



Financial Statements



GPO BOX 12
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

NSW HERITAGE OFFICE

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the Heritage Office:

- (a) presents fairly the Office's financial position as at 30 June 2004 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 45E of the *Public Finance and Audit Act 1983* (the Act).

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

The Director's Role

The financial report is the responsibility of the Director of the NSW Heritage Office. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows, the program statement - expenses and revenues, the summary of compliance with financial directives and the accompanying notes.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Director in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Director had not fulfilled his reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the NSW Heritage Office,
- that the NSW Heritage Office has carried out its activities effectively, efficiently and economically,
- about the effectiveness of its internal controls, or
- on the assumptions used in formulating the budget figures disclosed in the financial report.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

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

Handwritten signature of M P Aboud in cursive.

M P Aboud CPA
Director of Audit

SYDNEY
20 October 2004

N.S.W. HERITAGE OFFICE
STATEMENT BY DEPARTMENT HEAD

Pursuant to Section 45F of the Public Finance and Audit Act 1983, I state that:

- (a) The financial statements, read in conjunction with the accompanying notes, exhibit a true and fair view of the financial position of the Corporation Sole "Minister Administering the Heritage Act, 1977" as at 30 June 2004, and for the operations for the year then ended;
- (b) The statements have been prepared in accordance with the provisions of the Public Finance and Audit Act, 1983, the applicable clauses of the Public Finance and Audit (Departments) Regulation 1986, the Treasurer's Directions and the Financial Reporting Code under Accrual Accounting for Inner Budget Sector Entities;
- (c) There are not any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.


REECE MCDUGALL
DIRECTOR
HERITAGE OFFICE

20/10/04
Dated

Financials

Statement of Financial Performance / Financial Position

NSW Heritage Office

Statement of Financial Performance for the Year Ended 30 June 2004

	Notes	Actual 2004 \$'000	Budget 2004 \$'000	Actual 2003 \$'000
Expenses				
Operating expenses				
Employee related	2(a)	3,398	3,271	3,034
Other operating expenses	2(b)	1,288	1,586	1,631
Maintenance		51	161	39
Depreciation	2(c)	101	100	147
Grants and subsidies	2(d)	3,217	2,528	3,350
Total Expenses		8,055	7,646	8,201
Less:				
Retained Revenue				
Investment income	3(a)	64	68	33
Grants and contributions	3(b)	74	60	17
Other revenue	3(c)	73	307	84
Total Retained Revenue		211	435	134
Gain / (Loss) on disposal of non-current assets	4	0	0	(207)
Net Cost of Services	18	7,844	7,211	8,274
Government Contributions:				
Recurrent appropriation	5	6,915	6,215	6,507
Capital appropriation	5	19	19	1,454
Acceptance by the Crown Entity of employee benefits and other liabilities	6	403	315	381
Cash transfer to Consolidated Fund		0	0	0
Total Government Contributions		7,337	6,549	8,342
SURPLUS / (DEFICIT) FOR THE YEAR FROM OPERATING ACTIVITIES		(507)	(662)	68
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY				
		0	0	0
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS				
		(507)	(662)	68

[The accompanying notes form part of these statements]

NSW Heritage Office

Statement of Financial Position as at 30 June 2004

	Notes	Actual 2004 \$'000	Budget 2004 \$'000	Actual 2003 \$'000
ASSETS				
Current Assets				
Cash	8	488	413	521
Receivables	9	200	244	244
Total Current Assets		688	657	765
Non-Current Assets				
Receivables	9	490	512	512
Plant and Equipment	11	217	237	308
Total Non-Current Assets		707	749	820
Total Assets		1,395	1,406	1,585
LIABILITIES				
Current Liabilities				
Payables	12	372	113	113
Provisions	13	333	275	275
Total Current Liabilities		705	388	388
Non Current Liabilities				
Provisions	13	18	19	19
Total Non Current Liabilities		18	19	19
Total Current and Non-Current Liabilities		723	407	407
Net Assets		672	999	1,178
EQUITY				
Accumulated Funds	14	672	999	1,178
Total Equity		672	999	1,178

[The accompanying notes form part of these statements]

NSW Heritage Office

Statement of Cash Flows for the Year Ended 30 June 2004

	Notes	Actual 2004 \$'000	Budget 2004 \$'000	Actual 2003 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(3,175)	(3,093)	(2,721)
Grants and subsidies		(3,217)	(3,228)	(3,350)
Other		(1,478)	(2,187)	(2,349)
Total Payments		(7,870)	(8,508)	(8,420)
Receipts				
Interest Received		61	68	21
Other		661	807	464
Total Receipts		722	875	485
Cash Flows from Government				
Recurrent appropriation		6,915	6,215	6,507
Capital appropriation		19	19	1,454
Cash reimbursements from the Crown Entity		169	137	130
Net Cash Flow From Government		7,103	7,071	8,091
NET CASH FLOWS FROM OPERATING ACTIVITIES	18	(45)	(562)	156
CASH FLOW FROM INVESTING ACTIVITIES				
Purchases of Land and Buildings, Plant and Equipment		(10)	(19)	(22)
Proceeds from sale of investments		0	473	0
Advances made		22	0	(374)
NET CASH FLOWS USED ON INVESTING ACTIVITIES		12	454	(396)
NET INCREASE / (DECREASE) IN CASH		(33)	(108)	(240)
Opening cash and cash equivalents		521	521	761
CLOSING CASH AND CASH EQUIVALENTS	8	488	413	521

[The accompanying notes form part of these statements]

