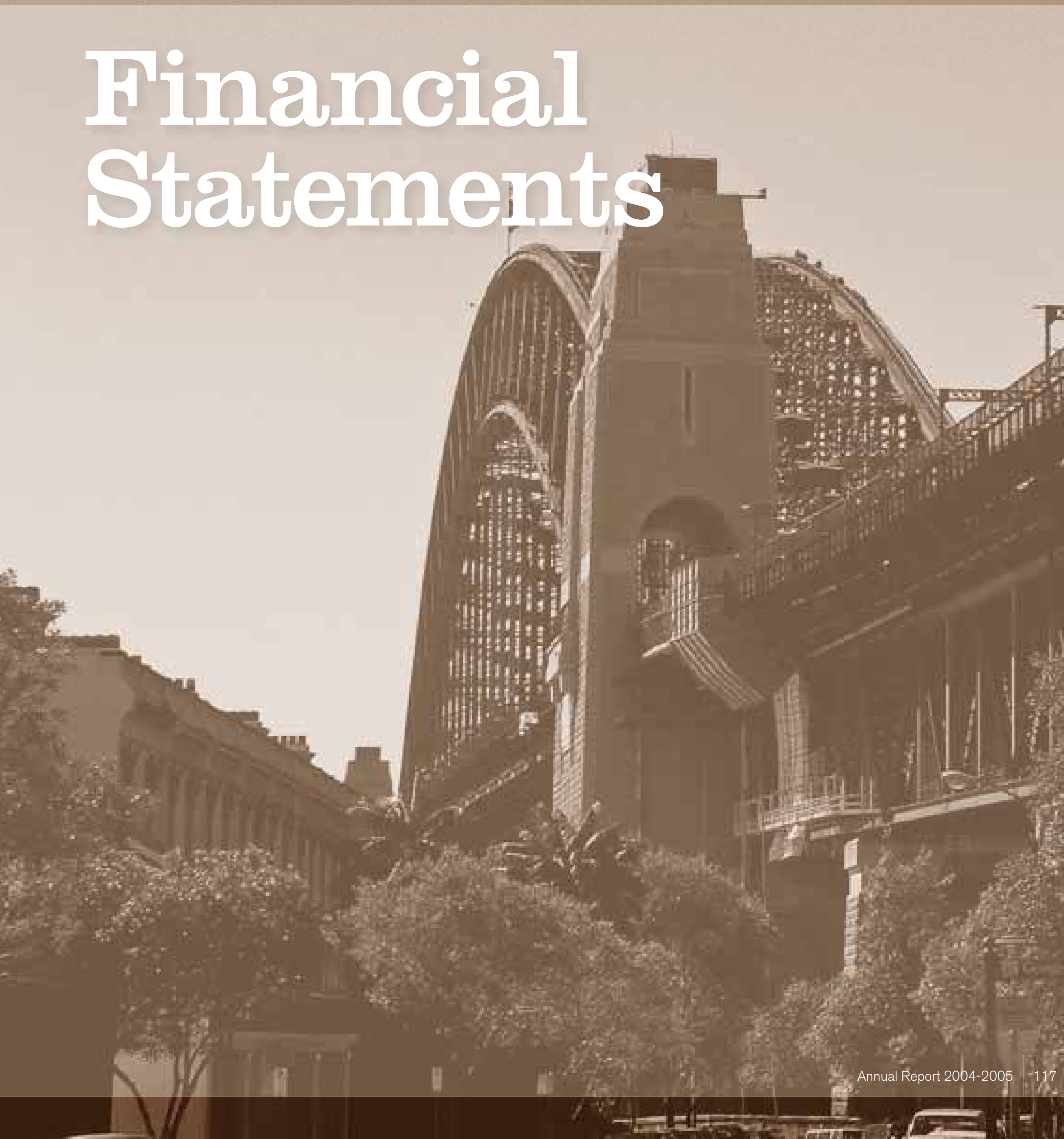
Financial Statements



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 NSW Heritage Office:

(a) presents fairly the Office's financial position as at 30 June 2005 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 Office,
- that the 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.

John [illegible] CPA
Director, Financial Audit Services

SYDNEY
20 October 2005

NSW HERITAGE OFFICE

STATEMENT BY DEPARTMENT HEAD

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

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 2005; 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 incorrect.

