

# ROTTNEST ISLAND AUTHORITY

## STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 \$000	2010 \$000
<b>INCOME</b>			
<b>Revenue</b>			
Sales	6	132	120
Provision of services	7	30,507	28,469
Interest revenue		1,172	734
Other revenue	8	321	294
<b>Gains</b>			
Gains on disposal of non-current assets	9	-	3
<b>Total Income</b>		<b>32,132</b>	<b>29,620</b>
<b>EXPENSES</b>			
Cost of sales	6	109	99
Employee benefits expense	10	9,796	9,466
Supplies and services	11	16,471	18,600
Depreciation and amortisation expense	12	5,053	4,500
Finance costs	13	224	180
Accommodation expenses	14	242	227
Loss on disposal of non-current assets	9	5	-
Other expenses	15	360	603
<b>Total Expenses</b>		<b>32,260</b>	<b>33,675</b>
<b>Profit/(Loss) before grants and subsidies from State Government</b>		<b>(128)</b>	<b>(4,055)</b>
Grants and subsidies from State Government	16	2,245	2,268
Services received free of charge	17	-	5
<b>Profit/(loss) for the period</b>		<b>2,117</b>	<b>(1,781)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Changes in asset revaluation surplus	28	2	39,148
<b>Total other comprehensive income</b>		<b>-</b>	<b>39,148</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>2,119</b>	<b>37,367</b>

Refer also to note 38 'Schedule of Income and Expenses by service'

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

# ROTTNEST ISLAND AUTHORITY

## STATEMENT OF FINANCIAL POSITION

**AS AT 30 JUNE 2011**

	Note	2011 \$000	2010 \$000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	29	14,152	10,956
Inventories	18	151	256
Receivables	19	1,043	1,338
Other financial assets	29	6,000	3,000
<b>Total Current Assets</b>		<b>21,346</b>	<b>15,551</b>
<b>Non-Current Assets</b>			
Property, plant , equipment and vehicles	20	210,480	212,196
Infrastructure	21	27,044	28,067
Intangible assets	22	1,336	1,231
Other Financial Assets			3,000
<b>Total Non-Current Assets</b>		<b>238,860</b>	<b>244,494</b>
<b>TOTAL ASSETS</b>		<b>260,206</b>	<b>260,045</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	24	3,125	4,918
Borrowings	25	144	67
Provisions	26	1,776	1,608
Other current liabilities	27	9,267	9,827
<b>Total Current Liabilities</b>		<b>14,312</b>	<b>16,420</b>
<b>Non-Current Liabilities</b>			
Borrowings	25	437	240
Provisions	26	733	680
Other non-current liabilities	27	1,033	1,133
<b>Total Non-Current liabilities</b>		<b>2,203</b>	<b>2,053</b>
<b>Total Liabilities</b>		<b>16,515</b>	<b>18,474</b>
<b>NET ASSETS</b>		<b>243,691</b>	<b>241,571</b>
<b>EQUITY</b>			
Contributed equity	28	50,032	50,032
Reserves	28	187,842	187,840
Retained earnings	28	5,817	3,700
<b>TOTAL EQUITY</b>		<b>243,691</b>	<b>241,571</b>

The Statement of Financial Position should be read in conjunction with the accompanying notes.

# ROTTNEST ISLAND AUTHORITY

## STATEMENT OF CHANGES IN EQUITY

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For the year ended 30 June 2011

	Note	Contributed equity \$000	Reserves \$000	Retained earnings \$000	Total Equity \$000
<b>Balance at 1 July 2009</b>	<b>28</b>	50,032	148,691	5,481	204,204
Total comprehensive income for the year		-	39,149	(1,781)	37,368
<b>Balance at 30 June 2010</b>		<b>50,032</b>	<b>187,840</b>	<b>3,700</b>	<b>241,572</b>
 <b>Balance at 1 July 2010</b>		<b>50,032</b>	<b>187,840</b>	<b>3,700</b>	<b>241,572</b>
Total comprehensive income for the year		-	2	2,117	2,119
<b>Balance at 30 June 2011</b>		<b>50,032</b>	<b>187,842</b>	<b>5,817</b>	<b>243,691</b>

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

# ROTTNEST ISLAND AUTHORITY

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 \$000	2010 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Sale of goods and services		132	120
Provision of services		29,982	27,815
Interest received		1,154	722
GST receipts on sales		2,861	2,839
GST receipts from taxation authority		-	-
Other receipts		439	151
<b>Payments</b>			
Cost of Sales		(4)	131
Employee benefits		(9,570)	(9,215)
Supplies and services		(18,441)	(18,392)
Finance costs		(224)	(180)
GST payments on purchases		(2,320)	(1,840)
GST payments to taxation authority		(541)	(999)
Other payments		(368)	(229)
<b>Net cash provided by operating activities</b>	29	<b>3,100</b>	<b>923</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of non-current physical assets		(5)	3
Purchase of non-current physical assets		(2,418)	(3,042)
<b>Net cash provided by/(used in) investing activities</b>		<b>(2,423)</b>	<b>(3,039)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from Borrowings		393	-
Repayment of Borrowings		(119)	-
<b>Net cash provided by/(used in) financing activities</b>		<b>274</b>	<b>-</b>
<b>CASH FLOWS FROM STATE GOVERNMENT</b>			
Grants and subsidies		2,245	2,268
<b>Net cash provided by State Government</b>		<b>2,245</b>	<b>2,268</b>
<b>Net increase in cash held</b>		<b>3,196</b>	<b>152</b>
Cash and cash equivalents at the beginning of the period		16,956	16,804
<b>Cash and cash equivalent assets at the end of the period</b>	29	<b>20,152</b>	<b>16,956</b>

# ROTTNEST ISLAND AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

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**FOR THE YEAR ENDED 30 JUNE 2011**

### **1 Australian Accounting Standards**

#### **General**

The Rottnest Island Authority's ("the Authority") financial statements for the year ended 30 June 2011 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standard Board (AASB).

The Authority has adopted any applicable, new and revised Australian Accounting Standards from their operative dates.

#### **Early adoption of standards**

The Authority cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. No Australian Accounting Standards that have been issued or amended but not operative have been early adopted by the Authority for the annual reporting period ended 30 June 2011.

### **2 Summary of significant accounting policies**

#### **(a) General Statement**

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

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

#### **(b) Basis of Preparation**

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

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

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000).

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

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

#### **(c) Reporting Entity**

The reporting entity comprises the Rottnest Island Authority.

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## NOTES TO THE FINANCIAL STATEMENTS

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### **(d) Contributed equity**

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions.

Capital appropriations have been designated as contributions by owners by TI 955 *Contributions by Owners made to Wholly Owned Public Sector Entities* and have been credited directly to Contributed equity.