NSW Heritage Office

Summary of Compliance with Financial Directives for the Year Ended 30 June 2004

	2004				2003			
	Recurrent Appropriation \$'000	Expenditure/ Net Claim on Consolidated Fund \$'000	Capital Appropriation \$'000	Expenditure/ Net Claim on Consolidated Fund \$'000	Recurrent Appropriation \$'000	Expenditure \$'000	Capital Appropriation \$'000	Expenditure \$'000
ORIGINAL BUDGET APPROPRIATION / EXPENDITURE								
Appropriation Act	6,215	6,215	19	19	4,907	4,907	772	772
	6,215	6,215	19	19	4,907	4,907	772	772
OTHER APPROPRIATIONS / EXPENDITURE								
Treasurer's Advance	700	700	0	0	1600	1600	682	682
	700	700	0	0	1600	1600	682	682
Total Appropriations / Expenditure / Net Claim on Consolidated Fund (includes transfer payments)	6,915	6,915	19	19	6,507	6,507	1,454	1454
Amount drawn down against Appropriation		6,915		19		6,507		1454
Liability to Consolidated Fund		0		0		0		0

Notes to the Summary of Compliance with Financial Directives

- (a) The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first, (except where otherwise identified or prescribed)
- (b) The Liability to Consolidated Fund is calculated as the difference between "Amount drawn down against Appropriation" and "Total Expenditure / Net Claim on Consolidated Fund".
- (c) Treasurer's Advance appropriation was provided for:
- Murphy House Restoration \$200,000
 - The Great Synagogue \$500,000.

NSW Heritage Office

Notes accompanying and forming part of the Financial Statements for the year ended 30 June 2004

1. Summary of significant accounting policies

(a) Reporting Entity

The Heritage Office (the Office), was formed on 1 July 1996 and is responsible for the administration of the Heritage Act, 1977. It has a major education and promotional role to encourage conservation of the State's Heritage assets.

The Office is a separate reporting entity. There are no other entities under its control.

As the Office is a single program entity, the financial operations disclosed in the Statement of Financial Performance and Statement of Financial Position are those of the Office program. Accordingly, a separate supplementary program statement has not been prepared.

The reporting entity is consolidated as part of the NSW Total State Sector and as part of the NSW Public Accounts.

(b) Basis of Accounting

The Office's financial statements are a general purpose financial report which has been prepared on an accrual basis and in accordance with:

- applicable Australian Accounting Standards;
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Urgent Issues Group (UIG) Consensus Views;
- the requirements of the Public Finance and Audit Act and Regulations; and
- the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under section 9(2)(n) of the Act.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative pronouncements of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS 6 "Accounting Policies" is considered.

The financial statements are prepared in accordance with historical cost convention. All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) Administered Activities

The Office does not administer any activities on behalf of the Crown Entity.

(d) Revenue Recognition

Revenue is recognised when the Office has control of the good, or right to receive, it is probable that the economic benefit will flow to the Office and the amount of revenue can be measured reliably. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

(i) Parliamentary Appropriations and Contributions from Other Bodies

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

An exception to the above is when appropriations are unspent at year end. In this case, the authority to spend the money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are accounted for as liabilities rather than revenue. The Office did not have a liability to Consolidated Fund at 30 June 2004 (Nil \$2003).

(ii) Sale of Goods and Services

Revenue from the sale of goods and services comprises revenue from the provision of products or services i.e. user charges. User charges are recognised as revenue when the Office obtains control of the assets that result from them.

(iii) Investment Income

Interest revenue is recognised as it accrues.

(e) Employee Benefits and other provisions

(i) Salaries and Wages, Annual Leave, Sick Leave and On-Costs

Liabilities for salaries and wages (including non-monetary benefits), annual leave and vesting sick leave are recognised and measured in respect to employees' services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled.

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

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

(ii) Long Service Leave and Superannuation

The Office's liabilities for long service leave and superannuation are assumed by the Crown Entity. The Office accounts for the liability as having being 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 on a present value basis. The liabilities that are expected to be settled more than twelve months after the reporting date are measured as the present value of the estimated future cash outflows to be made by employers in respect of services provided by employees up to the reporting date. The present value method is based on the remuneration rates on what the entity expects to pay at each reporting date for all employees with five or more years of service. This means that where it is expected that employees will receive a pay rise after reporting date, the increased pay rate is used in determining the employee benefit liabilities.

The simple factors provide by NSW Treasury to increase the long service leave liability and related on-costs to approximate present value calculations have been used in determining the liabilities.

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 (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

(iii) Other Provisions

Other provisions exist when the Office has a present legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or past events. These provisions are recognised when it is probable that a future sacrifice of economic benefits will be required and the amount can be measured reliably.

Any provisions for restructuring are recognised either when a detailed formal plan has been developed or will be developed within prescribed time limits and where the entity has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring.

(f) Insurance

The Office'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 experience.

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

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

- the amount of GST incurred by the Office 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.
- receivables and payables are stated with the amount of GST included.

(h) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Office. Cost is determined as the fair value of the assets given as consideration plus the costs incidental to the acquisition.

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

Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

(i) Plant and Equipment

Plant and equipment costing \$5,000 and above individually are capitalised.

(j) Revaluation of Physical Non-Current Assets

Physical non-current assets are valued in accordance with the "Guidelines for the Valuation of Physical Non-Current Assets at Fair Value" (TPP 03-02). This policy adopts fair value in accordance with AASB 1041 from financial years beginning on or after 1 July 2002. There is no substantive difference between the fair value valuation methodology and the previous valuation methodology adopted in the NSW public sector.

Where available, fair value is determined having regard to the highest and best use of the asset on the basis of current market selling prices for the same or similar assets. Where market selling price is not available, the asset's fair value is measured as its market buying price i.e. the replacement cost of the asset's remaining future economic benefits. The agency is a not for profit entity with no cash generating operations.

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

(k) Depreciation of Non-Current Physical Assets

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

Depreciation Rates	% Rate
Computer equipment	25.00
General plant and equipment	14.28

(l) Maintenance and Repairs

The costs of maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated.

