Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

3.0

Contents

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010 3.1

FINANCIAL STATEMENTS SUMMARY

Financial Performance

The Department of Justice and Attorney General (DJAG) Parent entity comprises the financial results of the former Attorney General's Department and the former Department of Corrective Services, and the employee related expenses, revenues, assets and liabilities of the NSW Trustee and Guardian and the Legal Profession Admission Board.

DJAG prepared its Parent entity financial statements in accordance with:

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

Operating Result

The operating result for the year ended 30 June 2010 was a surplus of $3.3 million, compared with a budgeted surplus of $44.9 million.

Revenue

Revenue totalling $295 million was higher than budget by $14 million. This was largely due to an increase in sales of goods and services revenue and an increase in personnel services revenue. The Department's 52.5% proportion of Law Courts Limited net profit contributed $6.8 million towards the overall revenue result.

Expenses

Expenditure totalling $1,828 million was higher than budget by $127 million, partly due to employee related expenditure exceeding budget by $66 million due to increased overtime, increased hiring of casuals and fewer redundancies than expected following the outsourcing of the Parklea Correctional Centre.

Other operating expenses exceeded budget by $51 million mainly to an increase in inmate numbers and management fees arising from the contracting out of the Parklea Correctional Centre during the year.

Assets

Total assets exceeded budget by $243 million, partly due to an increase in property, plant and equipment of $238 million and an asset revaluation of $48 million.

Liabilities

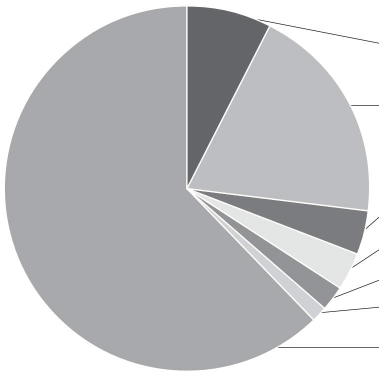
Total liabilities exceeded budget by $77 million, mainly due to an increase in payables of $67 million.

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

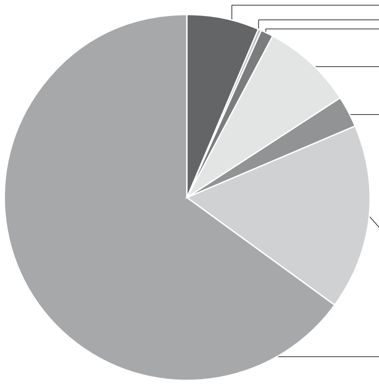
3.2

(Income) Where the funds come from



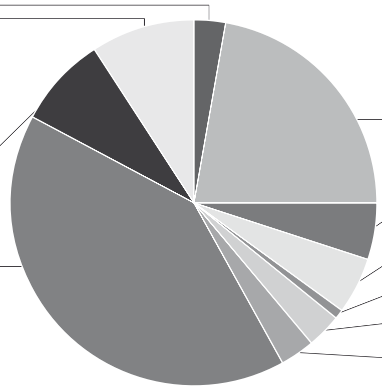
%		$m
7.5%	Other Revenue	22.1
19.5%	Personnel Service Income	57.7
4.1%	Grants and Contributions	12.0
3.2%	Retained Fees	9.5
2.1%	Share of Joint Venture	6.1
1.6%	Investment Income	4.8
62.0%	Sales of Goods and Services	183.2
		295.4

(Expenditure) How they are spent



%		$m
6.4%	Other Expenses	116.8
0.5%	Finance Costs	9.1
1.1%	Grants and Subsidies	20.7
7.9%	Depreciation and Amortisation	144.3
2.8%	Maintenance	50.7
16.3%	Other Operating Expenses	298.1
65.0%	Employee Related	1,188.4
		1,828.1

Expenditure by service group



$m		%
49.8	Legal, Policy & Regulatory Services	2.7%
163.3	Offenders Programs	8.9%
147.8	Supervision of Offenders in the Community	8.1%
744.6	Custody Management	40.7%

%		$m
21.6%	Court Services	395.5
5.2%	Court Support	94.9
5.6%	Crime Prevention & Community Services	103.0
1.1%	Registry of Births, Deaths & Marriages	20.5
3.1%	Crown Solicitors Office	57.2
2.8%	Business and Personnel Services	51.5
		1,828.1

DEPARTMENT OF JUSTICE AND ATTORNEY GENERAL

Parent Financial Statements for the Year ended 30 June 2010

Statement by Department Head

In accordance with section 45F of the *Public Finance and Audit Act 1983*, I state that:

(a) The accompanying financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the Financial Reporting Code for Budget Dependent General Government Sector Agencies, the Public Finance and Audit Regulation 2010 and the Treasurer's Directions.

(b) The financial statements exhibit a true and fair view of the financial position and transactions of the Department for the Year ended 30 June 2010.

(c) At the date of this statement there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Laurie Glanfield
Director General
19 October 2010

AUDITOR-GENERAL NEW SOUTH WALES

GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Department of Justice and Attorney General

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Department of Justice and Attorney General (the Department), which comprise the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity, statement of cash flows, service group statements and a summary of compliance with financial directives for the year then ended, a summary of significant accounting policies and other explanatory notes.

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the Department as at 30 June 2010, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

Department Head's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

- about the future viability of the Department
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal controls
- about the assumptions used in formulating the budget figures disclosed in the financial statements.

Independence

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

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

C J Giumelli
Director, Financial Audit Services

20 October 2010
SYDNEY

Statement of comprehensive income for the year ended 30 June 2010

		Year ended Parent	
		Actual 30 June 2010	**Budget 30 June 2010**
	Notes	**$000**	**$000**
Expenses excluding losses			
Operating expenses			
Employee related expenses	2(a)	**1,188,426**	1,122,332
Other operating expenses	2(b)	**348,755**	297,930
Depreciation and amortisation	2(c)	**144,327**	131,620
Grants and subsidies	2(d)	**20,750**	23,225
Finance costs	2(e)	**9,104**	10,441
Other expenses	2(f)	**116,784**	114,982
Total expenses excluding losses		**1,828,146**	1,700,530
Less:			
Revenue			
Sale of goods and services	3(a)	**183,203**	176,630
Investment revenue	3(b)	**4,846**	5,726
Investment accounted for using the equity method	17	**6,108**	–
Retained taxes, fees and fines	3(c)	**9,520**	9,400
Grants and contributions	3(d)	**11,968**	17,141
Personnel services revenue	3(e)	**57,652**	54,945
Other revenue	3(f)	**22,078**	18,281
Total Revenue		**295,375**	282,123
Gain / (loss) on disposal	4	**(647)**	10
Other gains / (losses)	5	**(5,654)**	(3,550)
Net Cost of Services		**(1,539,072)**	(1,421,947)

The accompanying notes form part of these financial statements.

Table continued over page

Statement of comprehensive income for the year ended 30 June 2010 (continued)

		Year ended Parent	
		Actual 30 June 2010	**Budget 30 June 2010**
	Notes	**$000**	**$000**
Government Contributions			
Recurrent appropriations	7	**1,303,403**	1,218,820
Capital appropriations	7	**161,569**	172,122
Capital appropriations (Asset sale proceeds transferred to the Crown Entity)	7	**–**	–
Acceptance by the Crown Entity of employee benefits and other liabilities	8	**84,196**	80,365
Transfers to NSW Treasury and Payments to Office of State Revenue	9	**(6,820)**	(4,419)
Total Government Contributions		**1,542,348**	1,466,888
SURPLUS / (DEFICIT) FOR THE YEAR		**3,276**	44,941
Other comprehensive income			
Net increase / (decrease) in property, plant and equipment asset revaluation reserve		**48,399**	–
Superannuation actuarial losses		**(10,030)**	–
Other comprehensive income for the year		**38,369**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**41,645**	44,941

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2010

	Notes	Year ended Parent Actual 30 June 2010 $000	Year ended Parent Budget 30 June 2010 $000
ASSETS			
Current assets			
Cash and cash equivalents	12	**48,645**	77,178
Receivables	13	**90,932**	55,267
Inventories	14	**9,701**	7,259
Financial assets at fair value		**–**	16,459
Total current assets		**149,278**	156,163
Non-current assets			
Receivables	13	**59,836**	70,625
Property plant and equipment	15		
– Land and buildings	15	**2,550,906**	2,458,672
– Plant and equipment	15	**198,913**	204,949
– Finance lease	15	**152,088**	–
Total property plant and equipment	15	**2,901,907**	2,663,621
Intangible assets	16	**91,165**	57,336
Investment accounted for using the equity method	17	**122,184**	133,261
Total non-current assets		**3,175,092**	2,924,843
Total assets		**3,324,370**	3,081,006
LIABILITIES			
Current liabilities			
Payables	18	**149,757**	81,109
Borrowings	19	**3,007**	3,328
Provisions	20	**177,188**	175,563
Other	21	**13,999**	11,557
Total current liabilities		**343,951**	271,557

Table continued over page

Statement of financial position as at 30 June 2010 (continued)

		Year ended Parent	
		Actual 30 June 2010	**Budget 30 June 2010**
	Notes	**$000**	**$000**
Non-current liabilities			
Borrowings	19	**95,469**	94,597
Provisions	20	**55,849**	52,639
Total non-current liabilities		**151,318**	147,236
Total liabilities		**495,269**	418,793
Net assets		**2,829,101**	2,662,213
EQUITY			
Reserves		**48,399**	1,061,064
Accumulated funds		**2,780,702**	1,601,149
Total Equity		**2,829,101**	2,662,213

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2010

	Notes	Accumulated Funds $000	Assets Revaluation $000	Total $000
Surplus / (deficit) for the year		3,276	–	3,276
Other comprehensive income:				
Net increase/(decrease) in property, plant and equipment		–	48,399	48,399
Superannuation actuarial losses		(10,030)	–	(10,030)
Total comprehensive income for the year		(6,754)	48,399	41,645
Transaction with owners in their capacity as owners				
Administrative restructure		2,781,849	–	2,781,849
Increase in assets from equity transfer		5,940	–	5,940
Decrease in assets from equity transfer		(333)	–	(333)
Balance at 30 June 2010		2,780,702	48,399	2,829,101

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2010

		Year ended Parent	
		Actual 30 June 2010	Budget 30 June 2010
	Notes	$000	$000
Payments			
Employee related		**(1,067,850)**	(1,037,138)
Grants and subsidies		**(24,492)**	(23,225)
Finance costs		**(9,104)**	(10,441)
Interest paid		**–**	–
Other		**(518,768)**	(455,146)
Total Payments		**(1,620,214)**	(1,525,950)
Receipts			
Sale of goods and services		**178,457**	228,569
Retained taxes, fees and fines		**9,232**	–
Interest received		**4,756**	2,783
Other		**98,183**	94,062
Total Receipts		**290,628**	325,414
Cash Flows From Government			
Recurrent appropriation		**1,303,293**	1,218,820
Capital appropriation (excluding equity appropriations)		**167,798**	172,122
Cash reimbursements from the Crown Entity		**13,054**	–
Cash transfers to the Consolidated Fund		**–**	–
Net Cash Flows From Government		**1,484,145**	1,390,942
NET CASH FLOWS FROM OPERATING ACTIVITIES	26	**154,559**	190,406
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of land and buildings, plant and equipment and infrastructure systems		**956**	10
Purchases of land and buildings, plant and equipment and infrastructure systems		**(162,145)**	(161,563)
Purchases of investments		**–**	–
Other		**–**	(10,112)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(161,189)**	(171,665)

Table continued over page

Statements of cash flows for the year ended 30 June 2010 (continued)

	Notes	Year ended Parent Actual 30 June 2010 $000	Year ended Parent Budget 30 June 2010 $000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings and advances		**4,842**	4,800
Repayment of borrowings and advances		**(2,276)**	(2,640)
Transfers to NSW Treasury and OSR		**(10,212)**	(4,411)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(7,646)**	(2,251)
NET INCREASE (DECREASE) IN CASH		**(14,276)**	16,490
Opening cash and cash equivalents		**–**	–
Cash transferred in (out) as a result of administrative restructuring	23	**62,921**	60,688
CLOSING CASH AND CASH EQUIVALENTS	12	**48,645**	77,178

The accompanying notes form part of these financial statements.