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

### **(e) Income**

#### *Revenue Recognition*

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

#### *Sale of goods*

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

#### *Provision of Services*

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

#### *Interest*

Revenue is recognised as the interest accrues.

#### *Grants, donations, gifts and other non-reciprocal contributions*

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

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

Rental income is accounted for on a straight line basis over the lease term. Rental income is recognised as income in the periods in which it is earned.

#### *Gains*

Realised and unrealised gains are usually recognised on a net basis. These include gains arising on the disposal of non-current assets and some revaluations of non-current assets.

### **(f) Property, plant and equipment and infrastructure**

#### *Capitalisation/Expensing of assets*

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

#### *Initial recognition and measurement*

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

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## NOTES TO THE FINANCIAL STATEMENTS

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

### *Subsequent measurement*

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

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

Independent valuations of land are provided annually by the Western Australian Land Information Authority (Valuation Services) and recognised annually to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period.

Independent valuations of buildings are provided every three years by the Western Australian Land Information Authority (Valuation Services) and recognised with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at end of the reporting period.

Fair value of infrastructure has been determined by reference to the depreciated replacement cost (existing use basis) as the assets are specialised and no market-based evidence of value is available. Land under infrastructure is included in land reported under note 20 'Property, plant, equipment and vehicles'. Independent valuations are obtained every 3 to 5 years.

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

The most significant assumptions in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated useful life. Professional judgement by the valuer is required where evidence does not provide a clear distinction between market type assets and existing use assets. Refer to note 20 'Property, plant, equipment and vehicles' and note 21 'Infrastructure' for further information on revaluations.

### *De-recognition*

Upon disposal or de-recognition of an item of property, plant and equipment and infrastructure, any revaluation surplus relating to that asset is retained in the asset revaluation surplus.

### *Asset revaluation surplus*

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets as described in note 20 'Property, plant, equipment and vehicles'.

### *Depreciation*

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

Depreciation is calculated using the straight line method, using rates which are reviewed annually.

# ROTTNEST ISLAND AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

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Estimated useful lives for each class of depreciable asset are:

Buildings .....	20 to 40 years
Computers & Electronic Equipment .....	3 to 5 years
Furniture .....	3 to 5 years
Plant & Vehicles .....	3 to 7 years
Leasehold Improvements .....	10 to 15 years
Infrastructure.....	55 to 80 years
Infrastructure – Gas Filling Stations .....	1 to 3 years

### **(g) Intangible Assets**

#### *Capitalisation/Expensing of assets*

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

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

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

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life which is reviewed annually) on the straight line basis. All intangible assets controlled by the Authority have a finite useful life and zero residual value.

The expected useful lives for each class of intangible asset are:

Software..... 3 to 5 years

Website Costs ..... 1 to 3 years

#### Computer software

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

#### Website costs

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

### **(h) Impairment of Assets**

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

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life.



# ROTTNEST ISLAND AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

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Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of the assets future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at the end of each reporting period irrespective of whether there is any indication of impairment.

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

See note 23 'Impairment of Assets' for the outcome of impairment reviews and testing.

See note 2(m) 'Receivables' and note 19 for impairment of receivables.

### **(i) Leases**

Finance lease rights and obligations are initially recognised, at the commencement of the lease term, as assets and liabilities equal in amount to the fair value of the leased item or, if lower, the present value of the minimum lease payments, determined at the inception of the lease. The assets are disclosed as plant, equipment and vehicles under lease, and are depreciated over the period during which the Authority is expected to benefit from their use. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability, according to the interest rate implicit in the lease.

The Authority has entered into a number of operating lease agreements for the hotel, buildings, motor vehicles, office and other equipment. Lease payments are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased assets.

### **(j) Financial Instruments**

In addition to cash and bank overdraft, the Authority has two categories of financial instrument:

- Receivables;
- Term deposits; and
- Financial Liabilities measured at amortised cost.

Financial instruments have been disaggregated into the following classes:

#### Financial Assets

- Cash and cash equivalents;
- Restricted cash and cash equivalents;
- Receivables; and
- Other financial assets.

#### Financial Liabilities

- Payables; and
- Finance Lease Liabilities.

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

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

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## NOTES TO THE FINANCIAL STATEMENTS

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### **(k) Cash and Cash Equivalents**

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

### **(l) Inventories**

Inventories are measured at the lower of cost or net realisable value. Costs are assigned by the weighted average cost method.

Inventories not held for resale are measured at cost unless they are no longer required, in which case they are measured at net realisable value.

### **(m) Receivables**

Receivables are recognised at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Authority will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days. See note 2(j) 'Financial Instruments' and note 19 'Receivables'.

### **(n) Payables**

Payables are recognised at the amounts payable when the Authority becomes obliged to make future payments as a result of a purchase of assets or services at fair value, as they are generally settled within 30 days. See note 2(j) 'Financial Instruments' and note 24 'Payables'.

### **(o) Borrowings**

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

### **(p) Provisions**

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

#### ***(i) Provisions – Employee Benefits***

All annual leave and long service leave provisions are in respect of employees' services up to the end of the reporting period.

#### ***Annual Leave and Long Service Leave***

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

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

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

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## NOTES TO THE FINANCIAL STATEMENTS

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

The liability for long service leave has been determined using a shorthand method. An actuarial assessment of long service leave undertaken by PricewaterhouseCoopers in 2011 determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of the expected future payments.

### *Sick Leave*

Liabilities for sick leave are recognised when it is probable that sick leave paid in the future will be greater than the entitlement that will accrue in the future.

Past history indicates that on average, sick leave taken each reporting period is less than the entitlement accrues. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive Income for this leave as it is taken.

### *Purchased Leave*

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

### *Time in Lieu*

The flexible working hours provisions of the Authority's enterprise bargaining agreement introduced the concept of annualised hours. At the end of the settlement period, when actual hours worked exceed the average aggregate ordinary hours, the employee will be paid for the excess hours, or the employee will take time in lieu at a mutually agreed time.

### *Superannuation*

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

Employees may contribute to the Pension Scheme, a defined benefit pension scheme now closed to new members, or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme also closed to new members. Employees commencing employment prior to 16 April 2007 who are not members of either the Pension or the GSS Schemes become non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). Both of these schemes are accumulation schemes. The Authority makes concurrent contributions to GESB on behalf of employees in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. These contributions extinguish the liability for superannuation charges in respect of the WSS and GESB Schemes.

The Pension Scheme and the pre-transfer benefit for employees who transferred to the GSS Scheme are defined benefit schemes. These benefits are wholly unfunded and the liabilities for future payments are provided at the end of the reporting period. The liabilities under these schemes have been calculated separately for each scheme annually by Mercers Human Resource Consulting using the projected unit credit method.