(m) 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.

The leasing transactions of the Office are restricted to operating leases of motor vehicles. Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred.

(n) Receivables

Receivables are recognised and carried at cost based on the original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(o) Payables

These amounts represent liabilities for goods and services provided to the office and other amounts, including interest.

(p) 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 Statement of Financial Performance and the Statement 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).

(q) Re-classification

The Provision for Long Service Leave was reported in current liabilities during the 2002/03 financial year.

As the Provision for Long Service Leave relates to both current and non-current liabilities it is therefore reported accordingly for the current financial year.

2. Expenses

(a) Employee related expenses

	2004 \$'000	2003 \$'000
Salaries and wages (including recreation leave)	2,811	2,477
Superannuation	271	226
Long service leave	116	141
Workers compensation insurance	16	22
Payroll and fringe benefits tax	168	155
Payroll tax on superannuation	16	13
	3,398	3,034

The Office charges the full cost of long service leave and the current service cost of superannuation to operations. However, as the Office liability for long service and superannuation is assumed by the Crown Entity, the Office accounts for the liability as having been extinguished. This result is non-monetary revenue described as "Acceptance by Crown Entity of employee entitlements and other liabilities" (Refer Note 1(e)(iii)).

(b) Other operating expenses

	2004	2003
	\$'000	\$'000
Auditor's remuneration		
- audit or review of the financial reports	19	17
Building Occupancy Charges	78	197
Insurance	24	15
Corporate services	330	295
Consultancies	157	184
Public relations costs	103	93
Other	577	830
	1,288	1,631

(c) Depreciation expense

	2004	2003
	\$'000	\$'000
Plant and equipment	101	147
	101	147

(d) Grants and subsidies

	2004	2003
	\$'000	\$'000
Heritage Grant Program	3,217	1,912
The Former King's School restoration contribution to Corporation Sole	0	1,438
	3,217	3,350

3. Revenues**(a) Investment income**

	2004	2003
	\$'000	\$'000
Interest	64	33
	64	33

(b) Grants and contributions

	2004	2003
	\$'000	\$'000
Commonwealth Government - Shipwreck Program	63	17
Other - Private Sector Grants	11	0
	74	17

c) Other revenue

	2004 \$'000	2003 \$'000
Miscellaneous income	73	84
	<u>73</u>	<u>84</u>

4. Gain / (Loss) on Disposal of non-current assets

	2004 \$'000	2003 \$'000
Proceeds from disposals	0	0
Written down value of assets disposed	0	(207)
	<u>0</u>	<u>(207)</u>

5. Appropriations

	2004 \$'000	2003 \$'000
Recurrent appropriations		
Total recurrent drawdowns from Treasury (per Summary of Compliance)	6,915	6,507
Less: Liability to Consolidated Fund (per Summary of Compliance)	0	0
	<u>6,915</u>	<u>6,507</u>
Comprising:		
Recurrent appropriations (per Statement of Financial Performance)	6,915	6,507
	<u>6,915</u>	<u>6,507</u>
Capital appropriations		
Total capital drawdowns from Treasury (per Summary of Compliance)	19	1,454
Less: Liability to Consolidated Fund (per Summary of Compliance)	0	0
	<u>19</u>	<u>1,454</u>
Comprising:		
Capital appropriations (per Statement of Financial Performance)	19	1,454
	<u>19</u>	<u>1,454</u>

6. Acceptance by the Crown Entity of Employee benefits and other liabilities

	2004 \$'000	2003 \$'000
The following liabilities and / or expenses have been assumed by the Crown Entity.		
Superannuation	271	227
Long service leave	116	141
Payroll tax	16	13
	<u>403</u>	<u>381</u>

7. Programs / Activities of the Heritage Office

The Heritage Office conducts one program:

Objective: To enhance the community's understanding of heritage and to improve the conservation of heritage items.

8. Current Assets - Cash

	2004 \$'000	2003 \$'000
Cash at bank and on hand	488	521
	488	521

For the purposes of the Statement of Cash Flows, cash includes cash on hand and cash at bank.

Cash assets recognised in the Statement of Financial Position are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:

Cash (per Statement of Financial Position)	488	521
Closing Cash and Cash Equivalents (per Statement of Cash Flows)	488	521

9. Current / Non-Current Assets - Receivables

	2004 \$'000	2003 \$'000
Current		
Sale of goods and services	110	156
Other debtors	231	229
	341	385
Less: Provision for doubtful debts	141	141
	200	244
Non-Current		
Repayable advances	490	512
	490	512
The prepayment of salaries, wages and related on-costs is included above but not identified separately because it is considered immaterial.		

10. Restricted Assets

There are no restricted assets held by the office

11. Non-Current Assets - Plant and Equipment

	2004 \$'000	2003 \$'000
Plant and Equipment		
At Fair Value	541	531
Less Accumulated Depreciation	324	223
Total Plant and Equipment At Net Book Value	217	308

Reconciliations

Reconciliation of the carrying amounts of plant and equipment at the beginning and end of the current and previous financial year is set out below:

Plant and Equipment

	2004 \$'000
Carrying amount at start of year	308
Additions	19
Disposals (Opening Balance Adjustment)	0
Depreciation expense	(101)
Other movement *	(9)
Carrying amount at end of year	217

* Relates to Leasehold Improvements

12. Current Liabilities - Payables

	2004 \$'000	2003 \$'000
Accrued salaries and wages	0	69
Creditors and Grants	372	44
	372	113

13. Current / Non-Current Liabilities - Provisions

	2004 \$'000	2003 \$'000
Current		
Employee benefits and related on-costs		
Recreation leave	318	275
Long Service Leave	15	0
	333	275
Non Current		
Employee benefits and related on-costs		
Long Service Leave	18	19
	18	19
Aggregate employee benefits and related on-costs		
Provisions - current	333	275
Provisions - non-current	18	19
Accrued Salaries, wages and on-costs (Note 12)	0	69
Total Provisions	351	363