Service group statements for the year ended 30 June 2010

Consolidated AGENCY'S EXPENSES AND INCOME	2010 Service Group 1 – Legal Policy and Regulatory Services *	Service Group 2 – Court Services *	Service Group 3 – Court Support Services *	Service Group 4 – Crime Prevention and Community Services *	Service Group 5 – Registry of Births, Deaths and Marriages *
	$000	**$000**	**$000**	**$000**	**$000**
Expenses excluding losses					
Operating expenses					
Employee related expenses	33,143	259,481	63,686	18,510	12,972
Other operating expenses	9,165	57,768	15,216	5,881	5,816
Operating expenses	42,308	317,249	78,902	24,391	18,788
Depreciation and amortisation	3,475	51,441	8,121	1,992	1,552
Grants and subsidies	469	616	12	13,976	–
Finance costs	1	3,967	2	–	176
Other expenses	3,557	22,282	7,870	62,648	–
Total expenses excluding losses	49,810	395,555	94,907	103,007	20,516
Revenue					
Sale of goods and services	4,250	100,322	6,327	309	25,916
Investment revenue	726	6,409	2,173	491	201
Retained taxes, fees and fines	–	–	–	9,520	–
Grants and contributions	4,303	3,515	977	238	–
Other revenue	8,849	7,814	100	464	150
Personnel services revenue	–	–	–	–	–
Total Revenue	18,128	118,060	9,577	11,022	26,267
Gain / (loss) on disposal	31	(780)	96	17	(11)
Other gains / (losses)	–	(5,746)	80	–	5
Net Cost of Services	31,651	284,021	85,154	91,968	(5,745)
Government contributions – AGD **					
Government contributions – CS **					
SURPLUS / (DEFICIT) FOR THE YEAR	(31,651)	(284,021)	(85,154)	(91,968)	5,745
Other Comprehensive Income					
Increase in assets revaluation reserve and equity transfers	–	–	–	–	–
Superannuation actuarial losses	(77)	–	(154)	–	(1,151)
Total Other Comprehensive Income	(77)	–	(154)	–	(1,151)
TOTAL COMPREHENSIVE INCOME	**(31,728)**	**(284,021)**	**(85,308)**	**(91,968)**	**4,594**

* The names and purposes of each service group are summarised in Note 11.

** Appropriations are made on an agency basis and not to individual service groups. The total appropriation totalling $1,549.692 million comprises $502.077 million made to the former AGD and $1,047.615 million to the former Corrective Services NSW.

2010						
Service Group 6 – Crown Solicitor's Office *	Service Group 7 – Business and Personnel Services *	Service Group 8 – Custody Management *	Service Group 9 – Supervision of Offenders in the Community *	Service Group 10 – Offenders Program *	Not Attributable	Total
$000	$000	$000	$000	$000	$000	$000
31,703	51,458	475,767	110,122	131,584	–	1,188,426
5,833	9	196,410	29,992	22,665	–	348,755
37,536	51,467	672,177	140,114	154,249	–	1,537,181
1,126	–	66,086	7,400	3,134	–	144,327
–	–	–	–	5,677	–	20,750
–	–	4,958	–	–	–	9,104
18,504	-	1,370	270	283	–	116,784
57,166	51,467	744,591	147,784	163,343	–	1,828,146
15,320	–	6,781	880	23,098	–	183,203
448	–	399	55	52	–	10,954
–	–	–	–	–	–	9,520
–	–	–	1,430	1,505	–	11,968
(811)	–	3,905	718	888	–	22,077
–	57,652	–	–	–	–	57,652
14,957	57,652	11,085	3,083	25,543	–	295,374
(10)	–	10	–	–	–	(647)
7	–	–	–	–	–	(5,654)
42,212	(6,185)	733,496	144,701	137,800	–	1,539,073
					502,077	502,077
					1,040,271	1,040,271
(42,212)	6,185	(733,496)	(144,701)	(137,800)	1,542,348	3,275
–	–	–	–	–	48,399	48,399
(2,549)	(6,099)	–	–	–	–	(10,030)
(2,549)	(6,099)	–	–	–	48,399	38,369
(44,761)	**86**	**(733,496)**	**(144,701)**	**(137,800)**	**1,590,747**	**41,644**

Service group statements for the year ended 30 June 2010 (continued)

Consolidated AGENCY'S ASSETS & LIABILITIES	2010 Service Group 1 – Legal Policy and Regulatory Services *	Service Group 2 – Court Services *	Service Group 3 – Court Support Services *	Service Group 4 – Crime Prevention and Community Services *	Service Group 5 – Registry of Births, Deaths and Marriages *
	$000	$000	$000	$000	$000
Current Assets					
Cash and cash equivalents	–	–	–	–	9,463
Receivables	3,442	26,070	5,881	5,072	2,860
Inventories	–	–	–	–	–
Financial assets at fair value	–	–	–	–	–
Total current assets	3,442	26,070	5,881	5,072	12,323
Non-current Assets					
Receivables	685	8,071	2,085	15,449	(5,263)
Investment accounted for using the equity method	–	122,184	–	–	–
Financial assets at fair value	–	–	–	–	–
Property plant and equipment	23,527	923,653	60,369	16,459	8,166
Other	–	–	–	–	–
Intangibles	2,591	59,571	1,364	298	11,492
Total non-current assets	26,803	1,113,479	63,818	32,206	14,395
TOTAL ASSETS	30,245	1,139,549	69,699	37,278	26,718
Current liabilities					
Payables	5,067	9,834	1,579	19,988	1,162
Borrowings	–	2,414	–	–	–
Provisions	4,702	34,950	14,329	3,235	7,308
Other	–	–	–	–	–
Total current liabilities	9,769	47,198	15,908	23,223	8,470
Non-current liabilities					
Borrowings	–	29,867	–	–	5,800
Provisions	661	2,739	1,138	–	5,644
Total non-current liabilities	661	32,606	1,138	–	11,444
TOTAL LIABILITIES	10,430	79,804	17,046	23,223	19,914
NET ASSETS	**19,815**	**1,059,745**	**52,653**	**14,055**	**6,804**

* The names and purposes of each service group are summarised in Note 11.

** Appropriations are made on an agency basis and not to individual service groups. The total appropriation totalling $1,549.692 million comprises $502.077 million made to the former AGD and $1,047.615 million to the former Corrective Services NSW.

2010						
Service Group 6 – Crown Solicitor's Office *	Service Group 7 – Business and Personnel Services *	Service Group 8 – Custody Management *	Service Group 9 – Supervision of Offenders in the Community *	Service Group 10 – Offenders Program *	Not Attributable	Total
$000	$000	$000	$000	$000	$000	$000
8,161	–	6,466	1,281	1,220	22,054	48,645
16,254	18,677	8,623	1,180	2,873	–	90,932
–	–	–	–	9,701	–	9,701
–	–	–	–	–	–	–
24,415	18,677	15,089	2,461	13,794	22,054	149,278
729	38,080	–	–	–	–	59,836
–	–	–	–	–	–	122,184
–	–	–	–	–	–	–
2,625	–	1,785,352	65,452	16,304	–	2,901,907
–	–	–	–	–	–	–
3,056	–	9,240	1,820	1,733	–	91,165
6,410	38,080	1,794,592	67,272	18,037	–	3,175,092
30,825	56,757	1,809,681	69,733	31,831	22,054	3,324,370
1,278	18,677	75,431	9,135	7,606	–	149,757
–	–	593	–	–	–	3,007
9,871	–	66,790	14,928	21,075	–	177,188
–	–	13,108	637	254	–	13,999
11,149	18,677	155,922	24,700	28,935	–	343,951
–	–	59,802	–	–	–	95,469
7,470	38,197	–	–	–	–	55,849
7,470	38,197	59,802	–	–	–	151,318
18,619	56,874	215,724	24,700	28,935	–	495,269
12,206	**(117)**	**1,593,957**	**45,033**	**2,896**	**22,054**	**2,829,101**

Service group statements for the year ended 30 June 2010 (continued)

	2010											
ADMINISTERED EXPENSES AND INCOME	**Service Group 1 – Legal Policy and Regulatory Services ***	**Service Group 2 – Court Services ***	**Service Group 3 – Court Support Services ***	**Service Group 4 – Crime Prevention and Community Services ***	**Service Group 5 – Registry of Births, Deaths and Marriages ***	**Service Group 6 – Crown Solicitor's Office ***	**Service Group 7 – Business and Personnel Services ***	**Service Group 8 – Custody Management ***	**Service Group 9 – Supervision of Offenders in the Community ***	**Service Group 10 – Offenders Program ***	**Not Attributable**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Administered Expenses												
Transfer payments	–	–	–	–	–	–	7,344	–	–	–	–	7,344
Other	–	–	–	–	–	–	–	–	–	–	–	–
Total Administered Expenses	–	–	–	–	–	–	7,344	–	–	–	–	(7,344)
Administered Income												
Transfer receipts	–	–	–	–	–	–	–	–	–	–	–	–
Consolidated Fund	–	–	–	–	–	–	–	–	–	–	–	–
Taxes, fees and fines	–	33,303	–	–	–	–	–	–	–	–	–	33,303
Other	–	–	–	–	–	–	–	–	–	–	–	–
Total Administered Incomes	–	33,303	–	–	–	–	–	–	–	–	–	33,303
Administered Income less Expenses	–	33,303	–	–	–	–	(7,344)	–	–	–	–	25,959

* The names and purposes of each service group are summarised in Note 11.

Administered assets and liabilities are disclosed in Note 29

Administered revenue is disclosed in Note 30

Summary of compliance with financial directives for the year ended 30 June 2010

	2010			
CONSOLIDATED	**Recurrent Appropriation**	**Expenditure / Net Claim on Consolidated Fund**	**Capital Appropriation**	**Expenditure / Net Claim on Consolidated Fund**
	$000	**$000**	**$000**	**$000**
ORIGINAL BUDGET APPROPRIATION / EXPENDITURE				
• Appropriation Act	–	–	–	–
• s 24 PF&AA – transfers of functions between departments – former AGD	414,130	414,130	41,877	38,166
• s 24 PF&AA – transfers of functions between departments – former CSNSW	804,690	804,690	130,245	123,403
• s 26 PF&AA – Commonwealth specific purpose payments – former CSNSW	–	–	5,739	–
	1,218,820	1,218,820	177,861	161,569
OTHER APPROPRIATIONS / EXPENDITURE				
• Treasurer's Advance – former AGD	26,070	21,842	–	–
• Treasurer's Advance – former CSNSW	27	27	–	–
• Adjustment as per Treasurer's Advice – former AGD	(6)	–	(3,657)	–
• Transfers to / from another agency (s28 of the Appropriation Act) – former AGD	(4,222)	–	–	–
• Transfers to / from another agency (s28 of the Appropriation Act) – former CSNSW	70,726	70,058	–	–
	92,595	91,927	(3,657)	–
Total Appropriations / Expenditure / Net Claim on Consolidated Fund (includes transfer payments)	**1,311,415**	**1,310,747**	**174,204**	**161,569**
Amount draw down against Appropriation		**1,310,747**		**174,150**
Liability to Consolidated Fund*		**–**		**(12,581)**

The Summary of Compliance is based on the assumption that Consolidated Fund monies are spent first (except where otherwise identified or prescribed).

* The Liability to Consolidated Fund represents the difference between the ''Amount drawn down against Appropriation'' and the ''Total Expenditure / Net Claim on Consolidated Fund''. The Department has identifed individual appropriation by Minister and activity. The Liability to Consolidated Fund relates to the former Department of Corrective Services.