R. A. McDougall

Reece McDougall
Director
Heritage Office

Dated: 19/10/05

NSW Heritage Office

Statement of Financial Performance for the year ended 30 June 2005

	Notes	Actual 2005 $'000	Budget 2005 $'000	Actual 2004 $'000
Expenses				
Operating expenses:				
Employee related	2(a)	3,801	3,445	3,398
Other operating expenses	2(b)	1,281	1,522	1,288
Maintenance		87	196	51
Depreciation	2(c)	104	181	101
Grants and subsidies	2(d)	2,466	2,388	3,217
Total Expenses		7,739	7,732	8,055
Less:				
Retained revenue				
Investment Income	3(a)	45	70	64
Grants and contributions	3(b)	134	61	74
Other revenue	3(c)	103	314	72
Total Retained Revenue		282	445	210
Gain/(loss) on disposal of non-current assets	4	(28)	0	0
Net Cost of Services	18	7,485	7,287	7,845
Government Contributions:				
Recurrent appropriation	5	6,741	6,711	6,915
Capital appropriation	5	19	19	19
Acceptance by the Crown Entity of employee benefits and other liabilities	6	462	344	403
Total Government Contributions		7,222	7,074	7,337
SURPLUS/(DEFICIT) FOR THE YEAR		(263)	(213)	(508)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS	14	(263)	(213)	(508)

[The accompanying notes form part of these statements]

NSW Heritage Office

Statement of Financial Position as at 30 June 2005

	Notes	Actual 2005 $'000	Budget 2005 $'000	Actual 2004 $'000
ASSETS				
Current Assets				
Cash	8	229	556	488
Receivables	9	278	202	200
Total Current Assets		507	758	688
Non-Current Assets				
Receivables	9	310	490	490
Plant and Equipment	11	120	114	217
Total Non-Current Assets		430	604	707
Total Assets		937	1,362	1,395
LIABILITIES				
Current Liabilities				
Payables	12	130	494	372
Provisions	13	365	350	333
Total Current Liabilities		495	844	705
Non-Current Liabilities				
Provisions	13	33	0	18
Total Non-Current Liabilities		33	0	18
Total Liabilities		528	844	723
Net Assets		409	518	672
EQUITY				
Accumulated funds	14	409	518	672
Total Equity		409	518	672

[The accompanying notes form part of these statements]

NSW Heritage Office

Statement of Cash Flows for the year ended 30 June 2005

	Notes	Actual 2005 $'000	Budget 2005 $'000	Actual 2004 $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(3,487)	(3,257)	(3,175)
Grants and subsidies		(2,466)	(2,388)	(3,217)
Other		(2,014)	(2,034)	(1,478)
Total Payments		(7,967)	(7,679)	(7,870)
Receipts				
Interest received		44	70	61
Other		555	815	661
Total Receipts		599	885	722
Cash Flows From Government				
Recurrent appropriation	5	6,741	6,711	6,915
Capital appropriation	5	19	19	19
Cash reimbursements from the Crown Entity		204	151	169
Net Cash Flows From Government		6,964	6,881	7,103
NET CASH FLOWS FROM OPERATING ACTIVITIES	18	(404)	87	(45)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of Plant and Equipment		(35)	(19)	(10)
Advances received		180	0	22
NET CASH FLOWS FROM INVESTING ACTIVITIES		145	(19)	12
NET INCREASE/(DECREASE) IN CASH		(259)	68	(33)
Opening cash and cash equivalents		488	488	521
CLOSING CASH AND CASH EQUIVALENTS	8	229	556	488

[The accompanying notes form part of these statements]

NSW Heritage Office

Summary of Compliance with Finance Directives for the year ended 30 June 2005

	2005				2004			
	Recurrent Appropriation $'000	Expenditure/ Net Claim on Consolidated Fund $'000	Capital Appropriation $'000	Expenditure/ Net Claim on Consolidated Fund $'000	Recurrent Appropriation $'000	Expenditure/ Net Claim on Consolidated Fund $'000	Capital Appropriation $'000	Expenditure/ Net Claim on Consolidated Fund $'000
ORIGINAL BUDGET APPROPRIATION/ EXPENDITURE								
Appropriation Act	6,711	6,711	19	19	6,215	6,215	19	19
OTHER APPROPRIATIONS/ EXPENDITURE								
Treasurer's Advance	0	30	0	0	700	700	0	0
Total Appropriations/ Expenditure/ Net Claim on Consolidated Fund (includes transfer payments)	6,711	6,741	19	19	6,915	6,915	19	19
Amount drawn down against Appropriation		6,741		19		6,915		19
Liability to Consolidated Fund**		0		0		0		0

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

** Liability to Consolidated Fund represents the difference between the "Amount drawn against Appropriation" and the "Total Expenditure/Net Claim" on Consolidated Fund for the year.

Treasurer's advance appropriation was provided to cater for an additional 1% salary increase.

NSW Heritage Office

Financial Notes for the year ended 30 June 2005

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 Accounts.

(b) Basis of Accounting

The Office's financial statements are a general purpose financial report which has been prepared on

an accruals 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 1983* 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 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.