14. Changes in Equity

Changes in Equity - movement	Accumulated Funds		Total Equity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Balance at the beginning of the financial year	1,178	1,110	1,178	1,110
Changes in equity-other than transactions with owners as owners	0	0	0	0
Total	1,178	1,110	1,178	1,110
Changes in equity-other than transactions with owners as owners				
Surplus / (Deficit) for the year	(507)	68	(507)	68
Total	(507)	68	(507)	68
Balance at the end of the financial year	672	1,178	672	1,178

15. Commitments for Expenditure

(a) Other Expenditure Commitments

	2004 \$'000	2003 \$'000
Total operating expenditure which have not been recognised at balance date:		
Not later than one year	0	43
Total (including GST)	0	43

(b) Operating Lease Commitments

	2004 \$'000	2003 \$'000
Not later than one year	14	19
Later than one year and not later than five years	14	6
Total	28	25

The Office has no occupancy commitment in regard to it's location at the Former King's School.

The Office has commitments to motor vehicle leases through State Fleet.

The total "Operating Lease Commitments" above includes input tax credits of \$2,537 that are expected to be recoverable from the Australian Taxation Office.

16. Contingent Liabilities and Contingent Assets

The Office is not aware of any contingent liabilities and/or contingent assets associated with its operations.

17. Budget Review

Net Cost of Services

The actual Net Cost of Services was higher than the budget by \$634,000 primarily due to special grants for

(a) Murphy House Restoration \$200,000 and (b) The Great Synagogue \$500,000 provided by Treasurers Advance appropriation funding. The budget was also revised during the year to bring forward \$136,000 from 2002-03 in relation to unspent consultancy funding.

Assets and Liabilities

Current assets were above budget by \$31,000 due to the increases in cash balance.

Current liabilities were above budget by \$317,000 primarily due to higher accruals and provisions at year end.

Cash Flows

Net Cash flows were lower than budget by \$75,000 due to revenue amounts that relate to S167 Fees being recorded in the Corporation Sole "Minister Administering the Heritage Act, 1997"

18. Reconciliation of Cash Flows from Operating Activities to Net Cost of Services

	2004 \$'000	2003 \$'000
Net Cash used on operating activities	(45)	156
Cash Flows from Government / Appropriations	(6,934)	(7,961)
Acceptance by the Crown Entity of employee benefits and other liabilities	(403)	(381)
Depreciation	(101)	(147)
Decrease / (increase) in provisions	(58)	(53)
Increase / (decrease) in prepayments and other assets	(44)	38
Decrease / (increase) in creditors	(259)	281
Write back non-current assets	0	(207)
Net Cost of Services	(7,844)	(8,274)

19. Financial Instruments

Financial instruments give rise to positions that are financial assets or liabilities (or equity instruments) of either the Office or counterparties. These include Cash at Bank, Receivables and Accounts Payable. Classes of instruments are recorded at cost and carried at net fair value.

Cash

Cash comprises cash on hand and bank balances within the Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11 am unofficial cash rate adjusted for a management fee to Treasury. The average rate during the year was 4.06% (2002/03 3.75%), and the rate at year end was 4.25% (2002/03 3.75%).

Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debt is raised when some doubt as to collection exists. The credit risk is the carrying amount (net of any provision for doubtful debts). No interest is earned on trade debtors. The carrying amount approximates net fair value. Sales are made on 30 day terms.

Bank Overdraft

The Office does not have any bank overdraft facility.

Trade Creditors and Accruals

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 payments. No interest was paid during the year (2002/03 \$Nil).

20. Adopting AASB 1047 Disclosure

(a) Explanation of how the transition to AIFRS is being managed

The Heritage Office will apply the Australian Equivalents to International Financial Reporting Standards (AIFRS) from the reporting period beginning 1 July 2005.

The Office is managing the transition to the new standards by allocating internal resources and engaging Central Corporate Services Unit (CCSU) to analyse the pending standards and Urgent Issues Group Abstracts to identify key areas regarding policies, procedures, systems and financial impacts affected by the transition.

As a result of this exercise, the Office has taken the following steps to manage the transition to the new standards:

The CCSU's Internal Audit Committee is overseeing the transition. The Office Representative is responsible for the project of the Office and reports regularly to the Committee on progress against the plan.

The following phases that need to be undertaken have been identified:

- May / July 2004- Reviewing the AIFRS.
- August 2004 -Identifying the changes applicable for the Office and disclosing likely impacts of moving to AIFRS in 2004-05 financial statements.
- September 2004- Major implementation decisions at high level, in relation to system requirements, review procedures, communication plans and training requirements.

- October 2004- Analyse NSW Treasury reporting policy, review position of individual agency, identify and convert to requirements and liaise with Audit Office.
- November 2004-Prepare draft Balance Sheet as at 1 July 2004 for the NSW Treasury, identify target changes/analysis, develop check lists, review process, liaise with clients and external consultants to review the approach.
- December 2004- Submit draft Balance Sheet as at 1 July 2004 prepared under AIFRS (in parallel with existing AGAAP financial information and financial statements) to the NSW Treasury and Audit Office.
- January / February 2005- Finalise status for reporting to NSW Treasury and complete client requirements.
- March 2005- Finalise audit by the Audit Office, record correct balances in Office ledgers, run parallel data, reconcile both sets of figures and develop processes for on-going recording and updating of training program. Submit final Balance Sheet as at 1 July 2004 prepared under AIFRS (in parallel with existing AGAAP financial information and financial statements) to the NSW Treasury and Audit Office.
- April / June 2005-Modify the systems used to produce year end financial statements.
- July / August 2005-Prepare initial set of financial statements for 2004-05 financial year under AIFRS with 2003-04 comparative information and review.