Notes to the financial statements for the year ended 30 June 2010

1 Summary of Significant Accounting Policies

(a) Reporting entity

The Department of Justice & Attorney General (DJAG), as a reporting entity (refer Note 1(o)) was created on 1 July 2009 and incorporates the financial results of the former Attorney General's Department's business centres (including the Crown Solicitor's Office, the Registry of Births, Deaths and Marriages, and the employee related (ER) expenses, ER revenues, ER assets and ER liabilities of the NSW Trustee and Guardian, the Office of the Public Guardian and the Legal Profession Admission Board), and the former Department of Correctives Services, including Corrective Services Industries.

The Department of Justice & Attorney General is a NSW government department. The Department is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

After recommendation by the Audit and Risk Committee on 29 September 2010, these financial statements for the year ended 30 June 2010 have been authorised for issue by the Director General on 19 October 2010.

(b) Basis of preparation

The Department's financial statements are general purpose financial reports which have been prepared in accordance with:

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

Property, plant and equipment, investment property, assets (or disposal groups) held for sale and financial assets at 'fair value through profit or loss' and available for sale are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

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

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, except for the detailed actuarial reports on superannuation provided by Pillar Administration, which are reported in single Australian dollars (refer Note 34) and for details of a US dollar bank account held outside of the public monies accounts (refer Note 28).

(c) Statement of compliance

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

(d) Administered activities

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

Transactions and balances relating to the administered activities are not recognised as the Department's income, expenses, assets and liabilities, but are disclosed in the accompanying schedules as Administer Assets and Liabilities'' and ''Administered Income'' in Notes 29 and 30 respectively.

The accrual basis of accounting and all applicable accounting standards have been adopted.

(e) Income recognition

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

(i) Parliamentary appropriations and contributions

Parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as income when the Department obtains control over the assets comprising the appropriations / contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash. The reconciliation between the Statement of Comprehensive Income, the Statement of Summary of Compliance with Financial Directives and the total appropriations is shown in Note 7.

An exception to the above is when unspent appropriations at year-end are recognised as liabilities rather than income, as the authority to spend the money lapses and the unspent amount must be repaid to the Consolidated Fund in the folllowing year.

The liability is disclosed in Note 21 as part of "Current Liabilities – Other". The amount will be repaid and the liability will be extinguished next financial year. Any liability in respect of transfer payments is disclosed in Note 7.

Notes to the financial statements for the year ended 30 June 2010

(ii) Sale of goods

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

(iii) Rendering of services

Revenue is recognised when the service is provided or by reference to the stage of completion.

(iv) Retained Fees

Retained fees comprise monies due from individuals relating to matters dealt with by the Victims Compensation Tribunal, monies due from the confiscation of crime proceeds and levies raised by the Courts on perpetrators of acts of violence. The revenue is recognised when restitution orders are made or confirmed by the Tribunal or when payment arrangements between the Director or Registrar and defendants are entered into.

(v) Investment revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*. Rental revenue is recognised in accordance with AASB 117 *"Leases"* on a straight line basis over the lease term.

(vi) Grants and Contributions

Grants and contributions comprise monies received from outside entities, including budget sector agencies, relating to specific services provided by the Department. These monies are recognised on an accruals basis.

(vii) Other Revenue

Other revenue comprises monies received from outside entities not categorised in the revenue headings mentioned above. The revenue is recognised when the fee in respect of services provided is receivable.

(f) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's Mandate to not-for-profit general government sector agencies.

(g) Insurance

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

(h) Accounting for the Goods and Services Tax (GST)

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

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

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

(i) Assets

(i) Acquisitions of assets

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

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer – Note 15. Land under the Sydney West Trial Court was transferred by the Department of Health at a valuation of $5.940 million).

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

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

(ii) Capitalisation thresholds

Property, plant and equipment and intangible assets costing $10,000 and above individually (or forming part of a network costing more than $10,000) are capitalised.

Notes to the financial statements for the year ended 30 June 2010

1 Summary of Significant Accounting Policies
(continued)

(iii) Revaluation of property, plant and equipment

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

Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

The Department revalues each class of property, plant and equipment at least every five years or with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The last revaluation was completed for the former Attorney General's Department on 30 June 2009 and was based on an independent assessment with a "desk top" review undertaken as at 30 June 2010. The last revaluation for the former Department of Corrective Services was completed on 30 June 2007 with reviews and indexation on an annual basis. The assets of the former Departments were recognised at fair value on 1 July 2009.

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

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

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

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the surplus / deficit, the increment is recognised immediately as revenue in the surplus / deficit.

Revaluation decrements are recognised immediately as expenses in the surplus / deficit, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

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

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

(iv) Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, the Department is effectively exempted from AASB 136 *Impairment of Assets* and impairment testing. However, impairment testing of plant and equipment was undertaken as part of the annual stocktake process. Property and intangibles works in progress were also tested for impairment.

(v) Depreciation of property, plant and equipment

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

All material separately identifiable components of assets are depreciated over their shorter useful lives.

Land is not a depreciable asset.

Notes to the financial statements for the year ended 30 June 2010

The depreciation/amortisation rates used for each class of assets are as follows:

Property, plant and equipment	% Rate
Buildings	Estimated useful life
Air conditioning	7
Finance lease	Over term of finance lease
Make good assets	Over term of operating lease
Computer equipment	25 – 33.3
Furniture and fittings	10 – 20
Plant and equipment	10 – 25
Leasehold improvements	Over term of lease
Voice communications	25
Data communications	25 – 33.3
Intangible assets	
Software	25 – 33.3
Software – major projects	10

(vi) Restoration costs

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

(vii) Maintenance

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or a component of an asset, in which case the costs are capitalised and depreciated. Maintenance costs include an amount of $0.045 million concerning heritage program services provided free of charge by the Department of Commerce.

(viii) Leased assets

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

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the commencement of the lease term. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the statement of comprehensive income in the periods in which they are incurred.

(ix) Intangible assets

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

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the agency's intangible assets, the assets are carried at cost less any accumulated amortisation.

The Department's intangible assets are amortised using the straight line method over a period from three to ten years.

In general, intangible assets are tested for impairment on an annual basis. AASB 136 *Impairment of Assets* requires the Department to assess the Justicelink project annually by comparing its carrying amount with its recoverable amount. Impairment testing was undertaken and the carrying amount was considered to reflect its recoverable amount. This reflects the Department's best estimate of the probable economic benefits that the Department will receive at the time when the receivable arises.

(x) Loans and receivables

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

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

Notes to the financial statements for the year ended 30 June 2010

1 Summary of Significant Accounting Policies
(continued)

With regard to Victims Compensation Fund debtors and Criminal Injury Compensation debtors, the rationale for recognising debt is based on average cash receipts over a five year period to 30 June 2010.

With regard to certain Court debtors held at the State Debt Recovery Office, the rationale for recognising debt is based on average cash receipts over a five year period to 30 June 2010.

(xi) Inventories

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost or 'first in first out' method.

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

(xii) Impairment of financial assets

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

Any reversals of impairment losses are reversed through the surplus / (deficit) for the year, where there is objective evidence. Reversal of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

(xiii) Trust funds including Inmate Funds

The Department receives monies in a trustee capacity for various trusts as set out in Note 28. As the Department performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the Department's own objectives, these funds are not recognised in the financial statements.

(j) Liabilities

(i) Payables

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

(ii) Borrowings

All loans are recognised at amortised cost using the effective interest rate method.

The finance lease liability is determined in accordance with AASB 117 *Leases*.

(iii) Financial Guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder (the Department) for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. The Department is the holder of one financial guarantee which is disclosed as a contingent asset in Note 24.

(iv) Employee benefits and other provisions

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

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

Long-term annual leave that is not expected to be taken within twelve months is measured at present value in accordance with AASB 119 *Employee Benefits*. Market yields on government bonds are used to discount long-term annual leave. However, for the 30 June 2010 financial statements, long-term annual leave has been valued using the net present value method.

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

Notes to the financial statements for the year ended 30 June 2010

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

(b) Long service leave and superannuation

The Department's liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity, with the exception of the former Compensation Court (closed in December 2003), the costs of which are recouped from the Workcover Authority; the Dust Diseases Tribunal, the costs of which are recouped from the Dust Diseases Board; the Legal Services Tribunal, the Legal Professional Advisory Council and the Office of the Legal Services Commissioner, the costs of which are recouped from the Public Purpose Fund, administered by the NSW Law Society. Liabilities for long service leave and superannuation in respect of the Crown Solicitor's Office, the Registry of Births, Deaths and Marriages, the NSW Trustee and Guardian and the Legal Profession Admission Board are not assumed by the Crown Entity. The Department accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as ''Acceptance by the Crown Entity of employee benefits and other liabilities''.

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits.* This is based on the application of certain factors (specified in NSWTC 09/04) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The Crown Solicitor's Office, the Registry of Births, Deaths and Marriages, the NSW Trustee and Guardian, the Office of the Public Guardian and the Legal Profession Admission Board contribute to the NSW Non Budget Long Service Leave Pool Account held by NSW Treasury. The Treasury "pool" account administers the Long Service Leave Provision for agencies and commercial activities whose liabilities were previously assumed by the Crown Entity due to their being part of the Budget Sector. Contributions made to NSW Treasury are included in Employee Related Expenses. The Department recognises a receivable amount from the LSL Pool.

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

(c) Other provisions

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

(k) Budgeted amounts

The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year and with any adjustments for the effects of additional appropriations, s 21A, s 24 and / or s 26 of the *Public Finance and Audit Act 1983*.

The budgeted amounts in the statements of comprehensive income and the statements of cash flows are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the statement of financial position, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts; i.e. per the audited financial statements (rather than carried forward estimates).

(l) Comparative information

Comparative information is not provided as explained in the note below on Administrative Restructure, as this is the first financial year of the Department of Justice and Attorney General.

Notes to the financial statements for the year ended 30 June 2010

1 Summary of Significant Accounting Policies
(continued)

(m) New Australian Accounting Standards issued but not effective

At the reporting date, a number of Accounting Standards adopted by the AASB had been issued but are not yet adopted as per NSW Treasury Circular TC 10/08.

- AASB 9 and AASB 2009-11 regarding financial instruments.
- AASB 2009-5 regarding annual improvements.
- AASB 2009-8 regarding share based payments.
- AASB 2009-9 regarding first time adoption.
- AASB 2009-10 regarding classification of rights.
- AASB 124 and AASB 2009-12 regarding related party transactions.
- Interpretation 19 and AASB 2009-13 regarding extinguishing financial liability with equity instruments.
- AASB 2009-14 regarding prepayments of a minimum funding requirement.
- AASB 2010-1 regarding AASB 7 comparatives for first time adopters.

(n) Interest in Joint Venture – Law Courts Limited

The Department has recognised, at the direction of NSW Treasury, an investment in Law Courts Limited, which is an entity jointly controlled by the NSW State and the Australian Federal Governments, and equity accounted for in accordance with AASB 131 *Interests in Joint Ventures*. Law Courts Limited is located at Level 3, Law Courts Building, Queen's Square, Sydney, NSW 2000, and its principal activity is the provision of accommodation for Courts, Court Registries and support services at a standard that is suitable and available for occupation. The NSW State Government's investment comprises 52.5% of the net assets of Law Courts Limited (refer Note 17). Both Governments, however, have equal representation on the Board of Directors and in the membership of Law Courts Limited, with all decisions requiring unanimous consent.

(o) Administrative Restructure

On 1 July 2009, the Department of Justice and Attorney General was created as a result of the *Public Sector Employment and Management (Departmental Amalgamations) Order 2009* from the former NSW Attorney General's Department and the former NSW Department of Corrective Services.

Note 23 includes comparative statements of comprehensive income for the former departments and transferred functions and discloses the assets and liabilities transferred.

Comparative information is not provided, other than as specified above, given that this is the first financial year for the Department of Justice & Attorney General.

This is an administrative restructure, which is treated as a contribution by owners and recognised as an adjustment to Accumulated Funds. The transfers are recognise at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure, which approximates fair value.