The expected future payments are discounted to present value using market yields at the Statement of Financial Position date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The GSS Scheme, the WSS Scheme, and the GESBS Scheme, where the current service superannuation charge is paid by the Authority to the GESB, are defined contribution schemes. The liabilities for current service superannuation charges under the GSS Scheme, the WSS Scheme, and

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## NOTES TO THE FINANCIAL STATEMENTS

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the GESBS Scheme are extinguished by the concurrent payment of employer contributions to the GESB.

The Gold State Superannuation Scheme is a defined benefit scheme for the purposes of employee and whole of government reporting. However, from an agency perspective, apart from the transfer benefits, it is a defined contribution plan under AASB 119.

See also note 2 (q) 'Superannuation Expense'.

### **(ii) Provisions – Other**

#### *Employment On-Costs*

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

### **(q) Superannuation Expense**

The superannuation expense of the defined benefit plans is made up of the following elements:

- Current service cost;
- Interest cost (unwinding of the discount);
- Actuarial gains and losses; and
- Past service cost.

Actuarial gains and losses of the defined benefit plans are recognised immediately as income or expense in the Statement of Comprehensive Income.

The superannuation expense of the defined contribution plans is recognised as and when the contributions fall due.

See also note 2(p)(i) 'Provisions – Employee Benefits' under the heading "Superannuation".

### **(r) Accrued Salaries**

Accrued salaries (refer note 24 'Payables') represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a few days of the financial year end. The Authority considers the carrying amount of accrued salaries to be equivalent to the net fair value.

### **(s) Resources Received Free of Charge or for Nominal Cost**

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

### **(t) Segment Information**

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 2 'Summary of significant accounting policies'. Segment revenues and expenses are allocated on the basis of direct attribution and reasonable estimates of usage.

Segment information has been disclosed by service. See note 38 'Schedule of Income and Expenses by service'.

### **(u) Comparative Figures**

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

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## NOTES TO THE FINANCIAL STATEMENTS

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### 3 Judgements made by management in applying accounting policies

The preparation of financial statements requires management to make judgements about the application of accounting policies that have a significant effect on the amounts recognised in the financial statements. The Authority evaluates these judgements regularly.

#### Operating lease commitments

The Authority has entered into a number of leases for buildings for branch office accommodation. Some of these leases relate to buildings of a temporary nature and it has been determined that the lessor retains substantially all the risks and rewards incidental to ownership. Accordingly, these leases have been classified as operating leases.

### 4 Key sources of estimation uncertainty

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

#### Long Service Leave

Several estimations and assumptions used in calculating the Authority's long service leave provision include expected future salary rates, discount rates, employee retention rates and expected future payments. Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

### 5 Disclosure of changes in accounting policy and estimates

#### Initial application of an Australian Accounting Standard

The authority has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2010 that impacted on the Authority.

AASB 2009-12	<i>Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 &amp; 1031 and Interpretations 2, 4, 16, 1039 &amp; 1052]</i> This Standard introduces a number of terminology changes. There is no financial impact on the Authority resulting from the application of this revised standard.
AASB 2010-5	<i>Amendments to Australian Accounting Standards 'AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 &amp; 1038 and Interpretations 112, 115, 127, 132 &amp; 1042] (October 2010).</i> This Standard introduces a number of terminology changes as well as minor presentation changes to the notes to the Financial Statements. There is no financial impact on the Authority resulting from the application of this revised Standard.
AASB 2010-6	<i>Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 &amp; AASB 7].</i> This Standard makes amendments to Australian Accounting Standards, introducing additional presentation and disclosure requirements for Financial Assets.  The Standard is not expected to have any financial impact on the Authority. DTF has not yet determined the application or the potential impact of the amendments to these Standards for agencies.

# ROTTNEST ISLAND AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

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### Future impact of Australian Accounting Standards not yet operative

The Authority cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. Consequently, the Authority has not applied early any of the following Australian Accounting Standards that have been issued that may impact the Authority. Where applicable, the Authority plans to apply these Standards from their application date:

AASB 2009-11	<p><i>Amendments to Australian Accounting Standards arising from AASB 1 Jan 2013</i></p> <p>9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 31, 132, 136, 139, 1023 &amp; 1038 and Interpretations 10 &amp; 12]. The amendment to AASB 7 <i>Financial Instruments: Disclosures</i> requires modification to the disclosure of categories of financial assets. The Authority does not expect any financial impact when the Standard is first applied. The disclosure of categories of financial assets in the notes will change.</p>
AASB 1053	<p><i>Application of Tiers of Australian Accounting Standards 1 July 2011</i></p> <p>This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.</p> <p>The Standard does not have any financial impact on the Authority. However it may affect disclosures in the financial statements of the Authority if the reduced disclosure requirements apply. DTF has not yet determined the application or the potential impact of the new Standard for agencies.</p>
AASB 2010-2	<p><i>Amendments to Australian Accounting Standards arising from 1 July 2013</i></p> <p><i>Reduced Disclosure Requirements</i></p> <p>This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements into these pronouncements for application by certain types of entities.</p> <p>The Standard is not expected to have any financial impact on the Authority. However this Standard may reduce some note disclosures in financial statements of the Authority. DTF has not yet determined the application or the potential impact of the amendments to these Standards for agencies.</p>
AASB 9	<p><i>Financial Instruments 1 Jan 2013</i></p> <p>This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i>, introducing a number of changes to accounting treatments.</p> <p>The Standard was reissued on 6 Dec 2010 and the Authority is currently determining the impact of the Standard. DTF has not yet determined the application or the potential impact of the Standard for agencies.</p>

### 6 Trading profit

	2011 \$000	2010 \$000
Sales	132	120
Cost of Sales:		
Opening Inventory	(31)	(24)
Purchases	(108)	(107)
	(139)	(131)
Closing Inventory	30	31
Cost of Goods Sold	(109)	(99)
<b>Trading profit</b>	<b>23</b>	<b>21</b>

# ROTTNEST ISLAND AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### 7 Provision of services

	2011 \$000	2010 \$000
Accommodation charges	15,244	14,796
Facilities and tours	4,876	3,752
Admission fees	5,272	4,883
Lease and licence income	3,258	3,133
Utility charges	1,247	1,292
Housing rentals	610	613
	<u>30,507</u>	<u>28,469</u>

### 8 Other revenue

	2011 \$000	2010 \$000
Insurance recoveries	69	83
Contribution to works	27	63
Miscellaneous	199	120
Donations	26	28
	<u>321</u>	<u>294</u>

### 9 Net gain/(loss) on disposal of non-current assets

	2011 \$000	2010 \$000
<u>Cost of disposal of non-current assets</u>		
Plant, vehicles and furniture	-	-
<u>Proceeds from disposal of non-current assets</u>		
Plant, vehicles and furniture	(5)	3
<b>Net gain/(loss)</b>	<u>(5)</u>	<u>3</u>

### 10 Employee benefits expense

	2011 \$000	2010 \$000
Wages and salaries	8,183	7,651
Superannuation - defined contribution plans	715	663
Superannuation - defined benefit plans (see note 9(i))	170	85
Long service leave <sup>(a)</sup>	210	296
Annual leave <sup>(a)</sup>	444	700
Other related expenses	74	71
	<u>9,796</u>	<u>9,466</u>

<sup>(a)</sup> Includes a superannuation contribution component  
Employment on-costs such as workers' compensation and payroll  
tax are included at note 15 'Other Expenses'.  
The employment on-costs liability is included at note 26 'Provisions'.