To date, the known changes have been reviewed and some common ones identified. The target dates shown above are only estimates because the AIFRS are still being formulated and mandatory provisions have not been finalised by the NSW Treasury.

(b) Key Differences in Accounting Policies

Based on current information, the following key differences in accounting policies are expected to arise from adopting AIFRS:

- AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards requires retrospective application of the new AIFRS from 1 July 2004. This differs from current Australian requirements, because such changes must be with limited exemptions. Similarly, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance of accumulated funds. recognised in the current period through profit or loss, unless a new standard mandates otherwise.
- AASB 116 Property, Plant and Equipment requires the cost and fair value of property, plant and equipment to be increased to include restoration costs, where restoration provisions are recognised under AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

Major inspection costs must be capitalised and this will require the fair value and depreciation of the related asset to be re-allocated.

- AASB 117 Leases requires operating lease contingent rentals to be recognised as an expense on a straight-line basis over the lease term rather than expensing in the financial year in which the lease commenced.
- AASB 119 Employee Benefits requires the defined benefit obligation to be discounted using the government bond rate as at each reporting date rather than the long-term expected rate of return on funded Defined Benefit Pension Plan assets. Where the unfunded superannuation liability is not assumed by the Crown, this will increase the amount and the future volatility of the unfunded superannuation liability and the volatility of the employee benefit expense.
- AASB 1004 Contributions applies to not-for-profit entities only. Entities will either continue to apply the current requirements in AASB 1004 where grants are normally recognised on receipt, or alternatively apply the proposals on grants included in ED 125 Financial Reporting by Local Governments. If the ED 125 approach is applied, revenue and/or expense recognition will be delayed until the agency supplies the related goods and services (where grants are in-substance agreements for the provision of goods and services) or until conditions are satisfied.
- AASB 123 Borrowing Costs provides the option to expense or capitalise borrowing costs. NSW Treasury is likely to mandate expensing of borrowing costs to harmonise with GFS. Previously, borrowing costs related to qualifying assets were capitalised.
- AASB 132 Financial Instrument Disclosure and Presentation prohibits in-substance defeasance. Agencies can no longer offset financial assets and financial liabilities when financial assets are set aside in trust by a debtor for the purposes of discharging an obligation, without assets having been accepted by the creditor in settlement of the obligation. This will have the effect of increasing both assets and liabilities but will have no net impact on equity.
- AASB 136 Impairment of Assets requires an entity to assess at each reporting date whether there is any indication that an asset (or cash generating unit) is impaired and if such indication exists, the entity must estimate the recoverable amount. However, the effect of this Standard should be minimal because all the substantive principles in AASB 136 are already incorporated in Treasury's policy Valuation of Physical Non-Current Assets at Fair Value.

21. After Balance Date Events

There are no events subsequent to balance date which affect the financial reports.

(End of Audited Financial Statements)



GPO BOX 12
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

CORPORATION SOLE 'MINISTER ADMINISTERING THE HERITAGE ACT 1977

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the Corporation Sole 'Minister Administering the Heritage Act 1977:

- (a) presents fairly the Corporation Sole's financial position as at 30 June 2004 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 41B of the *Public Finance and Audit Act 1983* (the Act).

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

The Minister's Role

The financial report is the responsibility of the Minister. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows and the accompanying notes.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Corporation Sole in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Minister had not fulfilled her reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the Corporation Sole,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

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

Handwritten signature of R J Sendt.

R J Sendt
Auditor-General

STATEMENT BY

CORPORATION SOLE "MINISTER ADMINISTERING THE HERITAGE ACT, 1977"

Pursuant to Section 45F of the Public Finance and Audit Act 1983, and in my capacity as Corporation Sole, titled "Minister administering the Heritage Act, 1977" I declare that in my opinion:

- 1 The accompanying financial statements, read in conjunction with the accompanying notes, exhibit a true and fair view of the financial position of the NSW Heritage office as at 30 June 2004, and
- 2 The statements have been prepared in accordance with the provisions of the Public Finance and Audit Act, 1983, the Public Finance and Audit (General) Regulation, 2000 and the Treasurer's Directions.

Further, I am not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



**DIANE BEAMER MP
MINISTER FOR JUVENILE JUSTICE
MINISTER FOR WESTERN SYDNEY
MINISTER ASSISTING THE MINISTER FOR INFRASTRUCTURE
AND PLANNING (PLANNING ADMINISTRATION)**

Dated: 26/10/04

Corporation Sole “Minister Administering the Heritage Act, 1977”

Statement of Financial Performance for the Year Ended 30 June 2004

	Notes	2004 \$'000	2003 \$'000
Expenses			
Conservation Grants and Advances	4	0	1,527
National Estate Program		0	111
Administration Expenses	5(a)	440	602
Depreciation	5(b)	29	9
Total Expenses		469	2,249
Less Retained Revenue			
Interest on Investments		317	183
Statutory Fees and Other Charges		245	242
Miscellaneous (Includes grant received for the former King's School's Restoration)		0	1,456
Total Retained Revenue		562	1,881
SURPLUS / (DEFICIT) FOR THE YEAR FROM ORDINARY ACTIVITIES	12	93	(368)
NON-OWNER TRANSACTION CHANGES IN EQUITY			
Net increase / (decrease) in asset revaluation reserve	12	601	0
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY			
		601	0
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS			
		694	(368)

[The accompanying notes form part of these statements]

Corporation Sole “Minister Administering the Heritage Act, 1977”