(p) Equity and reserves

(i) Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the agencyís policy on the revaluation of property, plant and equipment as discussed in 1(i)(iii)

(ii) Accumulated Funds

The category accumulated funds includes all current and prior period retained funds.

(iii) Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards (e.g. asset revaluation reserve and foreign currency translation reserve).

(q) Equity transfers

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs / functions and parts thereof between NSW public sector agencies and 'equity appropriations' (refer Note 1(e)(i) are designated or required by Accounting Standards to be treated as contributions by owners and recognised as an adjustment to ''Accumulated Funds''. This treatment is consistent with AASB 1004 *Contributions* and Australian Interpretation 1038 *Contributions by Owners Made to Wholly Owned Public Sector Entities.*

Notes to the financial statements for the year ended 30 June 2010

2 Expenses Excluding Losses

	Year ended Parent 30 June 2010
	$000
(a) Employee related expenses	
Salaries and wages (including recreation leave)	950,875
Superannuation – defined benefit plans	47,264
Superannuation – defined contribution plans	57,940
Long service leave	39,324
Workers' compensation insurance	25,378
Payroll tax and fringe benefit tax	64,358
Redundancy Payments	3,287
	1,188,426
(b) Other operating expenses include the following:	
Auditor's remuneration – audit of the financial statements	727
Auditors Remuneration – Internal	700
Rental Expenses Relating to Buildings	31,172
Consultancy costs	806
Fees for services rendered	11,897
Insurance	8,382
Operating Lease rental	74
Property & Plant Outgoings	41,809
Minor equipment purchases	60
Motor vehicle expenses	20,226
Inmate Education & Welfare	27,001
Inmate Catering	22,402
Stores, stationery and materials	3,136
Transcription, Translation & Interpreter Services	817
Prison Hospital Service Fee	1,147
Out Sourced Services	1,111
Publications	4,033
Correctional Centre Management	50,677
**Corrective Services Industries	11,815
Staff Uniforms, Travel & Development	19,905
Telecommunications	14,531
General Administration	25,646
Maintenance	
Repairs and routine maintenance	50,681
	348,755
** Reconciliation – Total maintenance*	
Maintenance expense – contracted labour and other (non employee related), as above	50,681
Employee related maintenance expense included in Note 2(a)	–
Total maintenance expenses included in Note 2(a) + 2(b)	50,681

Table continued over page

Notes to the financial statements for the year ended 30 June 2010

2 Expenses Excluding Losses (continued)

	Year ended Parent 30 June 2010
	$000
(c) Depreciation and amortisation expense	
Depreciation	
Buildings	**69,079**
Plant and Equipment	**61,385**
Leased Assets	**1,148**
Total Depreciation	**131,612**
Amortisation	
Leasehold improvements	**3,833**
Intangible	**8,882**
Total Amortisation	**12,715**
Total depreciation and amortisation	**144,327**
(d) Grants and subsidies	
Religious Attendance on Inmates	**2,446**
DCS After Care	**3,231**
Other Grants	**2,509**
Grants to Other Organisations	**6,814**
Contributions to Other Bodies	**1,489**
Grants Non-Budget Dependent Agencies	**2,344**
Grants Budget Dependent Agencies	**1,917**
	20,750
(e) Finance costs	
Finance lease interest charges	**8,918**
Other borrowing costs	**186**
	9,104
(f) Other expenses	
Other	**598**
Managed Fund Hindsight Adjustments	**1,452**
Ex Gratia Payments	**17**
Cown Solicitors Fees	**–**
Legal Costs	**4,723**
Contribution To Law Courts	**18,091**
Arbitration Fees & Inquest Fees	**4,173**
Jury Costs	**7,872**
CSO Disbursements	**17,208**
Victims Compensation Costs	**62,650**
	116,784

Notes to the financial statements for the year ended 30 June 2010

3 Revenue

	Year ended Parent 30 June 2010
	$000
(a) Sale of goods and services	
Corrective Services Industries	21,934
Canteen Sales	1,405
ACT Inmates – Recovered from ACT Government	–
Certificates	30,501
Rent of Premises	372
Minor Usage Charges	7,048
Family Law Court Fees	637
Sheriff's Fees	3,953
Other Fees	4,580
Legal Fees	16,181
Legal Disbursements	–
Transcription Services	4,336
Sale of Publications	47
Management Fees	2,739
Other Court Fees	35,559
Filing Fees	14,621
Filing Fees Probate	22,231
Statement of Claims	17,059
	183,203
(b) Investment revenue	
Interest revenue from financial assets not at fair value through profit or loss	1,199
Rents	2,998
TCorp Hour-Glass Investment Facilities designated at fair value through profit or loss	649
	4,846
(c) Retained taxes, fees and fines	
Restitution Orders Raised	4,271
Confiscation Proceeds of Crime	902
Victims Compensation Levies	4,347
	9,520

Table continued over page

Notes to the financial statements for the year ended 30 June 2010

3 Revenue (continued)

	Year ended Parent 30 June 2010
	$000
(d) Grants and contributions	
Department of Health	**1,469**
Grants from Other Agencies	**488**
Department of Community Services	**156**
Department of Education & Training	**405**
Conts from Dust Diseases Board	**7,652**
Roads & Traffic Authority	**850**
Other	**948**
	11,968
(e) Personnel services revenue	
Personnel services revenue from statutory bodies (NSW Treasury Circular TC 06/13)	**57,652**
	57,652
(f) Other revenue	
Forgiveness of liabilities	**3,802**
Sundry income	**968**
Other Miscellaneous	**1,709**
Commission	**88**
SES & Judicial MV Contributions	**2,670**
Law Society Contributions	**8,603**
Services Provided	**3,874**
Recovery of Amortisation	**364**
	22,078

Notes to the financial statements for the year ended 30 June 2010

4 Gain/(Loss) on Disposal

	Year ended Parent 30 June 2010
	$000
Gain / (loss) on disposal of land and buildings, plant and equipment	
Proceeds from disposal	5,456
Written down value of assets disposed	(6,103)
Net gain / (loss) on disposal of plant and equipment	(647)

5 Other Gains/(Losses)

	Year ended Parent 30 June 2010
	$000
Gain/Loss On Impairment	(1,777)
Decrease in assets accounted for under equity accounting method	(3,877)
Other gains / (losses) total	(5,654)

6 Conditions on Contributions

a) There were contributions of $361,000 recognised as revenue during the financial year, which were provided specifically for expenditure over a future period.

b) There were contributions of $278,000 recognised as revenue during the previous financial year, which were obtained for expenditure in respect of the current financial year.

Contributions received have been for specific rehabilitation objectives. Funds can only be expended on these programs over the nominated period, any balance outstanding is refundable.

Notes to the financial statements for the year ended 30 June 2010

7 Appropriations

	Year ended Parent 30 June 2010
	$000
Recurrent appropriations	
Total recurrent drawdowns from NSW Treasury (per Summary of Compliance) – former AGD	435,972
Total recurrent drawdowns from NSW Treasury (per Summary of Compliance) – former CSNSW	874,775
Less: Liability to Consolidated Fund (per Summary of Compliance)	–
	1,310,747
Comprising:	
Recurrent appropriations (per Statement of comprehensive income)	1,303,403
Transfer payments	7,344
	1,310,747
Capital appropriations	
Total capital drawdowns from NSW Treasury (per Summary of Compliance) – former AGD	38,166
Total capital drawdowns from NSW Treasury (per Summary of Compliance) – former CSNSW	135,984
Less: Liability to Consolidated Fund (per Summary of Compliance) – former CSNSW	12,581
	161,569
Comprising:	
Capital appropriations (per Statement of comprehensive income)	161,569
	161,569

In order to meet unavoidable costs overruns, Corrective Services NSW paid $12.581 million out of its capital appropriations for recurrent expenditure, in breach of the 2009 Appropriations Act, Part 4, Section 28.

8 Acceptance by the Crown Entity of Employee Benefits and Other Liabilities

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

	Year ended Parent 30 June 2010
	$000
Superannuation – defined benefit	45,072
Long service leave	36,568
Payroll tax	2,556
	84,196

Notes to the financial statements for the year ended 30 June 2010

9 Transfers to NSW Treasury and Payments to Office of State Revenue

In accordance with NSW Treasury instructions, amounts in lieu of Dividend and Tax Equivalent Payments made on behalf of the Registry of Births, Deaths and Marriages of $4.031 million and the Crown Solicitor's Office of $2.789 million shown in "Government Contributions".

10 Transfer Payments

Recurrent

An amount of $7.344 million was received by the Department from NSW Treasury on behalf of the Office of the Public Guardian. Amounts of $7.344 million were forwarded to the Office of the Public Guardian.

11 Service Groups of the Agency

(a) Service Group 1 – Legal Policy and Regulatory Services

Objective: To provide advice to Government on law and justice and the development and implementation of legislation, legal reforms, evidence based policies and justice programs.

(b) Service Group 2 – Court Services

Objective: To cover the administration of NSW Courts, Tribunals and Community Justice Centres with a contribution to the protection of rights, improved public safety and support.

(c) Service Group 3 – Court Support Services

Objective: To provide key support services to NSW Courts and tribunals, including court transcription services, court security, jury management and library information services.

(d) Service Group 4 – Crime Prevention and Community Services

Objective: To cover the development of evidence-based policies and programs to prevent crime and reduce re-offending, to reduce Aboriginal involvement in criminal justice processes and to promote anti-discrimination and equal opportunity principles and policies.

(e) Service Group 5 – Registry of Births, Deaths and Marriages

Objective: To protect the legal entitlements of New South Wales' citizens and residents through providing an accurate, consistent, equitable and secure system for the registration of births, deaths and marriages.

(f) Service Group 6 – Crown Solicitor's Office

Objective: To provide the NSW Government and its agencies with legal advice and representation.

(g) Service Group 7 – Business and Personnel Services

Objective: To provide personnel services to the NSW Trustee and Guardian, the Office of the Public Guardian and the Legal Profession Admission Board as part of the State's Work Choices insulation legislation.

(h) Service Group 8 – Custody Management

Objective: This service group covers the containment of inmates in correctional centres and providing a secure environment for inmates, employees & visitors. This involves providing advice to courts and releasing authorities and maintaining reliable security systems, including escort security. It also includes providing support for inmates with special service needs, such as those requiring compulsory drug treatment, mental health and other disability services, therapeutic treatment for violence and sexual offending, and for specific age and aboriginality issues.

(i) Service Group 9 – Supervision of Offenders in the Community

Objective: This service group covers the supervision of offenders in community programs and the delivery of offender programs in the community

(j) Service Group 10 – Offenders Program

Objective: This service group covers the delivery of offender programs designed to reduce risks of re-offending and providing support services to assist offenders to re-settle and integrate back into the community.

Notes to the financial statements for the year ended 30 June 2010

12 Cash and Cash Equivalents

	Year ended Parent 30 June 2010
	$000
Cash at bank	33,986
TCorp Hour-Glass Cash Facility	1,040
Short Term Deposits TCorp	13,619
	48,645

Cash at bank and on hand

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest earnings on the bank balances are calculated under the Treasury Cash Management System.

TCorp Hour-Glass Cash Facility

The Department has investments in TCorp's Hour-Glass Investment Cash Facility and Hour-Glass Cash Facility Trust. These investments are represented by a number of units in managed investments within the facilities. Each facility has different investment horizons and comprises a mix of asset classes appropriate to that investment horizon. TCorp appoints and monitors fund managers and establishes and monitors the application of appropriate investment guidelines.

These investments are generally able to be redeemed with up to five business days notice (dependent upon the facility). The value of the investments held can decrease as well as increase depending upon market conditions. The value that best represents the maximum credit risk exposure is the net fair value. The value of the above investments represents the relevant entity's share of the value of the underlying assets of the facility and is stated at net fair value.

For the purposes of the Statements of cash flows, cash and cash equivalents include cash at bank, cash on hand, short term deposits and TCorp Hour-Glass Cash Facility.

Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of the financial year to the statements of cash flows as follows:

	Year ended Parent 30 June 2010
	$000
Cash and cash equivalents (per statement of financial position)	48,645
Closing cash and cash equivalents (per statement of cash flows)	48,645

Refer Note 27 for details regarding credit risk, liquidity risk, and market risk arising from financial instruments.

Notes to the financial statements for the year ended 30 June 2010

13 Receivables

	At Parent 30 June 2010
	$000
Current Receivables	
Sale of goods and services	**21,834**
Victims Compensation Fund	**3,744**
Goods and Services Tax recoverable from ATO	**8,821**
Prepayments	**2,940**
Personnel Services – Current	**18,677**
Other Receivables	**15,319**
Receivables LSL	**19,597**
	90,932
	90,932
Non-current Receivables	
Personnel Services – Non-Current	**38,080**
Prepayments of employee Entitlements	**3,404**
Receivables – LSL	**441**
Victims Compensation Tribunal / Criminal Injuries Compensation Debtors	**14,984**
GST Accruals Non-Current – Finance Lease	**2,927**
	59,836

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 27.

(a) Sale of goods and services

Sales of goods and services debtors are recognised for accounting purposes only when they comply with established asset recognition criteria.

	At Parent 30 June 2010
	$000
Amounts receivable from the sale of goods and services	**90,228**
Less	
Amounts receivable that do not meet the asset recognition criteria	**68,394**
	21,834

Notes to the financial statements for the year ended 30 June 2010

13 Receivables (continued)

Sales of Good and Services Debtors

Sales of goods and services debtors are recognised in accordance with established asset recognition criteria.

This involves recognising certain debtors held at the State Debt Recovery Office based on average cash receipts for five years ended 30 June 2010.

(b) Retained fees – Victims Compensation Fund Debtors

Victims Compensation Fund debtors are recognised for accounting purposes only when they comply with established asset recognition criteria.

	At Parent 30 June 2010
	$000
Amounts receivable from restitution orders made or confirmed by the Victims Compensation Tribunal	**289,411**
Less	
Amounts receivable that do not meet the asset recognition criteria	**270,691**
Victims Compensation Fund Debtors	**18,720**
This is represented by:	
Current	**3,744**
Non-Current	**14,976**
	18,720

Debts are recognised on the basis of average receipts for the five years ended 30 June 2010.

(c) Retained fees – Criminal Injuries Compensation

Criminal Injuries Compensation debtors under the former *Criminal Injuries Compensation Act 1967* are recognised for accounting purposes only when they comply with established asset recognition criteria.

	At Parent 30 June 2010
	$000
Amounts receivable from restitution orders made or confirmed under the *Criminal Injuries Compensation Act 1967*	**164**
Less	
Amounts receivable that do not meet the asset recognition criteria	**156**
Criminal Injuries Compensation Debtors	**8**
This is represented by:	
Current	**–**
Non-Current	**8**
	8

Debts are recognised on the basis of average receipts for the five years ended 30 June 2010.

Notes to the financial statements for the year ended 30 June 2010

14 Inventories

Held for resale

	At Parent 30 June 2010
	$000
Raw materials	
At cost	4,797
	4,797
Work in progress	
At cost	759
	759
Finished goods	
At cost	2,967
Less: provision for obsolescence	188
	2,779
Livestock	
At net realisable value	1,366
	1,366
Total	9,701

15 Non-current Assets – Property, Plant and Equipment

	Land and Buildings	Plant and Equipment	Finance Lease	Total
	$000	$000	$000	$000
Parent				
At 30 June 2010				
Fair Value	2,621,702	258,890	156,760	3,037,352
Accumulated depreciation and impairment	(70,796)	(59,977)	(4,672)	(135,445)
Net carrying amount	2,550,906	198,913	152,088	2,901,907

Notes to the financial statements for the year ended 30 June 2010

Reconciliation

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

	Land and Buildings	Plant and Equipment	Finance Lease	Total
	$000	**$000**	**$000**	**$000**
Year ended 30 June 2010				
Acquisitions through administrative restructures	**2,500,129**	**188,684**	**154,989**	**2,843,802**
Additions	**127,276**	**13,954**	**–**	**141,230**
Additions (non-cash)	**5,940**	**–**	**–**	**5,940**
Disposals	**(1,801)**	**(137)**	**–**	**(1,938)**
Net revaluation increment less revaluation decrements	**46,628**	**–**	**1,771**	**48,399**
Depreciation expense	**(70,796)**	**(59,978)**	**(4,672)**	**(135,446)**
Other movements – work in progress transfers	**(56,470)**	**56,390**	**–**	**(80)**
Net carrying amount at end of year	**2,550,906**	**198,913**	**152,088**	**2,901,907**

Land and buildings comprise land, buildings, air conditioning, finance lease assets and work in progress of $191.627 million. Plant and equipment comprise computer equipment, furniture and fittings, plant, equipment, make good assets, leasehold improvements, voice communications, data communications and work in progress of $0.029 million.

Revaluation of Land and Buildings

Each class of physical non-current assets is revalued at least every 5 years. Land and buildings were revalued as at 30 June 2009 for the former Attorney General's Department and the Registry of Births, Deaths and Marriages by Mr George Nelson, Certified Practising Valuer and Associate Member, Australian Property Institute and Mr Jim Parmeter, Certified Practising Valuer and Associate Member, Australian Property Institute, who are both Associate Directors, Valuation & Advisory Services, CB Richard Ellis.

Land and buildings of the former Department of Corrective Services were valued on 30 June 2007 by the Department of Lands – Valuation Services. Buildings and improvements have been valued at the estimated written down replacement cost of the most appropriate modern equivalent replacement facility having similar service potential or future economic benefit to the existing asset. Land has been valued on an existing use basis.

In accordance with AASB 116, "Property, Plant and Equipment", when revaluing its land and buildings, the Department has applied the proportional gross restatement method to separately restate the gross amount and the related accumulated depreciation.

Assets under Finance Lease

The finance lease asset relates to an arrangement entered into by the former Attorney General's Department to lease the John Maddison Tower constructed by a private sector company to house the District Court and the Dust diseases Tribunal. The lease commenced on 1 July 1995, with a non cancellable term of 25 years and provision for an option of a further 15 years. The building is constructed on land owned by the Department. Such land is already subject to a head lease from the Department to the private sector company. The head lease rental is $0.6 million which the Department recovers in rental offsets. The finance lease was revalued as at 30 June 2009 by Mr George Nelson, Certified Practising Valuer and Associate Member, Australian Property Institute and Mr Jim Parmeter, Certified Practising Valuer and Associate Member, Australian Property Institute, who are both Associate Directors, Valuation and Advisory Services, CB Richard Ellis. A desk top review was undertaken as at 30 June 2010. The leasehold asset will be amortised over the remainder of the lease.

The finance lease of the former Department of Corrective Services relates to Long Bay Forensic and Prison Hospitals at Long Bay under a project Deed and was last revalued by the Department of Lands on 30 June 2007 with annual reviews and indexation.

Notes to the financial statements for the year ended 30 June 2010

16 Intangible Assets

	Software	Total
	$000	$000
Parent		
At 30 June 2010		
Cost (gross carrying amount)	100,046	100,046
Accumulated amortisation and impairment	(8,881)	(8,881)
Net carrying amount	91,165	91,165
Year ended 30 June 2010		
Acquisitions through administrative restructure	66,738	66,738
Additions	33,308	33,308
Amortisation (recognised in ''depreciation and amortisation'')	(8,881)	(8,881)
Net carrying amount at end of year	91,165	91,165

The above includes work in progress totalling $37.594 million.

Notes to the financial statements for the year ended 30 June 2010

17 Non-current Assets – Investment Accounted for Using the Equity Method

	At Parent 30 June 2010
	$000
Financial results for the period ended 30 June 2010	
Statement Of Financial Position	
Assets	
Total Current Assets	26,931
Total Non-Current Assets	211,577
Total Assets	238,508
Liability	
Total Current Liabilities	5,778
Total Non-Current Liabilities	–
Total Liabilities	5,778
NET ASSETS	232,730
Equity	
Asset Revaluation Reserve	109,887
Accumulated Funds	122,843
Total Equity	232,730
Asset Revaluation Reserve	109,887
Statement of comprehensive income	
Revenue	53,540
Expense	41,905
PROFIT ATTRIBUTABLE TO MEMBERS	11,635
52.5% of NET ASSETS	122,183
52.5% share of the profit of joint venture accounted for using equity method	6,108

Please refer to Note 1(n).

Notes to the financial statements for the year ended 30 June 2010

18 Payables

	At Parent 30 June 2010
	$000
Payables	
Accrued salaries, wages and on costs	26,052
Creditors	93,125
Accruals	26,113
Deferred Income	215
Employee Related – Clearing	4,252
	149,757

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 27.

Payables include accruals for claims relating to the Victims Compensation Tribunal totalling $13.374 million (refer Note 31).

Notes to the financial statements for the year ended 30 June 2010

19 Borrowings

	At Parent 30 June 2010
	$000
Current Borrowings	
Secured / Unsecured	
Treasury advances repayable	**79**
Finance leases	**2,928**
	3,007
Non-current Borrowings	
Secured / Unsecured	
T Corp borrowings	**5,800**
Finance leases (see Note 22)	**89,669**
	95,469

Finance Lease

The Department has entered into two finance leases. At balance date the value of the lease liability is:

Gross value of lease	**231,906**
Less principal payment	**(139,309)**
Lease liability	**92,597**
Repayment of Finance Lease	
Not later than one year	**2,928**
Between one and five years	**14,139**
Later than five years	**75,530**
Total – Finance Lease	**92,597**
Gross Commitments	
Not later than one year	**13,565**
Between one and five years	**54,260**
Later than five years	**164,081**
Less: Future finance charge	**(139,309)**
Present value of minimum lease payments	**92,597**

The finance leases relate to the John Maddison Tower and the Long Bay Forensic and Prison Hospitals.
The lease liability is the present value of the minimum lease payments.

Notes to the financial statements for the year ended 30 June 2010

19 Borrowings (continued)

Repayment of Treasury Advances

	At Parent 30 June 2010
	$000
Treasury Advances	
Repayment of Treasury Advances	
Not later than one year	**79**
Between one and five years	**–**
Later than five years	**–**
Total – Treasury Advances	**79**

The former Department received advances from NSW Treasury of $0.805 million during 2000/2001, with interest calculated based on the bank business rate during the year. Weighted average interest rates for the year were 6.28%.

T Corp borrowings	
Repayment of T Corp borrowings	
Not later than one year	**–**
Between one and five years	**5,800**
Later than five years	**–**
Total – T Corp borrowings	**5,800**

The Registry of Births, Deaths and Marriages has received a loan from T Corp to fund the Lifelink project. The loan is at a fixed rate of 6.00% with a maturity date of 1 May 2012.

Notes to the financial statements for the year ended 30 June 2010

20 Provisions

	At Parent 30 June 2010
	$000
Current	
Employee benefits and related on-costs	
Recreation leave	**110,082**
Sundays & Public Holidays	**2,955**
Payroll tax	**11,421**
Annual Leave Loading	**7,652**
Long Service Leave	**33,116**
	165,226
Current	
Other provisions	
Make Good – Current	**5,140**
Transfers to NSW Treasury	**5,092**
Payments to Office of State Revenue	**1,730**
	11,962
Total current provisions	**177,188**

Make Good

Make good provisions represent estimated restoration costs that the Department is obliged to incur to restore premises to an acceptable condition as agreed with the owners of the premises, upon expiry of operating lease arrangements.

Transfers to NSW Treasury and Payments to Office of State Revenue

Up to 2006/07, the Registry of Births, Deaths and Marriages (Registry) and the Crown Solicitor's Office (Office) paid dividends directly to NSW Treasury and the Registry also paid tax equivalent amounts directly to the Office of State Revenue at the company tax rate of 30%. However, upon receipt of legal advice that the Registry and the Office were not separate entities but business centres of the Department, the Treasurer ceased to have the power to require these business centres to pay dividends or tax equivalent payments under Sections 58B and 59B of the *Public Finance and Audit Act, 1983*. Consequently, consistent with legal advice to NSW Treasury dated 8 October 2007, the Treasurer has requested such sums to be transferred to the Department for onward payment to the Crown Finance Entity and the Office of State Revenue. NSW Treasury has recently advised the Department that it no longer requires the Office and the Registry to pay transfer monies to it from 2010/2011 onwards. The issue of tax equivalent regime payments is still under review.