(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 benefits 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 revenues 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 does not have a liability to Consolidated Fund as at 30 June 2005 (Nil 2004).

(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 of employees' services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled.

This is in accordance with AASB 1028 applicable for this financial year. The previous Standard required the nominal basis to use remuneration rates current as at the reporting date.

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

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

(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 liabilities as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of employee benefits and other liabilities".

Long service leave is measured 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 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 provided by the 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 Authorities Superannuation Fund 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 entity 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 other 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.

(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) Acquisitions 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 Office 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 for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the 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 (where necessary) a provision for any uncollectable 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 for the Year Ended 30 June 2005 and the Statement of Cash Flows for the Year Ended 30 June 2005 are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the Statement of Financial Position as at 30 June 2005, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts as 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 2003/04 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

		2005 $'000	2004 $'000
(a)	Employee related expenses		
	Salaries and wages (including recreation leave)	3,129	2,811
	Superannuation	319	271
	Long service leave	124	116
	Workers compensation insurance	16	16
	Payroll tax and fringe benefit tax	194	168
	Payroll tax on superannuation	19	16
		3,801	3,398
(b)	Other operating expenses		
	Auditor's remuneration (audit or review of the financial reports)	20	19
	Building occupancy charges	53	78
	Insurance	27	24
	Corporate services	343	330
	Consultancies	251	157
	Public relations costs	77	103
	Other	510	577
		1,281	1,288
(c)	Depreciation expense		
	Plant and equipment	104	101
		104	101
(d)	Grants and subsidies		
	Heritage Grant Program	2,466	3,217
		2,466	3,217

3. Revenues

		2005 $'000	2004 $'000
(a)	Investment Income		
	Interest	45	64
		45	64

	2005 $'000	2004 $'000
(b) Grants and contributions		
Commonwealth Government – Shipwreck Program	64	63
Budget sector agencies – Parramatta Road project	50	0
Other	20	11
	134	74
(c) Other revenue		
Application fees	31	31
Other revenue	72	41
	103	72

4. Gain/(Loss) on Disposal of Non-current Assets

	2005 $'000	2004 $'000
Plant and Equipment		
Proceeds from disposal	0	0
Written down value of assets disposed	(28)	0
Net gain/(loss) on disposal of plant and equipment	(28)	0

5. Appropriations

	2005 $'000	2004 $'000
Recurrent appropriations		
Total recurrent drawdowns from Treasury (per Summary of Compliance)	6,741	6,915
Comprising:		
Recurrent appropriations (per Statement of Financial Performance)	6,741	6,915
	6,741	6,915
Capital appropriations		
Total capital drawdowns from Treasury (per Summary of Compliance)	19	19
Comprising:		
Capital appropriations (per Statement of Financial Performance)	19	19
	19	19

6. Acceptance by the Crown Entity of Employee Benefits and Other Liabilities

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

	2005 $'000	2004 $'000
Superannuation	319	271
Long service leave	124	116
Payroll tax (on superannuation)	19	16
	462	403

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

	2005 $'000	2004 $'000
Cash at bank and on hand	229	488
	229	488

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

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)	229	488
Closing cash and cash equivalents (per Statement of Cash Flows)	229	488

9. Current/Non-Current Assets – Receivables

	2005 $'000	2004 $'000
Current Receivables		
Sale of goods and services	87	110
Other debtors	191	231
Less: Provision for doubtful debts	0	(141)
	278	200

The prepayment of salary and wages related on-costs is included above but not identified separately because it is considered immaterial.

	2005 $'000	2004 $'000
Non-current Receivables		
Repayable advances	310	490
	310	490
Total Receivables	588	690

10. Restricted Assets

There are no restricted assets held by the office.

11. Non-current Assets – Plant and Equipment

	2005 $'000	2004 $'000
Plant and Equipment		
At Cost	438	541
Less: Accumulated Depreciation	(318)	(324)
Total Plant and Equipment at Net Book Value	120	217

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

Plant and Equipment

	2005 $'000
Carrying amount at start of year	217
Additions	35
Disposals	(138)
Depreciation expense	(104)
Write back on disposal	110
Carrying amount at end of year	120

12. Current Liabilities – Payables

	2005 $'000	2004 $'000
Accrued salary and wages on-costs	5	0
Creditors and grants	125	372
	130	**372**

13. Current/Non-Current Liabilities – Provisions

	2005 $'000	2004 $'000
Employee benefits and related on-costs		
Current		
Recreation Leave	349	318
Long Service Leave	16	15
	365	**333**
Non-current		
Long Service Leave	33	18
	33	**18**
Aggregate employee benefits and related on-costs		
Provisions – current	365	333
Provisions – non-current	33	18
Accrued salary and wages on-costs (Note 12)	5	0
Total provision	**403**	**351**