# ROTTNEST ISLAND AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

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### 11 Supplies and services

	2011 \$000	2010 \$000
Contractors	11,801	14,539
Administration expense	1,035	908
Other Staffing Costs	1,543	1,112
Repairs and maintenance	1,082	1,106
Vehicle leasing	143	268
IT system development	76	46
Marketing expenses	456	382
Other supplies & services costs	335	239
	16,471	18,600

### 12 Depreciation and amortisation expense

	2011 \$000	2010 \$000
<b>Depreciation</b>		
Buildings	2,297	1,978
Computers and electronic equipment	54	50
Furniture	328	384
Plant and vehicles	625	521
Leasehold improvements	20	9
Infrastructure	1,490	1,495
	4,814	4,437
<b>Amortisation</b>		
Intangible assets	239	63
	239	63
<b>Total depreciation and amortisation</b>	5,053	4,500

### 13 Finance costs

	2011 \$000	2010 \$000
Fees	224	180
	224	180

### 14 Accommodation expenses

	2011 \$000	2010 \$000
Lease rentals	183	191
Other accommodation expenses	59	36
	242	227

### 15 Other expenses

	2011 \$000	2010 \$000
Furniture, fittings and equipment replacement	177	192
Doubtful debts expense	(38)	31
Employment on-costs <sup>(a)</sup>	131	21
Research and development	38	15
Other – Write-down of assets	52	344
	360	603



# ROTTNEST ISLAND AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

(a) Includes workers' compensation and payroll tax employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at note 26 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

<b>16</b>	<b>Grants and subsidies from State Government</b>	<b>2011</b>	<b>2010</b>
		<b>\$000</b>	<b>\$000</b>
	State Government Operating Grant	2,200	2,200
	Office of Crime Prevention	25	54
	Waste Management and Recycling	-	2
	Other	20	12
		<b>2,245</b>	<b>2,268</b>
	<b>State Government Operating Grant</b>		
	The State Government Operating Grant represents the contribution made under the Department of Treasury and Finance - Administered Transactions - Grants, Subsidies and Transfer Payments, Item 15 - Rottnest Island Authority.		
<b>17</b>	<b>Services received free of charge</b>	<b>2011</b>	<b>2010</b>
		<b>\$000</b>	<b>\$000</b>
	<b>State Government</b>		
	Department of Treasury and Finance	-	5
	<b>Total services received free of charge</b>	<b>-</b>	<b>5</b>
<b>18</b>	<b>Inventories</b>	<b>2011</b>	<b>2010</b>
		<b>\$000</b>	<b>\$000</b>
	<b>Inventories held for resale</b>		
	Visitors centre stock	25	25
	Post office	-	-
	Bike hire stock	5	6
		<b>30</b>	<b>31</b>
	<b>Inventories not held for resale</b>		
	Fuels	121	109
	Bike hire stock	-	116
		<b>121</b>	<b>225</b>
		<b>151</b>	<b>256</b>
<b>19</b>	<b>Receivables</b>	<b>2011</b>	<b>2010</b>
		<b>\$000</b>	<b>\$000</b>
	Receivables	1,537	1,790
	GST receivable	166	177
	Interest receivable	63	45
	Other receivables	94	213
	Prepayments	48	37
	Accrued Revenue	74	53
		<b>1,982</b>	<b>2,315</b>
	Allowance for impairment of receivables	(939)	(977)
		<b>1,043</b>	<b>1,338</b>

# ROTTNEST ISLAND AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

Reconciliation of changes in the allowance for impairment of receivables:

Balance at the start of the year	977	961
Doubtful debts expense written back in the income statement	(9)	29
Amounts already provided for & written off as uncollectible	(29)	(13)
Balance at the end of the year	939	977

The Authority does not hold any collateral as security or other credit enhancements relating to receivables.

### 20 Property, plant, equipment and vehicles

	2011 \$000	2010 \$000
Land		
At fair value <sup>(i)</sup>	126,700	126,700
Buildings		
At fair value <sup>(i)</sup>	100,719	99,603
Accumulated depreciation	(19,078)	(16,096)
	81,641	83,507
Computers and electronic equipment		
At cost	1,257	1,181
Accumulated depreciation	(1,172)	(1,118)
	85	63
Furniture		
At cost	1,996	1,996
Accumulated depreciation	(1,708)	(1,381)
	288	615
Plant and Vehicles (excl leased vehicles)		
At cost	3,731	3,185
Accumulated depreciation	(2,781)	(2,229)
	950	956
Leased Plant and Vehicles	755	362
At cost	(220)	(147)
Accumulated Depreciation	535	215
Leasehold Improvements		
At cost	313	201
Accumulated depreciation	(131)	(110)
	182	91
Works of art		
At fair value <sup>(ii)</sup>	26	26
	26	26
Work in progress		
At cost	73	23
	73	23
	210,480	212,196

# ROTTNEST ISLAND AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

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<sup>(i)</sup> Land and Buildings were re-valued as at 1 July 2009 by the Western Australian Land Information Authority (Valuation Services). The valuations were performed during the year ended 30 June 2010. The fair value of all land and buildings has been determined by applying the non market value and depreciated replacement cost method. Refer note 2(f) 'Property, Plant, Equipment and Vehicles and Infrastructure'.

<sup>(ii)</sup> The Rottnest Island artworks were independently valued by Stafford Studios of Fine Art in June 2009. The valuation was performed on a replacement value basis.