Statement of Financial Position as at 30 June 2004

	Notes	2004 \$'000	2003 \$'000
Current Assets			
Cash	6	362	959
Other financial assets	6	1,630	1,177
Receivables	8	26	45
Total Current Assets		2,018	2,181
Non-Current Assets			
Receivables	7(a), 8	622	594
Property	9	12,312	11,478
Total Non-Current Assets		12,934	12,072
TOTAL ASSETS		14,952	14,253
Current Liabilities			
Payables	10	294	289
Total Current Liabilities		294	289
TOTAL LIABILITIES		294	289
NET ASSETS		14,658	13,964
Equity			
Reserves	12	1,321	720
Retained surplus		13,337	13,244
TOTAL EQUITY		14,658	13,964

[The accompanying notes form part of these statements]

Corporation Sole “Minister Administering the Heritage Act, 1977”

Statement of Cash Flows for the Year Ended 30 June 2004

	Notes	2004 \$'000	2003 \$'000
Cash Flow from Operating Activities			
Payments			
Administrative Expenses		(435)	(397)
Conservation Grants Paid		0	(1,527)
National Estate Program		0	(111)
		(435)	(2,035)
Receipts			
Interest Received		311	180
Statutory Fees and Other Charges		241	242
Other		0	1,675
		552	2,097
Net Cash provided by Operating Activities	14	117	62
Cash Flow from Investing Activities			
Repayable Conservation Advances		1	86
Purchase of Property		(262)	(3,323)
Net Cash Used in Investing Activities		(261)	(3,237)
Net Decrease in Cash		(144)	(3,175)
Opening Cash Balance		2,136	5,311
CLOSING CASH BALANCE	6	1,992	2,136

[The accompanying notes form part of these statements]

Corporation Sole “Minister Administering the Heritage Act, 1977”

Notes Accompanying and forming part of the Financial Statements for the year ended 30 June 2004

1. Statement of Principal Activity

The Corporation Sole “Minister Administering the Heritage Act, (the Corporation Sole), was constituted under the Heritage Act 1977”. The main activity is the administration of finance operations of the Heritage Act 1977.

2. Principal Accounting Policies

2.1 Basis of Accounting

The Corporation Sole’s financial statements are a general purpose financial report which has been prepared on an accrual basis and in accordance with:

- applicable Australian Accounting Standards;
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Urgent Issues Group (UIG) Consensus Views;
- the requirements of the Public Finance and Audit Act and Regulations.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative pronouncements of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS 6 “Accounting Policies” is considered.

Except for certain land and buildings, which are recorded at valuation (Refer Note 2.2), the financial statements are prepared in accordance with the historical cost convention. All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency. The accounting policies adopted are consistent with those of the previous year.

2.2 Land and Buildings

Section 112 of the Heritage Act, 1977 allows the Corporation Sole to acquire Land and Buildings. The Corporation Sole’s policy in respect to Land and Buildings is :

(a) Valuation

The Corporation Sole has adopted the following valuation basis, which reflects the heritage and historic nature of the Corporation

Sole’s properties :

Heritage Property - at market value; and
Land surrounding Heritage Property - at market value.

(b) Depreciation

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

Depreciation Rates	Rate %
Heritage Building	3.00

(c) Costs

Costs include the cost of acquisition and improvements undertaken but does not include administrative costs.

2.3 Investments

Investments are made in accordance with Part 1 investment powers under Schedule 4 of the Public Authorities (Financial Arrangements) Act, 1987.

2.4 Reserves

Reserves are maintained to meet accounting standard requirements. Refer to Note 13 for details.

2.5 Conservation Grants, Advances and Guarantees

Section 106 of the Heritage Act 1977 allows the payment of Conservation Grants and Advances to private individuals and organisations. The Advances are repayable and may be interest bearing or interest free. The Act also allows the Corporation Sole to guarantee bank loans that have been made for certain conservation purposes. No current guarantees are in place with the Corporation Sole.

2.6 Financial Instruments

Financial instruments give rise to positions that are financial assets or liabilities (or equity instruments) of either the Corporation Sole or its counterparties. These include Cash at Bank, Receivables, Investments and Accounts Payable. Classes of instruments are recorded at cost and are carried at net fair value.

The terms, conditions and accounting policies applied by the Corporation Sole in relation to Financial Instruments are set out in Note 17.

2.7 Revenue Recognition

Revenue arising from the sale of goods and disposal of other assets is recognised when the Corporation Sole has passed control of other assets to the buyer and consideration is expected by the Corporation Sole, whether or not cash has been received.

Revenue from the rendering of services is recognised as and when services have been rendered and there is a valid claim against external parties, whether or not cash has been received.

Investment income is recognised for the total period of the investment whether or not cash has been received.

The recognition of grants and contributions is detailed in Note 2.5.

Revenues arising from the contribution of assets to the Corporation Sole are recognised when the Corporation Sole gains control of an asset or the right to receive the asset.

2.8 Insurance

The Corporation Sole'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 experience.

2.9 Accounting for the Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where:

- the amount of GST incurred by the Corporation Sole 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 the item expense.
- receivables and payables are stated with the amount of GST included.

2.10 Re-classification

Due to the long term nature of the Repayable Conservation Advances referred to in note 8, all repayable amounts have been classified as Non-Current Assets.

3. Changes in Accounting Policies

The accounting policies adopted for the preparation of these financial statements are consistent with those used in 2002/2003.