14. Changes in Equity

	Accumulated Funds	
	2005 $'000	2004 $'000
Balance at the beginning of the financial year	672	1,178
Changes in equity – other than transactions with owners as owners		
Surplus/(Deficit) for the year	(263)	(507)
Balance at the end of the financial year	**409**	**672**

15. Commitments for Expenditure

	2005 $'000	2004 $'000
(a) Operating Lease Commitments		
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	20	14
Later than one year and not later than five years	19	14
Total (including GST)	**39**	**28**

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 $1,249 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 $198,000, primarily due to higher than anticipated operating expenses. The budget was also revised during the year with additional funding provided by revenue and Treasurers Advance appropriation funding.

Assets and liabilities

Current assets were below budget by $251,000 due to the decreases in cash balance resulting from the increase in operating expenses.

Current liabilities were below budget by $349,000 due to the decreases in payables.

Cash flows

Net Cash flows from operating activities were lower than budget by $491,000 due to decreases in revenue receipts and increases in debtors.

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

	2005 $'000	2004 $'000
Net cash used on operating activities	(404)	(45)
Cash flows from Government/Appropriations	(6,760)	(6,934)
Acceptance by the Crown Entity of employee benefits and other liabilities	(462)	(403)
Depreciation	(104)	(101)
Decrease/(increase) in provisions	(47)	(58)
Increase/(decrease) in prepayments and other assets	78	(44)
Decrease/(increase) in payables	242	(259)
Net gain/(loss) on sale of plant and equipment	(28)	0
Net cost of services	(7,485)	(7,844)

19. Services Provided Free of Charge

The Department of Commerce provided services valued $10,424 for documentation of stone work services provided to the old Kings School as well as inspections and restoration investigations.

20. 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) 11 am unofficial cash rate adjusted for a management fee to Treasury. The average rate over the period was 4.33% (4.06% in 2003-04) and the final rate was 4.50% (4.25% in 2003-04).

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 uncollectable 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 and 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 period ($ Nil 2003-04).

21. Impact of Adopting Australian Equivalents to IFRS

The Office will apply the Australian Equivalents to International Financial Reporting Standards (AEIFRS) from 2005-06.

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. To date, all the phases identified and reported in the Financial Statements for the year ended 30 June 2004 have been completed. In particular, a draft Balance Sheet as at 1 July 2004 was prepared under AIFRS (in parallel with existing AGAAP financial information and financial statement) and submitted to the NSW Treasury and Audit Office.

The Office has determined the key areas where changes in accounting policies are likely to impact the financial report. Some of these impacts arise because AEIFRS requirements are different from existing AASB requirements (AGAAP). Other impacts are likely to arise from options in AEIFRS. To ensure consistency at the whole of government level, NSW Treasury has advised agencies of options it is likely to mandate for the NSW Public Sector. The impacts disclosed below reflect Treasury's likely mandates (referred to as "indicative mandates").

Shown below are management's best estimates as at the date of preparing the 30 June 2005 financial report of the estimated financial impacts of AEIFRS on the Office's equity and profit/loss. The Office does not anticipate any material impacts on its cash flows. The actual effects of the transition may differ from the estimated figures below because of pending changes to the AEIFRS, including the UIG interpretations and/or emerging accepted practice in their interpretation and application. The Office's accounting policies may also be affected by a proposed standard to harmonise accounting standards with Government Finance Statistics (GFS). However, the impact is uncertain because it depends on when this standard is finalised and whether it can be adopted in 2005-06.

(a) Reconciliation of Key Aggregates

Reconciliation of equity under existing standards (AGAAP) to equity under AEIFRS:

	30 June 2005 $'000	1 July 2004 $'000
Total Equity under AGAAP	409	671
Total equity under AEIFRS	409	671

Reconciliation of surplus/(deficit) under AGAAP to surplus/(deficit) under AEIFRS:

	30 June 2005 $'000
Surplus/(deficit) under AGAAP	(263)
Surplus/(deficit) under AEIFRS	(263)

Based on the above, if AEIFRS were applied in 2004/05 there would be no change in the Net Cost of Services.

Notes to tables above

1 AASB 116 requires major inspection costs to be capitalised, where these are currently expensed. No major material restoration or inspection obligations requiring capitalisation existed as at 30 June 2005.

2 AASB 136 Impairment of Assets prescribes that assets are impaired if their carrying amount exceeds the amount to be recovered through use or sale of the asset. For Not-For-Profit Entities depreciated replacement cost becomes the measure of value in use where certain criteria are met. The Office has confirmed that the future economic benefits of capitalised Non-Current Assets are not primarily dependent on the asset's ability to generate net cash inflows and the agency would, if deprived of the assets, replace their future economic benefits. A review of significant asset records and accounting policies did not indicate any material asset impairment.