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# ROTTNEST ISLAND AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

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### Reconciliations

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

2010	Land	Buildings	Computers and electronic equipment	Furniture	Plant and vehicles	Leasehold improvements	Works of art	Work in progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000		\$000	\$000
Carrying amount at start of year	108,104	63,261	85	1,123	1,026	22	26	1,391	175,038
Additions	-	575	28	18	693	78	-	23	1,415
Transfers	(104)	1,200	-	(8)	(7)			(1,200)	(119)
Other disposals	-	-	-	(134 )	(20)	-	-	(191)	(345)
Classified as held for sale									
Revaluation increments	18,700	20,449	-	-	-	-	-	-	39,149
Depreciation	-	(1,978)	(50)	(384)	(521)	(9)	-	-	(2,942)
Carrying amount at end of year	126,700	83,507	63	615	1,171	91	26	23	212,196

ROTTNEST ISLAND AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS

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2011	Land	Buildings	Computers and electronic equipment	Furniture	Plant and vehicles	Leasehold improvements	Works of art	Work in progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000		\$000	\$000
Carrying amount at start of year	126,700	83,507	63	615	1,171	91	26	23	212,196
Additions	-	431	76	-	939	111	-	50	1,607
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Revaluation increments	-	-	-	-	-	-	-	-	-
Depreciation expense	-	(2,297)	(54)	(327)	(625)	(20)	-	-	(3,323)
Carrying amount at end of year	126,700	81,641	85	288	1,485	182	26	73	210,480

# ROTTNEST ISLAND AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### 21 Infrastructure

	2011 \$000	2010 \$000
At fair value	47,227	46,798
Accumulated Depreciation	(20,183)	(18,731)
	27,044	28,067

The latest revaluation on infrastructure was performed in accordance with an independent valuation by Australian Valuation Partners Pty Ltd. The effective date of the valuation was 30 June 2009. Fair value was determined on the basis of depreciated replacement cost.

Reconciliation		
Carrying amount at start of year	28,067	27,810
Additions	470	1,633
Transfers	-	119
Disposals	(3)	-
Depreciation expense	(1,490)	(1,495)
Carrying amount at end of year	27,044	28,067

### 22 Intangible assets

	2011 \$000	2010 \$000
Right to Receive the Rottnest Dome Building	778	778
Computer software at cost	1,473	1,129
Accumulated amortisation	(914)	(676)
	1,337	1,231
Reconciliation		
Carrying amount at start of year	1,231	884
Additions	344	410
Amortisation expense	(239)	(63)
Carrying amount at end of year	1,336	1,231

### 23 Impairment of assets

There were no indications of impairment to Property, plant, equipment and vehicles, Infrastructure and Intangible assets at 30 June 2011.

The Authority held no goodwill or intangible assets with an indefinite useful life during the reporting period. At the end of the reporting period other than the right to receive the Rottnest Dome building, there were no intangible assets not yet available for use.

All surplus assets at 30 June 2011 have either been classified as non-current assets held for sale or written off.

### 24 Payables

	2011 \$000	2010 \$000
Trade payables	2,887	4,723
Accrued expenses	113	75
Accrued salaries	125	120
	3,125	4,918

# ROTTNEST ISLAND AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### 25 Borrowings

	2011 \$000	2010 \$000
<u>Current</u>		
Finance lease liabilities (secured)	144	67
<b>Total current</b>	<b>144</b>	<b>67</b>
<u>Non-current</u>		
Finance lease liabilities (secured)	437	240
<b>Total non-current</b>	<b>437</b>	<b>240</b>

### 26 Provisions

	2011 \$000	2010 \$000
<u>Current</u>		
<i>Employee benefits provision</i>		
Annual leave <sup>(a)</sup>	748	864
Long service leave <sup>(b)</sup>	617	546
Time in lieu	39	30
Superannuation <sup>(d)</sup>	119	55
Leave purchase	10	7
	<b>1,533</b>	<b>1,502</b>
<u>Other provisions</u>		
Employment on-costs <sup>(c)</sup>	186	63
Long Service Leave on-cost provision	57	43
	<b>243</b>	<b>106</b>
	<b>1,776</b>	<b>1,608</b>
<u>Non-current</u>		
<i>Employee benefits provision</i>		
Long service leave <sup>(b)</sup>	339	304
Super prov - Lterm	29	352
GESB Superannuation Liab L/TE	335	-
	<b>703</b>	<b>656</b>
<u>Other provisions</u>		
Employment on-costs <sup>(c)</sup>	30	24
	<b>30</b>	<b>24</b>
	<b>733</b>	<b>680</b>

<sup>(a)</sup> Annual leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after reporting date. Assessments indicate that actual settlement of the liabilities will occur as follows:

	2011 \$000	2010 \$000
Within 12 months of Statement of Financial Position date	398	489
More than 12 months after Statement of Financial Position date	350	407
	<b>748</b>	<b>896</b>

<sup>(b)</sup> Long service leave liabilities have been classified as current where there is no unconditional right to

# ROTTNEST ISLAND AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

defer settlement for at least 12 months after reporting date. Assessments indicate that actual settlement of the liabilities will occur as follows:

Within 12 months of Statement of Financial Position date	219	315
More than 12 months after Statement of Financial Position date	737	627
	<u>956</u>	<u>942</u>

<sup>(c)</sup> The settlement of annual and long service leave gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments. The associated expense, apart from the unwinding of the discount (finance cost), is disclosed in note 15 'Other Expenses'.

<sup>(d)</sup> Defined benefit superannuation plans

The amounts recognised in the Statement of Comprehensive Income are as follows:

	Pension Scheme		Pre-transfer benefit Gold State Superannuation Scheme	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current service cost	0	0	0	0
Interest cost (unwinding of the discount)	15	16	3	3
Net actuarial losses/(gains) recognised	8	5	0	2
Total, included in Employee benefits expense (see note 10 'Employee benefits expense')	<b>23</b>	<b>21</b>	<b>3</b>	<b>5</b>

The amounts recognised in the Statement of Financial Position are as follows:

Present value of unfunded obligations	284	296	50	57
Liability in the Statement of Financial Position	<b>284</b>	<b>296</b>	<b>50</b>	<b>57</b>

Reconciliation of the unfunded liability recognised in the Statement of Financial Position is as follows:

	Pension Scheme		Pre-transfer benefit Gold State Superannuation Scheme	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Liability at start of year	296	309	57	52
Current service cost	0	0	0	
Interest cost (unwinding of the discount)	15	16	3	3
Net actuarial losses/(gains) recognised	8	5	0	2
Benefits paid	(35)	(34)	(10)	0
Liability at end of year	<b>284</b>	<b>296</b>	<b>50</b>	<b>57</b>
Reconciliation of the fair value of plan assets is as follows:				
Fair value of plan assets at start of year	0	0	0	0
Employer contributions	35	34	10	0
Benefits paid	(35)	(34)	(10)	0
Fair value of plan assets at end of year	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



# ROTTNEST ISLAND AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	2011	2010	2009
Discount rate	5.28%	5.48%	5.34%
Future salary increases	4.50%	4.50%	4.50%

<u>Historic summary</u>	2011 \$000	2010 \$000	2009 \$000
<i>Pension Scheme:</i>			
Present value of unfunded obligation	284	296	309
Fair value of plan assets	0	0	0
Deficit	284	296	309

*Pre-transfer Benefit - Gold State Superannuation Scheme:*

Present value of unfunded obligation	50	57	52
Fair value of plan assets	0	0	0
Deficit	50	57	52

*Experience adjustments arising on plan liabilities:*

Pension Scheme	5	5	15
Pre-transfer Benefit - Gold State Superannuation Scheme	(1)	3	4

Employer funding arrangements for the defined benefit plans

(a) The amounts recorded for the Gold State Superannuation Scheme relate to the scheme as a whole (ie. The pre-transfer benefit component plus the concurrently funded benefit component). Employer contributions of \$36,000 are expected to be paid to the Pension Scheme for the year ending 30 June 2012.

