

Financial Statements of Heritage Office

GPO BOX 12
SYDNEY NSW 2001**INDEPENDENT AUDIT REPORT****HERITAGE OFFICE****To Members of the New South Wales Parliament****Scope**

I have audited the accounts of the Heritage Office for the year ended 30 June 2002. The Director is responsible for the financial report consisting of the accompanying statement of financial position, statement of financial performance, statement of cash flows and summary of compliance with financial directives, together with the notes thereto, and the information contained therein. My responsibility is to express an opinion on the financial report to Members of the New South Wales Parliament based on my audit as required by the *Public Finance and Audit Act 1983*. My responsibility does not extend to an assessment of the assumptions used in formulating budget figures disclosed in the financial report.

My audit has been conducted in accordance with the provisions of the Act and Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates.

These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with the requirements of the Act, Accounting Standards and other mandatory professional reporting requirements, in Australia, so as to present a view which is consistent with my understanding of the Office's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion the financial report of the Heritage Office complies with section 45E of the Act and presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of the Office as at 30 June 2002 and the results of its operations and its cash flows for the year then ended.

A handwritten signature in cursive script, appearing to read 'M P Abood'.

M P Abood CPA
Director of Audit


SYDNEY
18 October 2002

HERITAGE OFFICE**STATEMENT BY DEPARTMENT HEAD**

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

1. The accompanying statements have been prepared in accordance with the provisions of the Public Finance and Audit Act, 1983, the Financial Reporting Code for Budget Dependant Agencies, the Public Finance and Audit (General) Regulation, 2000 (as applicable) and the Treasurer's Directions.
2. The Statements exhibit a true and fair view of the financial position of the Heritage Office as at 30th June 2002, and transactions for the year then ended.

There are no circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.


REECE MCDOUGALL
DIRECTOR
HERITAGE OFFICE

Dated: 18/6/02.

Financial Statements of Heritage Office – continued

HERITAGE OFFICE

Statement of Financial Performance for the Year Ended 30 June 2002

	Notes	Actual 2002 \$'000	Budget 2002 \$'000	Actual 2001 \$'000
Expenses				
Operating expenses:				
Employee related	2(a)	2,843	2,977	2,684
Other operating expenses	2(b)	1,523	1,735	1,312
Maintenance		32	47	10
Depreciation and amortisation	2(c)	91	143	84
Grants and subsidies	2(d)	7,893	4,114	2,145
Total Expenses		12,382	9,016	6,235
Less:				
Retained Revenue				
Investment income	3(a)	26	364	1,804
Grants and contributions	3(b)	566	57	446
Other revenue	3(c)	105	291	632
Total Retained Revenue		697	712	2,882
Gain/(loss) on disposal of non-current assets	4	(5)	0	(2)
NET COST OF SERVICES	18	11,690	8,304	3,355
Government Contributions:				
Recurrent appropriation	5	6,305	6,305	3,270
Capital appropriation	5	5,102	102	20
Acceptance by the Crown Entity of employee entitlements and other liabilities	6	260	260	268
Cash transfer to Consolidated Fund		(30,000)	(30,000)	0
Total Government Contributions		(18,333)	(23,333)	3,558
SURPLUS/(DEFICIT) FOR THE YEAR		(30,023)	(31,637)	203
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				
		(30,023)	(31,637)	203

The accompanying notes form part of these statements

HERITAGE OFFICE

Statement of Financial Position as at 30 June 2002

	Notes	Actual 2002 \$'000	Budget 2002 \$'000	Actual 2001 \$'000
ASSETS				
Current Assets				
Cash	8	761	1,734	30,935
Receivables	9	206	261	160
Other Financial Assets		0	1,465	0
Total Current Assets		967	3,460	31,095
Non-Current Assets				
Plant and Equipment	11	640	7,047	421
Receivables	9	138	0	167
Total Non-Current Assets		778	7,047	588
Total Assets		1,745	10,507	31,683
LIABILITIES				
Current Liabilities				
Payables	12	334	862	279
Employee entitlements and other provisions	13	301	192	271
Total Current Liabilities		635	1,054	550
Total Liabilities		635	1,054	550
Net Assets		1,110	9,453	31,133
EQUITY				
Reserves		0	550	0
Accumulated Funds	14	1,110	8,903	31,133
Total Equity		1,110	9,453	31,133