4. Conservation Grants and Advances

Conservation Grants and Advances - movements	2004 \$'000	2003 \$'000
Outstanding Commitments	1,986	448
Plus new commitments	0	3,905
Less commitments rescinded or transferred	1,986	840
	0	3,513
Less Payments	0	1,527
Outstanding Commitments	0	1,986

5. Expenses

(a) ADMINISTRATION EXPENSES

	2004 \$'000	2003 \$'000
Employee related payments	0	92
Repairs and Maintenance	76	38
Board fees	135	105
Consultancy fees	18	74
General administration	73	78
Travel	27	3
Audit fees	12	11
Corporate Services	29	24
National Estate Program Adjustment	70	177
Total	440	602

(b) Depreciation

	2004 \$'000	2003 \$'000
Buildings	29	9

6. Cash and Other Financial Assets

	2004 \$'000	2003 \$'000
Cash at Bank	362	959
Treasury Corporation (Hour-Glass Facilities)	1,630	1,177
Total Cash and Other Financial Assets	1,992	2,136

Treasury Corporation Hour-Glass investments are shown at Market Valuation. Investment income has not been fully realised. (Refer Note 16). Treasury Corporation Hour-Glass investments do not include Trust funds of \$646,385 invested with Treasury Corporation (refer note 15 and 16).

7. Repayable Conservation Advances

Repayable Conservation Advances are made to individuals and organisations for conservation purposes (Refer Note 2.5). Security in the form of mortgage, caveat, bill of exchange or promissory note is held for all repayable advances.

(a) Repayable Conservation Advances	2004 \$'000	2003 \$'000
Non-Current Assets	622	623
Total	622	623

(b) Repayable Conservation Advances - movements	2004 \$'000	2003 \$'000
Opening Balance	623	709
Less: Adjustment	1	86
Closing Balance	622	623

Repayable advances written off during the year amounted to Nil (2002/2003 \$Nil).

As at 30 June 2004, Repayable Conservation Advances included in Non-Current Assets amounted to \$622,273. A condition of these grants is that they are repayable, indexed by the CPI, on the sale of the property. The indexed amounts of these advances are brought to account on repayment.

8. Other Receivables

	2004 \$'000	2003 \$'000
Sundry Debtors	26	16
Total Receivables	26	16

No provision for Doubtful Debts has been made as all receivables are considered collectable.

Financials

Corporation Sole Financial Notes

Reconciliation	2004 \$'000	2003 \$'000
Repayable Conservation Advances - Current (note 7(a))	-	29
Sundry Debtors and Prepayments	26	16
	<hr/>	<hr/>
	26	45
Repayable Conservation Advances - Non Current	622	594
	<hr/>	<hr/>
	622	594

9. Non-Current Assets - Property

	2004 \$'000	2003 \$'000
(i) Land and Buildings		
At Valuation	2,000	1,200
At Cost	5,000	5,314
	<hr/>	<hr/>
	7,000	6,514
Less Accumulated Depreciation on Buildings	0	86
Written down Value	7,000	6,428
In accordance with accounting standards, accumulated depreciation was written back against the asset revaluation reserve on revaluation of the land and buildings as at 30 June 2004.		
	<hr/>	<hr/>
	2004 \$'000	2003 \$'000
(ii) Building Improvements		
At Cost	5,312	5,050
Written down Value	5,312	5,050
TOTAL PROPERTY AT NET BOOK VALUE	12,312	11,478
A Government decision has not yet been made as to ownership of Kings School premises, consequently no depreciation has been charged.		

Reconciliations

Reconciliation of the carrying amounts of each class of property at the beginning and end of the current financial year are set out below.

2004

	Land and Building \$000	Total \$000
Carrying amount at 30 June 2003	6,428	6,428
Additions	-	-
Transfer from Capital Works in Progress	5,312	5,312
Net revaluation increment	601	601
Depreciation expense	(29)	(29)
Carrying amount at end of year	<hr/>	<hr/>
	12,312	12,312

- (a) Additions to Land and Buildings represent acquisition cost, cost of improvements and refurbishing undertaken by the Corporation Sole.
- (b) Land and Buildings located at Hillview, Sutton Forest were valued by County Valuations Pty Limited, Independent Real Estate Valuers, on 30 June 2004 as follows:
- Heritage Property - at market value \$600,000
 - Land surrounding Heritage Property - at market value \$650,000
- (c) The Corporation Sole holds title to "Tusculum", 1/3 Manning Street, Potts Point, which has been leased for 99 years commencing 1 May, 1987, and recorded at nominal value in the Corporation Sole's financial report.
- (d) The Corporation Sole holds title to "Exeter Farm", Parklea, which was given as a Deed of Gift to the Minister in 1997/98. Land and buildings have been valued by County Valuations Pty Limited, Independent Real Estate Valuers, on 30 June 2004 as follows:

Land - \$150,000

Buildings - \$ Nil

Land adjacent to the above property held by the Corporation Sole has also been valued by County Valuations Pty Limited, Independent Real Estate Valuers, on 30 June 2004 as follows:

Lot 5022 in Heritage Place Glenwood \$275,000

Lot 4021 in Knightsbridge Avenue Glenwood \$325,000

(e) The Corporation Sole is undertaking the restoration of the former Kings School at Parramatta.

Amount spent during the year was \$261,732

(f) The Corporation Sole acquired Linnwood Hall Property at \$5 million in June 2002.

10. Payables

	2004 \$'000	2003 \$'000
Other Operating Expenses	44	112
Repayment of National Estate Program (refer note 12)	250	177
Total Accounts Payable	294	289

11. Restricted Assets

National Estate Program

The National Estate Program (NEP) was finalised during the financial year of this report. The program was funded by the Commonwealth Government for the restoration, preservation and improvement of landscapes and buildings of special significance. Details of amounts owed to the Commonwealth Government for unexpended grants are provided below.