AASB 136 applies to all assets, subject to certain exclusions – in contrast to the previous standard which applied to Non-Current Assets only.

Assets arising from Employee Benefits are excluded under AASB 136. Financial Assets within the scope of AASB 139 Financial Instruments: Recognition and Measurement – such as Cash and Receivables – were excluded by NSW Treasury mandate.

3 AASB 117 Leases requires non-cancellable operating leases to recognise lease payments on a straight-line basis over the lease term. This change in accounting methodology affects Lease Expense, Lease Incentive and Lease Liability and consequently has relevance for Statements of Financial Position under AEIFRS. It was determined that the Office lease expense and liability would not change materially using this basis and no change was necessary under AEIFRS.

4 AASB 138 Intangible Assets requires computer software that is not integral to the operation of the related hardware to be treated as an Intangible Asset. The carrying amount of Computer Software that constitutes Intangible Assets at 30 June 2005 as per the asset register is $5,000. The Balance Sheet classifications have not been modified to disclose this or to reduce Non-Current Assets to reflect this change as it is not considered to be material.

5 AASB 119 Employee Benefits requires the defined benefit superannuation obligation to be discounted using the government bond rate as at each reporting date, rather than the long-term expected rate of return on plan assets. Where the superannuation obligation is not assumed by the Crown, this will increase the defined benefit superannuation liability (or decrease the asset for those agencies in an overfunded position) and change the quantum of the superannuation expense.

The Office Superannuation and LSL Liabilities are assumed by the Crown Entity. There are no unfunded Superannuation or LSL Liabilities under AASB 119 Employee Benefits. The net present value of LSL on-cost components were calculated by NSW Treasury using an escalation factor of 9.9% as per NSW Treasury Circular 03/08. A change in the discount rate as indicated by recent announcements will not result in a material difference.

(b) Financial Instruments

In accordance with NSW Treasury's indicative mandates, the Office will apply the exemption provided in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards not to apply the requirements of AASB 132 Financial Instruments: Presentation and Disclosures and AASB 139 Financial Instruments: Recognition and Measurement for the comparative figures in the financial year to 30 June 2006. These Standards will apply from 1 July 2005. None of the information provided above includes any impacts for financial instruments. However, when these Standards are applied, they are likely to impact on retained earnings (on first adoption) and the amount and volatility of profit/loss. Further, the impact of these Standards will in part depend on whether the fair value option can or will be mandated consistent with Government Finance Statistics.

(c) Grant Recognition for Not-for-profit Entities

The Office will apply the requirements in AASB 1004 Contributions regarding contributions of assets (including grants) and forgiveness of liabilities. There are no differences in the recognition requirements between the new AASB 1004 and the current AASB 1004. However, the new AASB 1004 may be amended by proposals in Exposure Draft (ED) 125 Financial Reporting by Local Governments. If the ED 125 approach is applied, revenue and/or expense recognition will not occur until either the Office supplies the related goods and services (where grants are in-substance agreements for the provision of goods and services) or until conditions are satisfied. ED 125 may therefore delay revenue recognition compared with AASB 1004, where grants are recognised when controlled. However, at this stage, the timing and dollar impact of these amendments is uncertain.

22. After Balance Date Events

The Office occupies 3 Marist Place, Parramatta, which was previously owned by the Department of Health. Under an agreement between the Office and the Department of Health no rent was payable. The title of property has now been transferred to the Crown Property Portfolio and the Office will be required to pay rent with effect from 1 July 2005 under an occupancy lease agreement.

[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 2005 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 comprises 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.

R J Sendt
Auditor-General

SYDNEY
20 October 2005

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 Corporation Sole, "Minister administering the Heritage Act, 1977" as at 30 June 2005 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 incorrect.

The Hon. Frank Sartor MP
Minister for Planning
Minster of Redfern Waterloo
Minister for Science & Medical Research
Minister Assisting the Minister for Health (Cancer)

Dated: 20/10/05

Corporation Sole "Minister Administering the Heritage Act, 1977"

Statement of Financial Performance for the year ended 30 June 2005

	Notes	2005 $'000	2004 $'000
Revenue			
Interest on investments		169	317
Statutory fees and other charges		232	245
Interest on repayable advances		91	0
Total revenue from ordinary activities		492	562
Expenses			
Administration expenses	3	356	440
Depreciation	4	312	29
Total expenditure from ordinary activities		668	469
Profit / (loss) from ordinary activities	11	(176)	93
NON-OWNER TRANSACTION CHANGES IN EQUITY			
Net increase / (decrease) in asset revaluation reserve	11	0	601
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		0	601
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS	11	(176)	694