Notes to the financial statements for the year ended 30 June 2010

20 Provisions (continued)

	At Parent 30 June 2010
	$000
Non-current	
Employee benefits and related on-costs	
Long service leave	**1,091**
Accrued salaries and wages	**–**
Prov for Superannuation – Non-Current	**52,245**
	53,336
Non-current	
Other provisions	
Make Good – Non-Current	**2,513**
	2,513
Total non-current provisions	**55,849**
Employee benefits and related on-costs	
Recreation leave	**110,082**
Sundays & Public Holidays	**4,046**
Accrued salaries and wages	**–**
Payroll tax	**11,421**
Annual Leave Loading	**59,897**
Long Service Leave	**33,116**
	218,562
Other provisions	
Make Good – Current	**7,653**
Provision for Dividends	**5,092**
Provison for TER Payment	**1,730**
	14,475
Total provisions	**233,037**
Aggregate employee benefits and related on costs	
Aggregate employee benefits and related on costs	
Provisions – current	**165,226**
Provisions – non-current	**53,336**
Accrued salaries, wages and on costs (Note 18)	**26,052**
	244,614

Notes to the financial statements for the year ended 30 June 2010

20 Provisions (continued)

Movements in provisions (other than employee benefits)

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

	Make Good	Payments to Treasury/OSR	Total
	$000	$000	$000
Current liabilities			
Parent			
2010			
Carrying amount at the beginning of financial year	7,993	10,212	18,205
Additional provisions recognised	–	6,822	6,822
Amounts used	(340)	(10,212)	(10,552)
Unused amounts reversed	–	–	–
Unwinding / change in the discount rate	–	–	–
Carrying amount at end of financial year	7,653	6,822	14,475

21 Other Liabilities

	At Parent 30 June 2010
	$000
Other	
Liability to Consolidated Fund – Corrective Services NSW	12,581
Asset Sale proceeds due to Treasury	1,418
	13,999

In order to meet unavoidable cost overruns, Corrective Services NSW paid $12.581 million out of its capital appropriations for recurrent expenditure, in breach of the *2009 Appropriations Act*, Part 4, Section 28.

Notes to the financial statements for the year ended 30 June 2010

22 Commitments for Expenditure

	Year ended Parent 30 June 2010
	$000
(a) Capital Commitments	
Aggregate capital expenditure for the acquisition of property, plant and equipment contracted for at balance date and not provided for:	
Not later than one year	86,089
Later than one year and not later than five years	–
Later than five years	–
Total (including GST)	86,089
(b) Other Expenditure Commitments	
Aggregate other expenditure for operational expenditure, including maintenance contracts and correctional centre management fees contracted for at balance date and not provided for:	
Not later than one year	101,167
Later than one year and not later than five years	254,070
Later than five years	91,488
Total (including GST)	446,725
(c) Operating Lease Commitments	
Future non cancellable operating lease rentals not provided for and payable	
Not later than one year	38,471
Later than one year and not later than five years	70,667
Later than five years	46,372
Total (including GST)	155,510

These operating lease commitments mainly relate to leases currently held in relation to the occupancy of premises by the Department in the Sydney area and regional offices. At 30 June 2010, there are a number of leases where occupancy of the premises is on a month to month basis. These leases are not included in the above amounts as no commitment exists as at 30 June 2010.

The total “Capital Commitments”, “Other Expenditure Commitments”, “Operating Lease Commitments”, leases on a month to month basis and cancellable operating leases (motor vehicles) above include input tax credits of $62.655 million that are expected to be recoverable from the ATO.

Notes to the financial statements for the year ended 30 June 2010

22 Commitments for Expenditure (continued)

	Year ended Parent 30 June 2010
	$000
(d) Finance Lease Commitments	
Minimum lease payment commitments in relation to finance leases payable as follows:	
Not later than one year	**13,565**
Later than one year and not later than five years	**54,260**
Later than five years	**164,080**
Less: future finance charges	**(139,309)**
Present value of minimum lease payments	**92,597**
The present value of finance lease commitments is as follows:	
Not later than one year	**2,928**
Later than one year and not later than five years	**14,139**
Later than five years	**75,530**
	92,597
Classified as:	
Current (Note 19)	**2,928**
Non-current (Note 19)	**89,669**
	92,597

In 2006/07, the former Department of Corrective Services engaged a private sector company, PPP Solutions (Long Bay) Pty Limited, to finance, design, construct and maintain the Long Bay Forensic and Prison Hospitals at Long Bay under a Project Deed. The development is a joint project between the NSW Department of Health and the former Department of Correctives Services. In addition to the hospital facilities, the project includes a new operations Building and a new Pharmacy Building for Justice Health, and a new gatehouse for the former Department of Corrective Services. The new gatehouse component was completed on 18 June 2008 and the Prison Hospital on 14 July 2008. Upon commissioning, the former Department of Corrective Services recognised the new Prison Hospital as an asset of $61.4 million. The basis for the accounting treatment is that custodial services will be delivered by the Department for the duration of the term until May 2034. In addition, the Department will recognise a finance lease liability for the duration of the term until May 2034.

The Department also entered into a finance lease arrangement to lease the John Maddison Tower from a private sector company to house the District Court. The lease commenced on 1 July 1995, with a non-cancellable lease of 25 years and provision for an option of a further 15 years. The building is constructed on land owned by the Department.

Finance lease commitments are disclosed in Note 19.

Notes to the financial statements for the year ended 30 June 2010

23 Administrative Restructure

This note includes comparative information for the statements of comprehensive income of the former Department of Attorney General and the former Department of Corrective Services and discloses the assets and liabilities transferred.

Statements of Comprehensive Income for former Departments and transferred functions for the year ended 30 June 2009

	Year ended 30 June 2009 Parent	
	Former Attorney General's Dept	**Former Dept of Corrective Services**
	Actual 30 June 2009	**Actual 30 June 2009**
	$000	**$000**
Expenses excluding losses		
Operating expenses		
Employee related expenses	466,710	701,165
Other operating expenses	94,956	215,526
Operating expenses	561,666	916,691
Depreciation and amortisation	60,648	68,741
Grants and subsidies	16,863	5,454
Finance costs	4,023	5,539
Other expenses	117,223	3,933
Total expenses excluding losses	760,423	1,000,358
Less:		
Revenue		
Sale of goods and services	167,157	29,923
Investment revenue	1,643	509
Investment accounted for using the equity method	7,952	–
Retained taxes, fees and fines	7,592	–
Grants and contributions	10,570	7,104
Personnel services revenue	82,314	–
Other revenue	15,028	1,377
Total Revenue	292,256	38,913
Gain / (loss) on disposal	53	739
Other gains / (losses)	(1,104)	–
Net Cost of Services	469,218	960,706

Table continued over page

Notes to the financial statements for the year ended 30 June 2010

23 Administrative Restructure (continued)

	Year ended 30 June 2009 Parent	
	Former Attorney General's Dept	Former Dept of Corrective Services
	Actual 30 June 2009	Actual 30 June 2009
	$000	$000
Government Contributions		
Recurrent appropriations	421,473	821,313
Capital appropriations	44,800	89,582
Acceptance by the Crown Entity of employee benefits and other liabilities	42,874	43,571
Transfers to NSW Treasury and Payments to Office of State Revenue	(7,684)	–
Total Government Contributions	501,463	954,466
SURPLUS / (DEFICIT) FOR THE YEAR	32,245	(6,240)
Other comprehensive income		
Net increase / (decrease) in property, plant and equipment asset revaluation reserve	165,256	60,712
Net decrease in net assets equity transfer	–	(6,357)
Superannuation actuarial losses	(49,022)	–
Other comprehensive income for the year	116,234	54,355
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	148,479	48,115
EFFECT OF CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS		
Accumulated Funds	(49,022)	–
Reserves	–	–
	(49,022)	–
Effect of change in accounting policy		
Surplus of the Year as reported in 2009	–	–
Change of policy	–	–
Restated Surplus for 2009	–	–

Notes to the financial statements for the year ended 30 June 2010

23 Administrative Restructure (continued)

Assets and liabilities transferred from former departments as at 1 July 2009

	Year ended 1 July 2009 Parent	
	Former Attorney General's Dept	Former Dept of Corrective Services
	Actual 1 July 2009	Actual 1 July 2009
	$000	$000
ASSETS		
Current assets		
Cash and cash equivalents	48,095	14,825
Receivables	58,671	13,359
Inventories	–	8,586
Total current assets	106,766	36,770
Non-current assets		
Receivables	54,083	–
Property plant and equipment		
– Land and Buildings	875,220	1,627,679
– Plant and Equipment	99,798	86,114
– Finance Lease	94,800	60,189
Total Property plant and equipment	1,069,818	1,773,982
Investment property	–	–
Intangibles	63,199	3,539
Investment accounted for using the equity method	119,953	–
Total non-current assets	1,307,053	1,777,521
Total assets	1,413,819	1,814,291
LIABILITIES		
Current liabilities		
Payables	41,814	75,485
Borrowings	2,276	593
Provisions	71,708	104,540
Other	723	7,157
Total current liabilities	116,521	187,775

Table continued over page

Notes to the financial statements for the year ended 30 June 2010

23 Administrative Restructure (continued)

	Year ended 1 July 2009 Parent	
	Former Attorney General's Dept	**Former Dept of Corrective Services**
	Actual 1 July 2009	**Actual 1 July 2009**
	$000	**$000**
Non-current liabilities		
Borrowings	32,781	60,259
Provisions	48,926	–
Total non-current liabilities	81,707	60,259
Total liabilities	198,228	248,034
Net assets	1,215,591	1,566,257
Increase in net assets from equity transfer		2,781,848

24 Contingent Liabilities and Contingent Assets

Contingent liabilities

	At Parent 30 June 2010
	$000
Victims Compensation Fund (a)	**221,853**
Suitors Fund (b)	**37**
Current Litigation (c)	**3,334**
	225,224

(a) Victims Compensation Fund – There are 18,118 pending applications (claims) on the Victims Compensation Fund as at 30 June 2010, which are expected to be paid at an average payment of $12,300, under the Victims Support and Rehabilitation Act, 1996.

(b) Suitors Fund – There are five claims pending on the Suitors Fund as at 30 June 2010.

(c) Current Litigation – Of current litigation in which the Crown Solicitor and other General Counsel are involved, there are various matters which could have a financial impact, estimated at $3.335 million. Claims made against the Department in respect of compensation and litigation from normal operations are fully covered by the NSW Treasury Managed Fund.

Liabilities that may arise from claims prior to 1 July 1989 are covered by the Solvency Fund held by the Insurance Ministerial Corporation. The liability for the development of the Long Bay Forensic Hospital is based on a financing arrangement involving floating interest rate bank debt. An interest rate adjustment will be made in accordance with interest rate movements over the project term. The estimated value of the contingent liability is unable to be fully determined because of uncertain future events.

Notes to the financial statements for the year ended 30 June 2010

24 Contingent Liabilities and Contingent Assets (continued)

Contingent Assets

	At Parent 30 June 2010
	$000
Guarantee Undertaking	**380**
Claim on third party organisation	**3,720**
	4,100

Guarantee Undertaking

The Department has engaged Brookfield Multiplex Pty Limited to manage a facilities management contract. This contract is underpinned by a Guarantee Undertaking of $0.380 million with QBE Insurance (Australia) Limited, which expires at 4pm on 31 March 2013.

The Department has a claim on UXC Ltd re an Expert Determination which is still to be determined with regard to the holding of a financial instrument.