**Movements in Other Provisions**

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

	2011 \$000	2010 \$000
<u>Employment on-cost provision</u>		
Carrying amount at start of year	130	117
Additional provisions recognised	195	72
Payments / other sacrifices of economic benefits	(53)	(59)
<b>Carrying amount at end of year</b>	<b>272</b>	<b>130</b>

# ROTTNEST ISLAND AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

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### 27 Other Liabilities

	2011 \$000	2010 \$000
<b>Current liabilities</b>		
Refundable deposits and bonds	8,376	8,953
Leases in advance	100	100
Deferred Income	661	700
Unclaimed money	55	58
General Provisions	75	17
	<u>9,267</u>	<u>9,828</u>
<b>Non-current liabilities</b>		
Leases in advance	1,033	1,133
	<u>1,033</u>	<u>1,133</u>

For further details refer note 22 and 23.

### 28 Equity

<b>Contributed Equity</b>	2011 \$000	2010 \$000
Balance at start of the period	50,032	50,032
	-	-
<b>Total contributions by owners</b>	<u>50,032</u>	<u>50,032</u>
<b>Reserves</b>		
<b>Asset revaluation surplus</b>		
Balance at the start of year	187,840	148,691
Net revaluation increments/decrements		
Land	-	18,700
Buildings	-	20,449
Plant & Vehicles	2	-
<b>Balance at end of year</b>	<u>187,842</u>	<u>187,840</u>
<b>Retained Earnings</b>		
Balance at the start year	3,700	5,481
Result for the period	2,117	(1,781)
<b>Balance at end of year</b>	<u>5,817</u>	<u>3,700</u>

### 29 Notes to the Statement of Cash Flows

#### Reconciliation of Cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2011 \$000	2010 \$000
Cash and cash equivalents	14,152	10,956
Other financial assets (current & non-current)	6,000	6,000
	<u>20,152</u>	<u>16,956</u>

# ROTTNEST ISLAND AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### Reconciliation of profit after income tax equivalent to net cash flows provided by/(used in) operating activities

Profit / (loss) for the period	2,117	(1,781)
<u>Non cash items:</u>		
Depreciation and amortisation expense	5,053	4,500
Net loss / (gain) on sale of property, plant and equipment	5	(3)
Doubtful debts expense	(9)	23
Grants and subsidies from State Government	(2,245)	(2,268)
Other expenses – write down of assets		344
<u>(Increase) / decrease in assets:</u>		
Current receivables <sup>(a)</sup>	293	(483)
Current inventories	105	230
<u>Increase / (decrease) in liabilities:</u>		
Current Payables <sup>(a)</sup>	(1,793)	929
Current Provisions	168	298
Other liabilities	(560)	(447)
Non-current provisions	53	(79)
Non-current liabilities	(100)	(100)
Change in GST receivables / payables	12	(240)
Net cash provided by operating activities	<b>3,099</b>	<b>923</b>

### 30 Commitments

The commitments below are exclusive of GST where relevant.

<b>2011</b>	<b>2010</b>
<b>\$000</b>	<b>\$000</b>

#### Capital expenditure commitments

Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:

Within 1 year	876	679
	<b>876</b>	<b>679</b>
The capital commitments include amounts for:		
Buildings	490	384
Infrastructure	242	179
Plant Equipment and Vehicles	98	-
Software Development	46	116
	<b>876</b>	<b>679</b>

# ROTTNEST ISLAND AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

	2011 \$000	2010 \$000
<b>Lease commitments</b>		
Commitments in relation to leases contracted for at the balance sheet date but not recognised as liabilities are payable as follows:		
Within 1 year	297	220
Later than 1 year and not later than 5 years	1,129	51
Later than 5 years	149	-
	<u>1,575</u>	<u>271</u>
Representing		
Non-cancellable operating leases	1,575	271

Office accommodation is rented under commercial leases and rent is payable monthly in advance. The leases run for six years, with options of a further five years. The rentals are subject to review on predetermined dates based on either fixed percentage, CPI or market review adjustments.

Office equipment is leased over four year terms with charges payable monthly in advance. Options exist to continue leasing beyond the expiry date or to purchase at residual value.

<b>Finance Lease commitments</b>	2011 \$000	2010 \$000
Minimum lease payment commitments in relation to finance leases are payable as follows:		
Within 1 year	174	84
Later than 1 year and not later than 5 years	476	266
Minimum finance lease payments	650	350
Less future finance charges	(69)	(43)
<b>Present value of finance lease liabilities</b>	<u>581</u>	<u>307</u>
The present value of finance leases payable is as follows:		
Within 1 year	144	67
Later than 1 year and not later than 5 years	437	240
<b>Present value of finance lease liabilities</b>	<u>581</u>	<u>307</u>
Included in the financial statements as:		
Current ( <i>note 25 'Borrowings'</i> )	144	67
Non-current ( <i>note 25 'Borrowings'</i> )	437	240
	<u>581</u>	<u>307</u>

The Authority has the option to purchase leased assets at their agreed fair value on expiry of the lease. These leasing arrangements do not have escalation clauses, other than in the event of payment default. There are no restrictions imposed by these leasing arrangements on other financing transactions. Certain finance leases have a contingent rental obligation; however these are not material when compared to the total lease payments made.

# ROTTNEST ISLAND AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

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### 31 Contingent liabilities

The following contingent liabilities are additional to the liabilities included in the financial statements

#### Contaminated sites

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

During the year the Authority reported three suspected contaminated sites to DEC. These have yet to be classified. The Authority is unable to assess the likely outcome of the classification process, and accordingly, it is not practicable to estimate the potential financial effect or to identify the uncertainties relating to the amount or timing of any outflows. Whilst there is no possibility of reimbursement of any future expenses that may be incurred in the remediation of these sites, the Authority may apply for funding from the Contaminated Sites Management Account to undertake further investigative work or to meet remediation costs that may be required.

