Depreciation expense	108,725	120,449
Net (gain) / loss on sale of non-current assets	12,883	524,000
Adjustment for other non-cash items	(4)	(6,892)
<b>(Increase) / decrease in assets</b>		
Current receivables	88,003	(74,090)
<b>Increase / (decrease) in liabilities</b>		
Current accounts payable	(424,973)	159,825
Current provisions	39,907	103,351
Other current liabilities	619	(30,675)
Non-current provisions	19,623	45,981
GST Nett (payments / receipts)	237,781	(252,461)
<b>Net cash provided by / (used in) operating activities</b>	<b>(10,203,515)</b>	<b>(11,819,031)</b>

### Notes to the Financial Statements

for the year ended 30 June 2008

#### 32. 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	9	11
\$10,001 - \$20,000	1	-
<b>Total remuneration of the members of the accountable authority is:</b>	<b>\$ 36,561</b>	<b>\$ 17,618</b>

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.

##### Remuneration of senior officers

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:

\$70,001 - \$80,000	0	1
\$80,001 - \$110,000	2	1
\$110,001 - \$140,000	1	1
\$140,001 - \$ 160,000	1	1
<b>The total remuneration of senior officers is:</b>	<b>\$ 442,318</b>	<b>\$ 444,249</b>

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.

#### 33. Remuneration of auditor

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

<b>Auditing the accounts, financial statements and performance indicators</b>	<b>\$ 20,700</b>	<b>\$ 19,000</b>
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Payment for auditing services is paid in the following year.  
Audit fee for 2007-08 will be paid in 2008-09.

# DISCLOSURES AND LEGAL REQUIREMENTS

## Financial Statements for 2007-08

### Notes to the Financial Statements

for the year ended 30 June 2008

#### 34. Lease commitments

Non cancellable operating lease commitments

Commitments for minimum lease payments are payable as follows:

	\$ 2008	\$ 2007
Motor vehicle - not later than one year	65,963	54,537
Motor vehicle - later than one year, not later than five years	14,205	19,592
Office rentals - not later than one year	290,521	276,779
Office rentals - later than one year, not later than five years	600,277	916,173

#### 35. Contingent liabilities and contingent assets

There are no contingent liabilities or assets that the Commission is aware of as at 30 June 2008.

#### 36. 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 2008

	Actual \$ 2008	Estimates \$ 2008	\$ Variance
Supplies and services	1,396,638	2,110,000	(713,362)
Depreciation and amortisation expense	108,725	141,000	(32,275)
Other expenses	194,290	152,000	42,290
Other revenue	358,177	27,000	331,177

##### Supplies and services

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

##### Depreciation and amortisation expense

Reduced depreciation due to the write back of depreciation on the revaluation of the Dolphin Discovery Centre under the depreciated replacement cost method.

##### Other expenses

Actual results include an increase in vehicle expenses, office maintenance costs and Shire rate charges.

##### Other revenue

The revenue received to offset the expenses of holding conferences and refund on project expenses was not included in the estimates.

### Notes to the Financial Statements

for the year ended 30 June 2008

#### Significant variances between actual results for 2007 and 2008

	\$ 2008	\$ 2007	Variance \$
<b>Expenses</b>			
Supplies and services	1,396,638	3,076,303	(1,679,665)
Finance costs	337,108	380,544	(43,436)
Accommodation expenses	315,188	280,880	34,308
Loss on disposal of non current assets	12,883	524,000	(511,117)
Other expenses	194,290	255,678	(61,388)
<b>Income</b>			
Commonwealth grants and contributions	73,167	191,259	(118,092)
Other revenue	358,177	228,266	129,911
Grants from Government agencies	1,581,662	698,700	882,962

#### Supplies and services

In 2006-07 a payment of \$2,000,000 was made to LandCorp towards the Picton Sewerage Project.

#### Finance costs

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

#### Accommodation expenses

2007-08 includes a payment for the 18 month occupation of the Harvey Office since closed.

#### Loss on disposal of non current assets

The loss on disposal of non-current assets variance is the sale of land to the Bunbury Port Authority in 2006-07.

#### Other expenses

The variance is mainly associated with a decrease in office maintenance costs in 2007-08.

#### Commonwealth grants and contributions

The amount of funds received from the Commonwealth for the Tradestart Officer position varies according to the timing of the success payments received under the contract with Austrade.

#### Other revenue

The variance is due to the receipt of funds for the infrastructure development of Lake Kepwari.

#### Grants from Government agencies

Grants from government agencies are dependant upon successfully obtaining grants for projects under schemes such as Regional Infrastructure Funding (RIF) through DLGRD. 2007-08 includes funds under RIF for the Leschenault Estuary Dredging project.

### Notes to the Financial Statements

for the year ended 30 June 2008

#### **37. Land development**

The Commission is currently negotiating a proposed joint venture with the Western Australian Land Authority to continue the development and marketing of the Commission's land inventories.

#### **38. Output: Regional Development**

The Commission has one service of Regional Development and the Income Statement reflects the costs associated with the provision of this output.

#### **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 19 '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.

### Notes to the Financial Statements

for the year ended 30 June 2008

#### 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:

	\$ 2008	\$ 2007
<b>Financial assets</b>		
Cash and cash equivalents	2,343,643	2,347,626
Restricted cash and cash equivalents	1,183,579	1,062,823
Receivables <sup>(1)</sup>	48,539	136,918
Amounts receivable for services	719,000	542,000
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	164,780	589,139
WATC borrowings	5,001,450	5,905,872

[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.

# DISCLOSURES AND LEGAL REQUIREMENTS

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### Notes to the Financial Statements

for the year ended 30 June 2008

2008	weighted average effective interest rate %	non interest bearing \$	within 1 year \$	1 - 5 years \$	over 5 years \$	adjustment for discounting \$	carrying amount \$
<b>Financial assets</b>							
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
		<b>4,294,761</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,294,761</b>
<b>Financial liabilities</b>							
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)
		<b>(164,780)</b>	<b>(935,168)</b>	<b>(3,897,390)</b>	<b>(168,892)</b>	<b>-</b>	<b>(5,166,230)</b>
		<b>4,129,981</b>	<b>(935,168)</b>	<b>(3,897,390)</b>	<b>(168,892)</b>	<b>-</b>	<b>(871,469)</b>

2007	weighted average effective interest rate %	non interest bearing \$	within 1 year \$	1 - 5 years \$	over 5 years \$	adjustment for discounting \$	carrying amount \$
<b>Financial assets</b>							
Cash and cash equivalents		2,347,626	-	-	-	-	2,347,626
Restricted cash and cash equivalents		1,062,823	-	-	-	-	1,062,823
Receivables [a]		136,918	-	-	-	-	136,918
Amounts receivable for services		542,000	-	-	-	-	542,000
		<b>4,089,367</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,089,367</b>
<b>Financial liabilities</b>							
Payables		(488,473)	-	-	-	-	(488,473)
Other liabilities		(100,666)	-	-	-	-	(100,666)
WATC borrowings	6.14	-	(904,423)	(3,656,433)	(1,345,016)	-	(5,905,872)
		<b>(589,139)</b>	<b>(904,423)</b>	<b>(3,656,433)</b>	<b>(1,345,016)</b>	<b>-</b>	<b>(6,495,011)</b>
		<b>3,500,228</b>	<b>(904,423)</b>	<b>(3,656,433)</b>	<b>(1,345,016)</b>	<b>-</b>	<b>(2,405,644)</b>

[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.

## Notes to the Financial Statements

for the year ended 30 June 2008

### **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**

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.