25 Budget Review

Net cost of services

The actual net cost of services exceeded budget by $117.1 million, primarily due to increased expenditure and losses of $130. 4million, offset by revenue of $13.3 million. Increased supplementation was received during the year to cover increased services provided by the Crown Solicitor's Office in relation to Core Fund matters.

Employee related expenditure exceeded budget by $66.1 million mainly due to increased overtime, increased hiring of casuals, Treasury funding of only 2.5% of wage increases over the past two years and less redundancies than expected following the outsourcing of Parklea Correctional centre.

Other operating expenses exceeded budget by $50.8 million, mainly due to an increase in inmate numbers of 3% and management fees of $20.7 million arising from the contracting out of the Parklea Correctional Centre during the year.

The increase in total revenue by $13.3 million is partly due to a rise in trading activities of Corrective Service Industries and to Personnel Services Revenue, which relates to the treatment of employee related items of controlled statutory bodies in accordance with Treasury Circular TC 06/13 and Treasury Circular TC 09/01, which covers the treatment of actuarial losses on defined benefit superannuation funds.

Assets and liabilities

Total assets exceeded budget by $243.4 million, partly due to an increase in property, plant and equipment of $238.3 million, partly due to a revaluation of land and buildings of $48.4 million.

Total liabilities exceeded budget by $76.5 million, mainly due to an increase in payables of $68.6 million.

Cash flows

Cash flows from operating activities – Under the Financial Reporting Code for Budget Dependent General Government Agencies, the actual cash flows from operating activities are prepared inclusive of GST, whereas the budget is prepared in accordance with NSW Treasury guidelines and are exclusive of GST. As a consequence, budget variances are overstated by the GST amount. Net cash flows from operating activities were lower than budget by $35.8 million, partly due to employee related expenditure increases due to increased hiring of casual correctional officers, 1.5% unfunded wages increases and an increase in inmate numbers of 3%.

Cash flows from Government were greater than budget by $93.2 million due to additional funding and cash reimbursements from the Crown Entity of $13.1 million not included in the budget.

Notes to the financial statements for the year ended 30 June 2010

26 Reconciliation of Cash Flows from Operating Activities to Net Cost of Services

	Year ended Parent 30 June 2010
	$000
Net cash used on operating activities	154,559
Cash flows from Government / Appropriations	(1,464,249)
Acceptance by the Crown Entity of employee benefits and other liabilities	(84,196)
Depreciation	(144,327)
Decrease / (increase) in provisions	(2,163)
Increase / (decrease) in prepayments and other assets	29,768
Decrease / (Increase) in creditors	(22,163)
Net gain / (loss)	(6,301)
Net cost of services	(1,539,072)

27 Financial Instruments

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

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

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

(a) Financial instrument categories

	Note	Category	Carrying Amount
Financial Assets Class:			2010 $000
Parent			
Cash and cash equivalents	12	N/A	48,645
Receivables[1]	13	Loans and receivables (at amortised cost)	64,430
Financial Liabilities Class:			
Parent			
Payables[2]	18	Financial liabilities measured at amortised cost	126,477
Borrowings	19	Financial liabilities measured at amortised cost	98,476

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

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

Notes to the financial statements for the year ended 30 June 2010

b) Credit Risk

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

Credit risk arises from the financial assets of the Department, including cash, receivables and authority deposits. No collateral is held by the Department. The Department has not granted any financial guarantees.

Debtors are recognised for accounting purposes only when they comply with established asset recognition criteria, where debts can be reliably measured and provide a future economic benefit. This rationale applies to trade debtors and other debtors, including Victims Compensation Fund (VCF) debtors (refer Note 12(b)), where debts are recognised on the basis of average receipts for the five years ended 30 June 2010. This represents the Department's best estimate in accordance with accounting standards. For VCF debt for example, although the total amounts receivable from restitution orders or confirmed by the Victims Compensation Tribunal is $289.411 million, only $18.720 million are recognised.

The Department has recently raised the profile of its debt and revenue management activities in order to minimise credit risk. More comprehensive monthly debtor reporting has been introduced throughout the Department, with business centre managers being involved in the certification of debt management processes in their areas of operation. Business centre managers must manage their debt to minimise impaired debt, with debtors over 90 debts generally deemed to be subject to impairment testing. The Department has introduced a Debt Recovery Unit to provide more effective debt management capabilities, with debtors aged at 60 days and over being targeted. The effectiveness of this debt management facility will be enhanced when it assumes responsibility for all debt management during 2010/2011 and uses the new Debtrack software to provide more flexibility to debt management processes. The implementation of Justicelink throughout the Courts and the decommissioning of the old legacy systems called General Local Courts and the Penalty Enforcement System, will provide more effective debt collection techniques. Better communication and debt reconciliation processes with Justicelink will also assist the State Debt Recovery Office (SDRO) to collect older debt that has been enforced to it by the Courts.

The Department has signed a Memorandum of Understanding (MOU) with the SDRO to provide a more structured framework for the management of older debt enforced to the SDRO by the Courts to minimise impairment risk and enhance cash collections. The intention is that the MOU will lead to a more formal relationship with the SDRO through a Service Level Agreement, if approved by senior management. The higher debt management profile adopted by the Department has resulted in the preparation of comprehensive debt management reports for review by the Executive Committee at its monthly meetings. This attention to debt management issues reflects the sensitivity of the Department to the increased risk of debt impairment because of the prevailing economic conditions.

Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate, adjusted for a management fee to NSW Treasury. The TCorp Hour-Glass cash facility is discussed in paragraph (d) below.

Receivables – trade debtors

All trade debtors are recognised as amounts receivable at balance date in accordance with the asset recognition criteria. Collectibility of trade debtors is reviewed on an ongoing basis. The introduction of a debt management facility has enhanced the procedures for collecting debt through the engagement of approved debt collection agencies to collect debt that are deemed to be subject to impairment testing. Debts which are known to be uncollectible are written off, only after all avenues of debt collection have been exhausted. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are made on 30 day terms.

The Department is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2010: $15.967 million) and not less than one month past due (2010: $6.501 million) are not considered impaired and together these represent 73% of the total trade debtors. Most of the Department's debtors have a AAA credit rating. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

Notes to the financial statements for the year ended 30 June 2010

27 Financial Instruments (continued)

	Total[1]	Past due but not impaired[1]	Considered impaired[1]
	$000	$000	$000
Parent			
2010			
< 3 months overdue	**10,176**	**10,176**	**–**
3 months – 6 months overdue	**3,518**	**3,518**	**–**
> 6 months overdue	**12,747**	**12,747**	**–**

Notes

1 The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the total will not reconcile to the receivables total recognised in the Statement of Financial Position. The debtor amounts are gross receivables.

(c) Liquidity risk

Liquidity risk is the risk that the Department will be unable to meet its payment obligations when they fall due. As a budget dependent agency, the Department continuously manages risk through monitoring future cash flows, which coordinates the payment of creditors with cash inflows from the Crown Entity and cash receipts from debtors.

NSW Treasury has included the Department's bank accounts in the Treasury Performance Incentive Scheme, which charges interest penalties where large variations occur between actual cash balances and forecast balances. This has resulted in a more effective cash management regime to ensure more accurate monthly cash management forecasting to NSW Treasury and to minimise liquidity risk through interest penalties. The Department holds regular cash management meetings to identify any high levels of cash movements both in and out for the future months to improve cash forecasting.

The Department has raised the profile of its debt and revenue management activities in order to reduce liquidity risk. The Department is aware of its increased exposure to impaired debt and has established a more structured debt management facility, which liaises with approved debt collection agencies to maximise revenue through debt recovery and minimise impaired debt. The introduction of monthly debtor reporting has raised the profile of the debt management facility, with business centre managers having greater involvement in this process.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment.

During the current year and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The Department's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment.

The Department, through the introduction of a more structured monthly accounting timetable, has also sought to gain better control over the accounts payable process by introducing better controls over the monthly accruals process.

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

Notes to the financial statements for the year ended 30 June 2010

Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure					Maturity Dates		
	Weighted Average Effective Int. Rate	**Nominal Amount**	**Fixed Interest Rate**	**Variable Interest Rate**	**Non-interest bearing**	**< 1 yr**	**1–5 yrs**	**> 5 yrs**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
2010								
Payables:								
Accrued salaries, wages and on costs	–	23,806	–	–	23,806	–	–	–
Creditors	–	102,671	–	–	102,671	–	–	–
Borrowings:								
Advances repayable	6.28	79	79	–	–	79	–	–
TCorp borrowings	6.00	5,800	5,800	–	–	–	5,800	–
Other loans and deposits	–	–	–	–	–	–	–	–
Finance leases	6.88	40,563	40,563	–	–	4,056	16,224	20,283
Finance leases	10.44	165,860	165,860	–	–	6,971	27,884	131,005
		338,779	212,302	–	126,477	11,106	49,908	151,288

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Department's exposures to market risk are primarily through interest rate risk on the Department's borrowings and other price risks associated with the movement in the unit price of the Hour Glass Investment facilities. The Department has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on operating performance and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Department operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2009. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk arises primarily through the Department's interest bearing liabilities. This risk is minimised by having in place mainly fixed rate borrowings, primarily with NSW Treasury with regard to the Treasurer's Advance, with TCorp with regard to the loan to the Registry of Births, Deaths and Marriages and with a private sector company with regard to the finance lease. The Department does not account for any fixed rate financial instruments at fair value through profit or loss or as available for sale. Therefore for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Department's exposure to interest rate risk is set out below.

Notes to the financial statements for the year ended 30 June 2010

27 Financial Instruments (continued)

	Carrying Amount	–1%		+1%	
		Profit	Equity	Profit	Equity
	$000	$000	$000	$000	$000
2010					
Financial assets					
Cash and cash equivalents	**48,645**	**(486)**	**(486)**	**486**	**486**
Receivables	**64,430**	–	–	–	–
Financial liabilities					
Payables	**126,477**	–	–	–	–
Borrowings	**5,879**	–	–	–	–
Finance Lease	**92,597**	–	–	–	–
	338,028	**(486)**	**(486)**	**486**	**486**

Other price risk – TCorp Hour-Glass facilities

Exposure to ‘other price risk’ primarily arises through the investment in the TCorp Hour-Glass Investment facilities, which are held as cash for strategic rather than trading purposes. The Department has no direct equity investments.

Facility	Investment Sectors	Investment Horizon	2010
			$000
Cash facility	Cash, money market instruments	Up to 1.5 years	**48,645**

(e) Fair value compared to carrying amount

Financial instruments are generally recognised at cost. Cash and cash equivalents include TCorp investments which are assessed at fair value (Refer Note 12). The amortised cost of financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short term nature of many of the financial instruments.

Notes to the financial statements for the year ended 30 June 2010

28 Trust Funds

The Department holds monies in trust which represent funds belonging to parties involved in court cases, or amounts held in trust for third parties, including inmates. These monies are excluded from the financial reports as the Department cannot use them for the achievement of its objectives. Interest earned on funds held in trust accounts on behalf of inmates is brought to account in the financial statements and used for the benefit of inmates. The following is a summary of the transactions in the trust accounts:

	Year ended Parent 30 June 2010
	$000
Cash balance at the beginning of the year	82,651
Add: Receipts	635,418
Less: Expenditure	(668,447)
Cash balance at the end of the financial year	49,622

For the Supreme Court, an amount of $53.895 million is held outside the Department's Public Monies Account for Supreme Court matters and is invested with the Public Trustee and an amount of $US1.581 million is held at the Commonwealth Bank since December 2008, in accordance with the Supreme Court rules and orders of the Court. These amounts are not included in the above figures.

For the District Court, an amount of $10.412 million is held outside the Department's Public Monies Account for District Court matters, being invested with Westpac and NSW Trustee and Guardian, and represents suitors' monies that the District Court has ordered the Registrar to invest on behalf of the parties concerned and for the sole benefit of those parties. This amount is not included in the above figures.