[The accompanying notes form part of these statements]

Corporation Sole “Minister Administering the Heritage Act, 1977”

Statement of Financial Position as at 30 June 2005

	Notes	2005 $'000	2004 $'000
Current Assets			
Cash	5	422	362
Other financial assets	6	1,541	1,630
Receivables	7	20	26
Total Current Assets		1,983	2,018
Non-Current Assets			
Receivables	7	713	622
Property	8	12,064	12,312
Total Non-Current Assets		12,777	12,934
Total Assets		14,760	14,952
Current Liabilities			
Payables	9	278	294
Total Current Liabilities		278	294
Total Liabilities		278	294
Net Assets		14,482	14,658
EQUITY			
Reserves	11	1,321	1,321
Retained earnings	11	13,161	13,337
Total Equity		14,482	14,658

[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 2005

	Notes	2005 $'000	2004 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Administrative expenses		(315)	(435)
Receipts			
Interest received		171	311
Statutory fees and other charges		179	241
Total receipts		350	552
Net cash provided by operating activities	13	35	117
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayable conservation advances		0	1
Purchases of property		(64)	(262)
Net cash used in investing activities		(64)	(261)
Net increase / (decrease) in cash		(29)	(144)
Cash at the beginning of the financial year		1,992	2,136
Cash at the end of the financial year	13(a)	1,963	1,992

[The accompanying notes form part of these statements]

Corporation Sole "Minister Administering the Heritage Act, 1977"

Financial Notes for the year ended 30 June 2005

1. Statement of Principal Activity

The Corporation Sole "Minister Administering the Heritage Act, (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

(a) 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; and
- the requirements of the *Public Finance and Audit Act 1983* 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(b)), 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.

(b) Land and Buildings

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

Valuation
Heritage Property – at market value; and
Land surrounding Heritage Property – at market value.

The Linnwood property valued at cost which equates to the current market value.

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.

The depreciation rates used for each class of assets are:

Depreciation Rates	Rate
Heritage Building	2.50%

(c) Costs

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

(d) Investments

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

(e) 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.

(f) 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 15.

(g) Revenue Recognition

Revenue arising from the sale of goods and disposal of other assets is recognised when the Corporation Sole has passed control 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(g).

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.

(h) 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.

(i) 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 Corporation Sole not recoverable from the Australian Taxation Office is recognised as part of the acquisition of the asset or as part of an item of expense.
- receivables and payables in the statement of financial position are shown inclusive of GST.

(j) Re-classification

Due to the long term nature of the Repayable Conservation Advances referred to in Note 7, all repayable amounts have been classified as Non-Current Assets.

3. Administration Expenses

	2005 $'000	2004 $'000
Repairs and maintenance	68	76
Board fees	152	135
Consultancy fees	23	18
General administration	56	73
Travel	14	27
Audit fees	12	12
Corporate services	31	29
National estate program adjustment	0	70
Total administrative expenses	356	440

4. Depreciation

	2005 $'000	2004 $'000
Buildings	312	29
	312	29

5. Cash

	2005 $'000	2004 $'000
Cash at bank	422	362
	422	362

6. Other Financial Assets

	2005 $'000	2004 $'000
Other financial assets		
Treasury Corporation (Hour-Glass Facilities)	1,541	1,630
	1,541	1,630

Treasury Corporation Hour-Glass investments are shown at Market Valuation. Investment income has not been fully realised (refer Note 15). Treasury Corporation Hour-Glass investments do not include Trust funds of $924,662 invested with Treasury Corporation (refer Notes 14 and 15).

7. Receivables

	2005 $'000	2004 $'000
Current		
Sundry debtors	20	26
Total current receivables	20	26

No provision has been made for doubtful debts as all amounts are considered to be collectable.

Non-current		
Repayable advances	622	622
Interest on repayable advances	91	0
	713	622
Total non-current receivables	733	648

Repayable Conservation Advances are made to individuals and organisations for conservation purposes (Refer Note 2.(e)). Security in the form of mortgage, caveat, bill of exchange or promissory note is held for all repayable advances.

Repayable advances written off during the year amounted to Nil (2003/2004 $Nil).

As at 30 June 2005, Repayable Conservation Advances included in Non-Current Assets amounted to $713,125. A condition of these grants is that they are repayable, indexed by the CPI, on the sale of the property. An indexation amount of $90,851 was calculated from year 2001 and brought to account during the year.