### 32 Events occurring after the end of the reporting period

There are no events that occurred after Statement of Financial Position date which would materially affect the financial statements.

### 33 Explanatory statement

#### **Significant variations between estimates and actual results for the financial year**

Details and reasons for significant variations between estimates and actual results are detailed below. Significant variations are considered to be those greater than 10% and \$100,000.

	<b>Actual 2011 \$000</b>	<b>Estimate 2011 \$000</b>	<b>Variance \$000</b>	<b>Variance %</b>
Interest revenue	1,172	677	495	73%
Supplies and services	16,471	18,648	2,177	12%
Depreciation and amortisation	5,053	4,501	(552)	(12)%
Other expenses	360	731	371	51%

#### ***Interest Revenue***

The variance is due to higher cash balances and interest rates in the 2011 year than budgeted for 2010. Interest was also received from the ATO which was not budgeted for. The interest received was on funds paid to the ATO in 2010 relating to the fuel rebate claim which were reimbursed in 2011.

#### ***Supplies and Services***

Expenditure on Supplies and Services in 2011 was lower than the budgeted amount due to stringent budgetary controls being implemented to ensure that expenditure levels were reduced to match lower than expected revenues.

#### ***Depreciation and amortisation***

The depreciation has increased due to the number of projects being completed in 2010. This included a significant value of software development which is depreciated over a short life.

#### ***Other Expenses***

The budget for Other Expenses included a provision for costs, including the operating costs associated with capital projects, which were not incurred.

# ROTTNEST ISLAND AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

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### Significant variances between actual and prior year revenue and expenditure

Significant variations are considered to be those greater than 10% and \$100,000.

	2011 \$000	2010 \$000	Variance \$000	Variance %
Interest revenue	1,172	734	438	60%
Supplies and services	16,471	18,600	(2,129)	(11)%
Depreciation and amortisation	5,053	4,500	553	12%
Other expenses	360	603	(243)	(40)%

#### **Interest Revenue**

The variance is due to higher cash balances and interest rates in the 2011 year than in 2010. Interest was also received in 2011 from the ATO on funds paid to the ATO in 2010 relating to the fuel tax rebate claim which were reimbursed in 2011 (see below – Supplies and Services).

#### **Supplies and Services**

Expenditure on Supplies and Services in 2011 was lower than in the 2010 year due to stringent budgetary controls being implemented to ensure that expenditure levels were reduced to match lower than expected revenues. In the 2010 year a payment to the ATO of \$1.5m was required which was accounted for in Supplies and Services. This payment related to the ATO's claim for reimbursement of fuel tax credit paid for the period November 2003 to June 2009. An objection was lodged with the ATO disputing their claim which was upheld and the funds repaid to the Authority in the 2011 year.

#### **Depreciation and amortisation**

The depreciation has increased due to the number of projects being completed in 2010. This included a significant value of software development which is depreciated over a short life.

#### **Other Expenses**

The value of Other Expenses in the 2009/10 financial year included a one-off charge relating to the write down of assets to comply with the Authority's capitalisation policy. The charge has not been repeated in the 2010/11 financial year.

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## 34 Financial Instruments

### **(a) Financial Risk Management Objectives and Policies**

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

#### Credit risk

Credit risk arises when there is the possibility of the Authority's receivables defaulting on their contractual obligations resulting in financial loss to the Authority.

The maximum exposure to credit risk at end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment as shown in the table at note 34(c) 'Financial Instrument Disclosures' and note 2(m) 'Receivables'.

The Authority has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Authority's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

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# ROTTNEST ISLAND AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

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### Liquidity risk

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

The Authority's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, loans and finance leases. The Authority has appropriate procedures to manage cash flows by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

### Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Authority's income or the value of its holdings of financial instruments. The Authority does not trade in foreign currency and is not materially exposed to other price risks [*for example, equity securities or commodity prices changes*]. The Authority's exposure to market risk for changes in interest rates relates primarily to the long-term debt obligations.

All borrowings are due to the Western Australian Treasury Corporation (WATC) and are repayable at fixed rates with varying maturities. Other than as detailed in the interest rate sensitivity analysis table at note 34(c), the Authority is not exposed to interest rate risk because apart from minor amounts of restricted cash, all other cash and cash equivalents and restricted cash are non-interest bearing and have no borrowings other than the Treasurer's advance (noninterest bearing), WATC borrowings and finance leases (fixed interest rate).

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### **(b) Categories of Financial Instruments**

In addition to cash and bank overdraft, the carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

	2011 (\$'000)	2010 (\$'000)
<b>Financial Assets</b>		
Cash & Cash Equivalents	14,152	10,956
Loans and Receivables <sup>(a)</sup>	877	1,162
Held-to-maturity investments	6,000	6,000
<b>Financial Liabilities</b>		
Financial Liabilities measured at amortised cost	3,706	5,225

<sup>(a)</sup> The amount of loans and receivables excludes GST recoverable from the ATO (statutory receivable)

### **(c) Financial Instrument Disclosures**

#### Credit Risk and Interest Rate Risk Exposures

The following Table discloses the Authority's maximum exposure to credit risk, interest rate exposures and the ageing analysis of financial assets. The Authority's maximum exposure to credit risk at the end of the reporting period is the carrying amount of the financial assets as shown below. The table discloses the ageing analysis of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of the Authority.

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

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

# ROTTNEST ISLAND AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### Interest rates exposures and ageing analysis of financial assets (a)

	<u>Interest rate exposure</u>					<u>Past due but not impaired</u>							Impaired financial assets
	Weighted Average Effective Interest rate %	Carrying Amount (\$'000)	Fixed interest rate (\$'000)	Variable Interest rate (\$'000)	Non-Interest Bearing (\$'000)	Up to 3 months (\$'000)	3 – 12 months (\$'000)	1 - 2 Years (\$'000)	2 - 3 Years (\$'000)	3 - 4 Years (\$'000)	4 - 5 years (\$'000)	Over 5 years (\$'000)	
<b>Financial Assets</b>													
<b>2011</b>													
Cash and cash equivalents	5.03%	14,152		14,300	(148)					-	-	-	-
Receivables <sup>(a)</sup>		877			877	877				-	-	-	-
Other financial assets	5.75%	6,000	6,000			3,000	3,000			-	-	-	-
		21,029	6,000	14,300	729	3,877	3,000			-	-	-	-
<b>2010</b>													
Cash and cash equivalents	4.75%	10,956		10,272	684					-	-	-	-
Receivables <sup>(a)</sup>		1,162		-	1,162	1,109	51	2		-	-	-	-
Other financial assets	4.93%	6,000		-	-	-	3,000	3,000		-	-	-	-
		18,118		10,272	1,846	1,109	3,051	3,002		-	-	-	-

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



# ROTTNEST ISLAND AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### Liquidity Risk

The following table details the contractual maturity analysis for financial liabilities. The table includes interest and principal cash flows. An adjustment has been made where material.