Fees are held in Public Monies Accounts on behalf of inmates. Interest earned is brought to account in the financial statements and used for the benefit of inmates. Bail securities other than cash are held by the Supreme Court, District Courts and Local Courts. The Bail Act, 1978, does not define security, so many things are put forward by persons as security, e.g. land title documents, jewellery, motor vehicles, bills of sale, bank guarantees.

29 Administered Assets and Liabilities

	Year ended Parent 2010
	$000
Consolidated	
Administered Assets	
Receivables – Fines	11,507
Total Administered Assets	11,507

Notes to the financial statements for the year ended 30 June 2010

30 Administered Income – Schedule of Uncollected Amounts

	Year ended Parent 30 June 2010
	$000
Amounts received from fines	**35,955**
Less	**–**
Amounts receivable that do not meet the asset recognition criteria	**24,448**
	11,507
	11,507

The Administered Assets and Administered Revenue – Schedule of Uncollected Amounts relate to fines outstanding for the Local Courts and other Court jurisdictions.

Fines are recognised for accounting purposes only when they comply with the established asset recognition criteria.

Refer to Service Group Statements for details of Administered Receipts.

31 Victims compensation fund

The Victims Compensation Fund (the Fund) was constituted by an amendment to the *Victims Compensation Act 1987* (effective from 1 February 1990) for the purpose of compensating victims for injuries resulting from acts of violence, witnesses to such acts, close relatives of the deceased victims and to law enforcement victims. Under the Act, the control and management of the Fund rests with the corporation constituted with the corporate name of the "Victims Compensation Fund Corporation", the affairs of which are managed by the Director General, Department of Justice and Attorney General. The *Victims Compensation Act 1996*, which was assented to on 2 December 1996, and came into effect on 2 April 1997, repealed the *Victims Compensation Act 1987* and includes identical provisions in relation to the management of the Fund, in addition to increasing the restitution powers and capabilities of the Tribunal. However, the new Act did contain transitional provisions which enable claims lodged prior to the date of assent to be dealt with in accordance with the repealed Act.

In November 1998 a number of amendments to the 1996 Act were passed in Parliament and these amendments came into effect in two stages – in February and April 1999.

In June 2000 a further number of amendments were passed in Parliament including a change in the name of the legislation to the *Victims Support and Rehabilitation Act 1996*. In July 2000, the threshold was raised to $7,500 by Proclamation.

All transactions relating to Victims Compensation, as reflected in these financial reports, flow through the Victims Compensation Fund. Total compensation to victims of crime for the year ended 30 June 2010 was $62.650 million (refer Note 2 (f)), including an accrual of $13.374 million (refer Note 18). Collections payable to the Fund include: Restitution payments by offenders; Monies collected under the *Confiscation of Proceeds of Crime Act, 1989*; and Victims Compensation Levies collected under section 65 of the Act by the Supreme, District, Local and Children's Courts.

32 Correctional Medical Services

Justice Health is administered under the *Health Services Act 1987* through the Department of Health.

The cost of medical services provided to offenders for the year ended 30 June 2010 was $102.26 million. This amount is not included in the Department's operating result for the year.

33 After Balance Date Events

There are no after balance date events.

Notes to the financial statements for the year ended 30 June 2010

34 AASB 119 – 2010 Superannuation Position of Department of Justice and Attorney General

	SASS 30 June 2010	SANCS 30 June 2010	SSS 30 June 2010	TOTAL 30 June 2010
Member Numbers				
Contributors	127	215	88	
Deferred benefits	–	–	20	
Pensioners	2	–	157	
Pensions fully commuted	–	–	38	
Superannuation Position for AASB 119 purposes	$	$	$	$
Accrued liability	26,818,097	7,781,683	156,202,130	190,801,910
Estimated reserve account balance	(24,954,431)	(7,283,074)	(109,723,732)	(141,961,238)
	1,863,665	498,609	46,478,397	48,840,672
Future Service Liability (Note 1)	(6,322,255)	(2,639,393)	(5,793,913)	(14,755,561)
Surplus in excess of recovery available from schemes	–	–	–	–
Net (asset)/liability to be recognised in statement of financial position	1,863,665	498,609	46,478,397	48,840,672
Comprising:				
Prepayment of employee entitlements (refer Note 13)				3,403,972
Provision for superannuation (refer Note 20)				(52,244,644)
				(48,840,672)

Note 1:

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

Notes to the financial statements for the year ended 30 June 2010

Appendix 2

AASB 119 – 2010 Disclosure Items

Accounting policy [AASB 119 – paragraph 120A(a)]

Actuarial gains and losses are recognised immediately in other comprehensive income in the year in which they occur.

Fund information [AASB 119 – paragraph 120A(b)]

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- Police Superannuation Scheme (PSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS).

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

All the Schemes are closed to new members.

Reconciliation of the present value of the defined benefit obligation [AASB 119 – paragraph 120A(c)]

	SASS 30 June 2010	SANCS 30 June 2010	SSS 30 June 2010
	$	$	$
Present value of partly funded defined benefit obligation at beginning of the year	23,835,842	7,223,274	141,490,227
Current service cost	1,018,517	346,598	933,348
Interest cost	1,294,767	388,111	7,767,692
Contributions by Fund participants	542,484	–	872,713
Actuarial (gains)/losses	954,946	316,786	9,903,386
Benefits paid	(828,460)	(493,085)	(4,765,236)
Past service cost	–	–	–
Curtailments	–	–	–
Settlements	–	–	–
Business Combinations	–	–	–
Exchange rate changes	–	–	–
Present value of partly funded defined benefit obligation at end of the year	26,818,097	7,781,683	156,202,130

Notes to the financial statements for the year ended 30 June 2010

Reconciliation of the fair value of Fund assets [AASB 119 – paragraph 120A(e)]

	SASS 30 June 2010	SANCS 30 June 2010	SSS 30 June 2010
	$	$	$
Fair value of Fund assets at beginning of the year	22,352,276	6,901,615	103,251,821
Expected return on Fund assets	1,889,761	580,366	8,704,165
Actuarial gains/(losses)	432,196	45,674	672,855
Employer contributions	566,174	248,504	987,415
Contributions by Fund participants	542,484	0	872,713
Benefits paid	(828,460)	(493,085)	(4,765,236)
Settlements	0	0	0
Business combinations	0	0	0
Exchange rate changes	0	0	0
Fair value of Fund assets at end of the year	24,954,431	7,283,074	109,723,732

Reconciliation of the assets and liabilities recognised in statement of financial position [AASB 119 – paragraphs 120A(d) and (f)]

	SASS 30 June 2010	SANCS 30 June 2010	SSS 30 June 2010
	$	$	$
Present value of partly funded defined benefit obligation at end of year	26,818,097	7,781,683	156,202,130
Fair value of Fund assets at end of year	(24,954,431)	(7,283,074)	(109,723,732)
Subtotal	1,863,665	498,609	46,478,397
Unrecognised past service cost	0	0	0
Unrecognised gain/(loss)	0	0	0
Adjustment for limitation on net asset	0	0	0
Net Liability/(Asset) recognised in statement of financial position at end of year	1,863,665	498,609	46,478,397

Notes to the financial statements for the year ended 30 June 2010

Expense recognised in income statement {AASB 119 – paragraph 46 & 120A(g)}

	SASS 30 June 2010	SANCS 30 June 2010	SSS 30 June 2010
Components Recognised in Income Statement	$	$	$
Current service cost	1,018,517	346,598	933,348
Interest cost	1,294,767	388,111	7,767,692
Expected return on Fund assets (net of expenses)	(1,889,761)	(580,366)	(8,704,165)
Actuarial losses/(gains) recognised in year	0	0	0
Past service cost	0	0	0
Movement in adjustment for limitation on net asset	0	0	0
Curtailment or settlement (gain)/loss	0	0	0
Expense/(income) recognised	423,523	154,343	(3,125)

Amounts recognised in other comprehensive income [AASB 119 – paragraph 120A(h)]

	SASS 30 June 2010	SANCS 30 June 2010	SSS 30 June 2010
	$	$	$
Actuarial (gains)/losses	522,750	271,112	9,230,531
Adjustment for limit on net asset	0	0	0

Cumulative amount recognised in other comprehensive income [AASB 119 – paragraph 120A(i)]

Note: This information will need to be manually calculated by agencies by adding the actuarial gains and losses and adjustment for limit on net assets (if any) above, to previous amounts advised.

Fund assets [AASB 119 – paragraph 120A(j)]

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

	30 June 2010
Australian equities	31.0%
Overseas equities	26.8%
Australian fixed interest securities	6.1%
Overseas fixed interest securities	4.3%
Property	9.5%
Cash	9.6%
Other	12.7%

Notes to the financial statements for the year ended 30 June 2010

Fair value of Fund assets [AASB 119 – paragraph 120A(k)]

All Fund assets are invested by STC at arm's length through independent fund managers.

Expected rate of return on assets [AASB119 – paragraph 120A(l)]

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

Actual Return on Fund Assets [AASB 119 – paragraph 120A(m)]

	SASS 30 June 2010	SANCS 30 June 2010	SSS 30 June 2010
	$	$	$
Actual return on Fund assets	**2,081,772**	**626,041**	**9,389,083**

Valuation method and principal actuarial assumptions at the balance sheet date [AASB 119 – paragraph 120A(n)]

a) Valuation Method

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

b) Economic Assumptions

	30 June 2010
Salary increase rate (excluding promotional increases)	**3.5% pa**
Rate of CPI Increase	**2.5% pa**
Expected rate of return on assets	**8.60%**
Discount rate	**5.17% pa**

Notes to the financial statements for the year ended 30 June 2010

c) Demographic Assumptions

The demographic assumptions at 30 June 2010 are those that were used in the 2009 triennial actuarial valuation.
The triennial review report is available from the NSW Treasury website.

Historical information [AASB119 – paragraph 120A(p)]

NB. AASB 119 requires an entity to disclose this information for the current and previous four annual reporting periods.

	SASS 30 June 2010	SANCS 30 June 2010	SSS 30 June 2010
	$	$	$
Present value of defined benefit obligation	26,818,097	7,781,683	156,202,130
Fair value of Fund assets	(24,954,431)	(7,283,074)	(109,723,732)
(Surplus)/Deficit in Fund	1,863,665	498,609	46,478,397
Experience adjustments – Fund liabilities	954,946	316,786	9,903,386
Experience adjustments – Fund assets	(432,196)	(45,674)	(672,855)

Note: Agencies will also need to include in their financial report the historic information from previous periods, by referring to previous Superannuation Position Statements.

Expected contributions [AASB119 – paragraph 120A(q)]

	SASS 30 June 2010	SANCS 30 June 2010	SSS 30 June 2010
	$	$	$
Expected employer contributions to be paid in the next reporting period	617,776	264,085	1,048,741

Funding Arrangements for Employer Contributions

(a) Surplus/deficit

The following is a summary of the 30 June 2010 financial position of the Fund calculated in accordance with AAS 25 “Financial Reporting by Superannuation Plans”:

	SASS 30 June 2010	SANCS 30 June 2010	SSS 30 June 2010
	$	$	$
Accrued benefits	24,859,318	7,027,923	108,691,060
Net market value of Fund assets	(24,954,431)	(7,283,074)	(109,723,732)
Net (surplus)/deficit	(95,113)	(255,151)	(1,032,672)

(b) Contribution recommendations

Recommended contribution rates for the entity are:

	SASS	SANCS	SSS
	multiple of member contributions	% member salary	multiple of member contributions
	#N/A	#N/A	#N/A

Notes to the financial statements for the year ended 30 June 2010

(c) Funding method

Contribution rates are set after discussions between the employer, STC and NSW Treasury.

(d) Economic assumptions

The economic assumptions adopted for the 2009 actuarial review of the Fund are:

Weighted-Average Assumptions	
Expected rate of return on Fund assets backing current pension liabilities	**8.3% pa**
Expected rate of return on Fund assets backing other liabilities	**7.3% pa**
Expected salary increase rate	**4.0% pa**
Expected rate of CPI increase	**2.5% pa**

Nature of Asset/Liability

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

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

END OF AUDITED FINANCIAL STATEMENTS