8. Non-current Assets – Property

	2005 $'000	2004 $'000
Land and Buildings at Cost		
At Cost (equates to current market value)	5,000	5,000
Less: Accumulated Depreciation	(297)	0
	4,703	5,000
Land and Buildings at Valuation		
At fair value	2,000	2,000
Less Accumulated depreciation	(15)	0
	1,985	2,000
Written down value	6,688	7,000
Building Improvements		
At Cost	5,376	5,312
	5,376	5,312
Written down value	5,376	5,312
Total property at net book value	12,064	12,312

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.

Land and Buildings	2005 $'000
Carrying amount at 1 July 2004	12,312
Additions	64
Depreciation expense	(312)
Carrying amount at end of year	12,064

(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 were 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 was also 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 has restored the former Kings School at Parramatta. The restoration cost incurred during the year was $63,566. The Kings School property is to be transferred to Crown Property Folio commencing 1 July 2005.

(f) The Corporation Sole acquired Linnwood Property in June 2002 for $5 million. This equates to current market value.

Land and Buildings	2004 $'000
Carrying amount at beginning of year	6,428
Transferred from Capital Works in Progress	5,312
Net revaluation increment	601
Depreciation expenses	(29)
Carrying amount at end of year	**12,312**

9. Payables

	2005 $'000	2004 $'000
Other operating expenses	28	44
Sundry creditors	250	250
	278	**294**

10. Restricted Assets

The National Estate Program (NEP) was finalised during the previous financial year. 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.

	2005 $'000	2004 $'000
Balance of unexpended NEP funds at the beginning of the financial year	250	177
Grants returned and other adjustments for NEP grant funds expended previously	0	70
Grants returned during year	0	3
Closing balance 30 June 2005	**250**	**250**

11. Equity

	Accumulated Funds		Asset Revaluation Reserve		Total Equity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Equity						
Balance at the beginning of the financial year	13,337	13,244	1,321	720	14,658	13,964
Changes in equity - other than transactions with owners as owners						
Profit / (loss) for the year from ordinary activities	(176)	93	0	0	(176)	93
Increment on revaluation of:						
* Land and Buildings	0	0	0	601	0	601
Balance at the end of the financial year	**13,161**	**13,337**	**1,321**	**1,321**	**14,482**	**14,658**

Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. The revaluation reserve of $1,321,000 includes $431,000 for Land and $890,000 for Building.

12. Contingent Assets and Liabilities

The Crown Solicitor is acting in a matter relating to a Deed of Agreement to lease entered into by NSW Heritage Office with respect to the property “Hillview” owned by the Office. If this matter proceeds to litigation the Office has a potential liability of $500,000.

At this time the Crown Solicitor’s Office has advised that it is not certain that the Lessee could establish such, or any other, claim against the Office and has indicated that the potential liability is an estimate of what may be the maximum amount payable.

13. Note to the Statement of Cash Flows

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 (refer Notes 5 and 6).

(a) Reconciliation of cash

	2005 $'000	2004 $'000
Cash at bank	422	362
Other financial assets	1,541	1,630
Total	1,963	1,992

(b) Reconciliation of cash flow from operating activities to operating result

Operating result	(176)	93
Depreciation	312	29
Decrease/(increase) in Payables	(16)	5
(Increase)/decrease in Receivables	(85)	(10)
Net cash flow from Operating Activities	35	117

14. 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.

Former Old Government House at Port Macquarie

The Corporation Sole holds $676,153 (2004 $646,385) in trust for the conservation of the Old Government House archaeological site at Port Macquarie. Interest income received during the period amounted to $36,738 and expenses totalled $6,970. The funds were provided by the NSW State Government.

Productivity Commission on Historic Heritage

The Corporation Sole holds $248,509 in trust for the preparation of a submission to the Productivity Commission on economic, social and environmental value of heritage on behalf of the States, Territories, Commonwealth and New Zealand.

15. 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 4.33% (4.06 % 2004) and the rate at year end was 4.50% (4.25% 2004).

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 uncollectable 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.

Hour-Glass Investment Facilities

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

The Department's investments are:

	2005 $'000	2004 $'000
Cash Facility	211	200
Cash Plus Facility	315	298
Medium Term Growth Facility	1,942	1,778
Total	2,468	2,276

The investments are generally able to be redeemed with up to five business days notice (dependent upon the facility). The value of the investments held can decrease as well as increase depending upon market conditions. The value that best represents the maximum credit risk exposure is the net fair value. The value of the above investments represents the 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 6 and 14.

Recoverable Advances

All recoverable advances are recognised as amounts receivable at balance date. Collectability of recoverable advances is reviewed on an ongoing basis. Debts which are known to be uncollectable 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.

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 payment. No interest was applied during the year (2003-2004 $ Nil).

16. Impact of Adopting Australian Equivalents to IFRS

The Corporation Sole will apply the Australian Equivalents to International Financial Reporting Standards (AEIFRS) from 2005-06.