### **Interest rate exposure and maturity analysis of financial liabilities**

The following table details the contractual maturity analysis for financial liabilities. The table includes interest and principal cash flows. An adjustment has been made where material.

Interest rate exposure								Maturity dates						
	Weighted Average Effective Interest rate	Carrying Amount	Fixed interest rate	Variable Interest rate	Non- Interest Bearing	Adjustment for discounting	Total nominal amount	Up to 3 months	3 – 12 months	1 - 2 Years	2 - 3 Years	3 - 4 Years	4 - 5 years	More than 5 years
	%	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Financial Liabilities</b>														
<b>2011</b>														
Payables		3,125	-	-	3,125	-	-	-	-	-	-	-	-	-
Finance lease liabilities	5.80%	581	581	-	-	(69)	650	44	131	174	158	121	22	-
		3,706	581	-	3,125	(69)	650	44	131	174	158	121	22	-
<b>2010</b>														
Payables		4,918	-	-	4,918	-	-	-	-	-	-	-	-	-
Finance lease liabilities	6.08%	307	307	-	-	-	307	16	51	71	76	64	29	-
		5,225	307	-	4,918	-	307	16	51	71	76	64	29	-

# ROTTNEST ISLAND AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Authority's financial assets and liabilities at the end of the reporting period on the surplus for the period and equity for a 100 basis point in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

	Carrying Amount	- 100 basis points Profit	Equity	+100 basis points Surplus	Equity
<b>2011</b>	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<u>Financial Assets</u>					
Cash and cash equivalents	14,152	(142)	(142)	142	142
Other financial assets	6,877	(69)	(69)	69	69
<u>Financial Liabilities</u>					
Finance Lease Liabilities	581	6	6	(6)	(6)
Total Increase/(Decrease)		(205)	(205)	205	205
	Carrying Amount	- 100 basis points Profit	Equity	+100 basis points Surplus	Equity
<b>2010</b>	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<u>Financial Assets</u>					
Cash and cash equivalents	10,956	(110)	(110)	110	110
Other financial assets	7,162	(72)	(72)	72	72
<u>Financial Liabilities</u>					
Finance Lease Liabilities	307	3	3	(3)	(3)
Total Increase/(Decrease)		(179)	(179)	179	179

### **(d) Fair values**

All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

### **35 Remuneration of members of the accountable authority and senior officers**

	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
<b>Remuneration of Members of the accountable authority</b>		
The number of members of the accountable authority, whose total of fees, salaries, superannuation, non monetary benefits and other benefits for the financial year, fall within the following bands are:		
\$		
0 - 10,000	6	5
20,001 - 30,000	1	1
The total remuneration of members of the Accountable Authority is:	59	61

The total remuneration includes the superannuation expense incurred by the Authority in respect of members of the Accountable Authority.

# ROTTNEST ISLAND AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

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No members of the Accountable Authority are members of the Pension Scheme.

	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
<b>Remuneration of Senior Officers</b>		
The number of senior officers, other than senior officers reported as members of the accountable authority, whose total of fees, salaries, superannuation, non monetary benefits and other benefits for the financial year fall within the following bands are:		
\$		
40,001 - 50,000	1	1
50,001 - 60,000	-	1
60,001 - 70,000	-	1
80,001 - 90,000	1	-
100,001 - 110,000	1	1
110,001 - 120,000	1	2
120,001 - 130,000	2	-
130,001 - 140,000	2	2
170,001 - 180,000	-	1
200,001 - 210,000	1	-
<b>The total remuneration of senior officers</b>	<b>1,081</b>	<b>940</b>

The total remuneration includes the superannuation expense incurred by the Authority in respect of senior officers other than senior officers reported as members of the accountable authority.

No senior officers are members of the Pension Scheme.

### 36 Remuneration of auditor

Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:

	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
Auditing the accounts, financial statements and performance indicators	84	79

### 37 Supplementary financial information

#### (a) Write-offs approved by the Board

	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
Amounts already provided for and written off as uncollectible	29	13

# ROTTNEST ISLAND AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### 38 Schedule of Income and Expenses by service

Segment information has been disclosed by service. The two services of the Authority are:

#### **Service 1: Provision of Services to Visitors**

This service relates to the provision and operation of affordable recreational and holiday facilities with particular regard for the needs of persons usually resident in the State, and who wish to visit or stay on the Island as a family group.

#### **Service 2: Conservation of the Natural and Built Environment**

This service relates to the maintenance and protection of the Island's natural and built environment.

The Authority operates within one geographical segment (the Western Australian public sector).

	<b>Services to Visitors</b>		<b>Conservation of Environment</b>		<b>Total</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>INCOME</b>						
<b>Revenue</b>						
Sales	132	120	-	-	132	120
Provision of services	30,477	28,449	30	20	30,507	28,469
Commonwealth grants and contributions	-	-	-	-	-	-
Interest revenue	1,172	734	-	-	1,172	734
Other revenues	293	201	28	93	321	294
<b>Gains</b>						
Gains on disposal of non-current assets	-	3	-	-	-	3
<b>Total Income</b>	<b>32,075</b>	<b>29,507</b>	<b>58</b>	<b>113</b>	<b>32,132</b>	<b>29,620</b>
<b>EXPENSES</b>						
Cost of sales	109	99	-	-	109	99
Employee benefits expense	7,735	7,866	2,061	1,601	9,796	9,466
Supplies and services	14,855	17,406	1,617	1,194	16,471	18,600
Depreciation and amortisation expense	4,404	4,093	650	407	5,054	4,500
Finance costs	195	163	29	16	224	180
Accommodation expenses	211	206	31	21	242	227
Loss on disposal of non-c assets	5	-	-	-	5	-
Other expenses	296	374	64	229	360	603
<b>Total Expenses</b>	<b>27,809</b>	<b>30,206</b>	<b>4,452</b>	<b>3,468</b>	<b>32,260</b>	<b>33,675</b>
Profit/(loss) before grants and subsidies from State Government	4,266	(699)	(4,394)	(3,355)	(128)	(4,055)
Grants and subsidies from State Government	1,942	2,055	303	213	2,245	2,268
Services received free of charge	-	5	-	-	-	5
<b>Profit / (loss) for the period</b>	<b>6,208</b>	<b>1,361</b>	<b>(4,091)</b>	<b>(3,142)</b>	<b>2,117</b>	<b>(1,781)</b>