	2004 \$'000	2003 \$'000
Balance of unexpended NEP funds at the beginning of the financial year	177	288
Grants returned and other adjustments for NEP grant funds expended previously	70	(111)
Grants returned during year	3	
Balance at the end of financial year to be repaid to the Commonwealth Government	250	177

Financials

Corporation Sole Financial Notes

12. Changes in Equity

	Retained Surplus		Asset Revaluation Reserve		Total Equity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Balance at the beginning of the financial year	13,244	13,612	720	720	13,964	14,332
Changes in Equity other than those resulting from transactions with owners as owners						
Surplus / (Deficit) for the year from ordinary activities	93	(368)	0	0	93	(368)
Increment / decrement on revaluation of Land and Building	0	0	601	0	601	0
Balance at the end of the financial year	13,337	13,244	1,321	720	14,658	13,964

Asset Revaluation Reserve	Land 2004 \$'000	Buildings 2004 \$'000	Total 2004 \$'000	Total 2003 \$'000
Balance at the beginning of the financial year	195	525	720	720
Increment / (decrement) on revaluation	236	365	601	0
Balance at the end of the financial year	431	890	1321	720

13. Contingent Liabilities and Contingent Assets

At 30 June 2004 (30 June 2003 \$ Nil) there were no known contingent liabilities and/or contingent assets relating to the Corporation Sole.

14. Note to the Statement of Cash Flows

(a) Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and other financial assets.

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the Statement of Financial Position in Note 7.

(b) Reconciliation of Cash Flows from Operating Activities to Operating Surplus	2004 \$'000	2003 \$'000
Operating Surplus / (Deficit)	93	(368)
Decrease / (Increase) in Receivables	(10)	216
Increase / (Decrease) in Payables	5	205
Adjustment for Non-Cash Items - Depreciation	29	9
Net Cash Flow from Operating Activities	117	62

15. Trust Funds

The following funds are excluded from the Financial Statements as the Corporation Sole must use them for the conservation purposes as detailed in agreements with the State and Commonwealth Governments as shown.

Old Government House at Port Macquarie

The Corporation Sole holds funds \$646,385 (2003 \$622,577) in trust for the conservation of the Old Government House archaeological site at Port Macquarie. Interest income received during the period amounted to \$25,876 and expenses totalled \$2,068. The funds have been provided by the State Government.

16. Presentation and Disclosure of Financial Instruments

Cash

Cash comprises cash on hand and bank balances within the 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 Treasury. The average earning rate for the year was 4.06% (2002-2003 3.75%) and the rate at year end was 4.25% (2002-2003 3.75%).

Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists. The credit risk is the carrying amount (net of any provision for doubtful debts). No interest is earned on trade debtors. The carrying amount approximates net fair value. Sales are made on 30 day terms.

Recoverable Advances

All recoverable advances are recognised as amounts receivable at balance date. Collectibility of recoverable advances is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists. The credit risk is the carrying amount (net of any provision for doubtful debts). Security in the form of mortgage, bill of exchange or promissory note is held for all recoverable advances. The carrying amount approximates net fair value.

Hour-Glass Facilities

The Corporation Sole has investments in TCorp's Hour-Glass facilities. The Corporation Sole's investments are represented by a number of units of a managed investment pool, with each particular pool having different investment horizons and being comprised of 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.

The Corporation Sole's investments are:

	2004	2003
	\$'000	\$'000
Cash Facility	200	190
Cash Plus Facility	298	283
Medium Term Growth Facility	1,778	1,637
Total	2,276	2,110

These investments are generally able to be redeemed with seven 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 Corporation Sole's share of the underlying assets of the facility and those assets are stated as net fair value. Corporation Sole's investment in TCorp's Hour-Glass facilities include the Trust funds held for conservation purposes referred to in notes 7 and 16.

Trade Creditors and Accruals

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 statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. No interest was applied during the year (2002/2003 \$ Nil).

17. Adopting AASB 1047 Disclosure

(a) Explanation of how the transition to AIFRS is being managed.

The Corporation Sole will apply the Australian Equivalents to International Financial Reporting Standards (AIFRS) from the reporting period beginning 1 July 2005.

The Corporation is managing the transition to the new standards by allocating internal resources and engaging Central Corporate Services Unit (CCSU) to analyse the pending standards and Urgent Issues Group Abstracts to identify key areas regarding policies, procedures, systems and financial impacts affected by the transition.

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(b) Key Differences in Accounting Policies

Based on current information, the following key differences in accounting policies are expected to arise from adopting AIFRS:

- AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards requires retrospective application of the new AIFRS from 1 July 2004, This differs from current Australian requirements, because such changes must be with limited exemptions. Similarly, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance of accumulated funds. recognised in the current period through profit or loss, unless a new standard mandates otherwise.
 - AASB 116 Property, Plant and Equipment requires the cost and fair value of property, plant and equipment to be increased to include restoration costs, where restoration provisions are recognised under AASB 137 Provisions, Contingent Liabilities and Contingent Assets.
- Major inspection costs must be capitalised and this will require the fair value and depreciation of the related asset to be re-allocated.
- AASB 119 Employee Benefits requires the defined benefit obligation to be discounted using the government bond rate as at each reporting date rather than the long-term expected rate of return on funded Defined Benefit Pension Plan assets. Where the unfunded superannuation liability is not assumed by the Crown, this will increase the amount and the future volatility of the unfunded superannuation liability and the volatility of the employee benefit expense.
 - AASB 1004 Contributions applies to not-for-profit entities only. Entities will either continue to apply the current requirements in AASB 1004 where grants are normally recognised on receipt, or alternatively apply the proposals on grants included in ED 125 Financial Reporting by Local Governments. If the ED 125 approach is applied, revenue and/or expense recognition will be delayed until the agency supplies the related goods and services (where grants are in-substance agreements for the provision of goods and services) or until conditions are satisfied.
 - AASB 123 Borrowing Costs provides the option to expense or capitalise borrowing costs. NSW Treasury is likely to mandate expensing of borrowing costs to harmonise with GFS. Previously, borrowing costs related to qualifying assets were capitalised.

18. After Balance Date Events

There are no events subsequent to balance date which affect the financial reports.

(End of Audited Financial Statements)