The Corporation Sole 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. To date, all the phases identified and reported in the Financial Statements for the year ended 30 June 2004 have been completed. In particular, a draft Balance Sheet as at 1 July 2004 was prepared under AEIFRS (in parallel with existing AGAAP financial information and financial statement) and submitted to the NSW Treasury and Audit Office.

The Corporation Sole has determined the key areas where changes in accounting policies are likely to impact the financial report. Some of these impacts arise because AEIFRS requirements are different from existing AASB requirements (AGAAP). Other impacts are likely to arise from options in AEIFRS. To ensure consistency at the whole of government level, NSW Treasury has advised agencies of options it is likely to mandate for the NSW Public Sector. The impacts disclosed below reflect Treasury's likely mandates (referred to as "indicative mandates").

Shown below are management's best estimates as at the date of preparing the 30 June 2005 financial report of the estimated financial impacts of AEIFRS on the Group's equity and profit/loss. The Corporation Sole does not anticipate any material impacts on its cash flows. The actual effects of the transition may differ from the estimated figures below because of pending changes to the AEIFRS, including the UIG interpretations and / or emerging accepted practice in their interpretation and application. The Corporation Sole's accounting policies may also be affected by a proposed standard to harmonise accounting standards with Government Finance Statistics (GFS). However, the impact is uncertain because it depends on when this standard is finalised and whether it can be adopted in 2005-06.

(a) Reconciliation of key aggregates

Reconciliation of equity under existing standards (AGAAP) to equity under AEIFRS:

	30 June 2005 $'000	1 July 2004 $'000
Total Equity under AGAAP	14,482	14,658
Total equity under AEIFRS	14,482	14,658

Reconciliation of surplus / (deficit) under AGAAP to surplus / (deficit) under AEIFRS:

	30 June 2005 $'000
Surplus/(deficit) under AGAAP	(176)
Surplus/(deficit) under AEIFRS	(176)

Notes to tables above

1 AASB 116 requires major inspection costs to be capitalised, where these are currently expensed. No major material restoration or inspection obligations requiring capitalisation existed as at 30 June 2005.

2 AASB 136 Impairment of Assets prescribes that assets are impaired if their carrying amount exceeds the amount to be recovered through use or sale of the asset. For Not-For-Profit Entities depreciated replacement cost becomes the measure of value in use where certain criteria are met. The Office has confirmed that the future economic benefits of capitalised Non-Current Assets are not primarily dependent on the asset's ability to generate net cash inflows and the agency would, if deprived of the assets, replace their future economic benefits. A review of significant asset records and accounting policies did not indicate any material asset impairment.

AASB 136 applies to all assets, subject to certain exclusions – in contrast to the previous standard which applied to Non-Current Assets only.

Assets arising from Employee Benefits are excluded under AASB 136. Financial Assets within the scope of AASB 139 Financial Instruments: Recognition and Measurement – such as Cash and Receivables – were excluded by NSW Treasury mandate.

3 The Corporation Sole holds $924,662 relating to two conservation projects that are financed by funding from other Government agencies. Under AEIFRS this treatment will not be permitted. These funds will, in future, be recognised as funds held by the Corporation Sole and the unspent amount of these funds shall be recognised as a liability in the balance sheet. Income from the liability will be released in line with the expenditure to which it relates.

(b) Financial instruments

In accordance with NSW Treasury's indicative mandates, the Corporation Sole will apply the exemption provided in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards not to apply the requirements of AASB 132 Financial Instruments: Presentation and Disclosures and AASB 139 Financial Instruments: Recognition and Measurement for the comparative figures in the financial year to 30 June 2006. These Standards will apply from 1 July 2005. None of the information provided above includes any impacts for financial instruments. However, when these Standards are applied, they are likely to impact on retained earnings (on first adoption) and the amount and volatility of profit / loss. Further, the impact of these Standards will in part depend on whether the fair value option can or will be mandated consistent with Government Finance Statistics.

(c) Grant recognition for not-for profit entities

The Corporation Sole will apply the requirements in AASB 1004 Contributions regarding contributions of assets (including grants) and forgiveness of liabilities. There are no differences in the recognition requirements between the new AASB 1004 and the current AASB 1004. However, the new AASB 1004 may be amended by proposals in Exposure Draft (ED) 125 Financial Reporting by Local Governments. If the ED 125 approach is applied, revenue and / or expense recognition will not occur until either The Corporation Sole supplies the related goods and services (where grants are in-substance agreements for the provision of goods and services) or until conditions are satisfied. ED 125 may therefore delay revenue recognition compared with AASB 1004, where grants are recognised when controlled. However, at this stage, the timing and dollar impact of these amendments is uncertain.

17. After Balance Date Events

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

[End of Audited Financial Statements]