The accompanying notes form part of these statements

Financial Statements of Heritage Office – continued

HERITAGE OFFICE

Statement of Cashflows for the Year ended 30 June 2002

	Notes	Actual 2002 \$'000	Budget 2002 \$'000	Actual 2001 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(2,645)	(2,791)	(2,583)
Grants and subsidies		(7,893)	(4,114)	(2,145)
Other		(1,500)	(2,217)	(1,392)
Total Payments		(12,038)	(9,122)	(6,120)
Receipts				
Interest received		23	307	1,965
Other		628	789	1,350
Total Receipts		651	1,096	3,315
Cash Flows from Government				
Recurrent appropriation		6,305	(23,695)	3,270
Capital appropriation		5,102	102	20
Cash reimbursements from the Crown Entity		92	91	89
Cash transfers to Consolidated Fund		(30,000)	0	0
Net Cash Flow From Government		(18,501)	(23,502)	3,379
NET CASH FLOWS FROM OPERATING ACTIVITIES	18	(29,888)	(31,528)	574
CASH FLOW FROM INVESTING ACTIVITIES				
Purchases of Land and Buildings, Plant and Equipment		(315)	(4,037)	(81)
Advance repayment received		0	0	37
Advances made		29	0	(20)
NET CASH FLOWS USED ON INVESTING ACTIVITIES		(286)	(4,037)	(64)
NET INCREASE/(DECREASE) IN CASH		(30,174)	(35,565)	510
Opening cash and cash equivalents		30,935	37,299	30,425
CLOSING CASH AND CASH EQUIVALENTS	8	761	1,734	30,935

The accompanying notes form part of these statements

HERITAGE OFFICE

Summary of Compliance with Financial Directives

	2002				2001			
	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	6,305	6,305	102	102	2,271	2,270	20	20
	6,305	6,305	102	102	2,271	2,270	20	20
Other Appropriation/								
Expenditure								
Treasurer's Advance	0	0	5,000	5,000	1,000	1,000	0	0
	0	0	5,000	5,000	1,000	1,000	0	0
Total Appropriations/								
Expenditure/Net Claim								
on Consolidated Fund								
(includes transfer payments)	6,305	6,305	5102	5102	3,271	3,270	20	20
Amount drawn down against								
Appropriation								
		6,305		5102		3,270		20
Liability to Consolidated Fund								
		0		0		0		0

Notes to the Summary of Compliance with Financial Directives

- The Heritage Office is a single program entity and as such does not prepare a separate Program Statement.
- The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first, unless for specifically identifiable appropriations
- The Liability to Consolidated Fund is calculated as the difference between "Amount drawn down against Appropriation" and "Total Expenditure/Net Claim on Consolidated Fund".
- Treasurer's Advance appropriation was provided for the State contribution to the funding for the purchase of the Linnwood Hall property.

Financial Statements of Heritage Office – continued

HERITAGE OFFICE

Notes Accompanying and Forming Part of the Financial Statements for the Year ended 30 June 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Heritage Office (the Office), was formed on 1 July 1996 and is responsible for 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 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 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 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, any unspent appropriations are accounted for as liabilities rather than revenue. The Office did not have a liability to Consolidated Fund at 30 June 2002.

(ii) Sale of Goods

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. Rent revenue is recognised in accordance with AAS 17 "Accounting for Leases".

(e) Employee Entitlements

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

Liabilities for salaries and wages, annual leave and vesting sick leave are recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

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 entitlements accrued in the future.

The outstanding amounts for payroll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment are recognised as liabilities and expenses where the employee entitlements 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 entitlements and other liabilities".

Long service leave is measured on a nominal basis. The nominal method is based on remuneration rates at year end for all employees with five or more years of service. It is considered that this measurement technique produces results not materially different from the estimate determined by using the present value basis of measurement.

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.

(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:

- 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

Items of Plant and Equipment costing \$5,000 and above individually are capitalised.

(j) Revaluation of Physical Non-Current Assets

As the Office does not own Land, Buildings or Infrastructure assets, it considers there is no need to carry out a revaluation of physical non-current assets every five years, unless it becomes aware of any material difference in the carrying amount of any class of assets. It is considered by management that the written down value of non current assets (computers, plant and equipment etc) would approximately equate to market value.

The recoverable amount test has not been applied as the Office is a not-for-profit entity whose service potential is not related to the ability to generate net cash inflows.

(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
Leasehold improvements	Over the initial period of the lease

(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 buildings and 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 the original invoice amount less 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.

Financial Statements of Heritage Office – continued
(o) Payables

These amounts represent liabilities for goods and services provided to the agency and other amounts, including interest. Interest is accrued over the period it becomes due.

(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).

2. EXPENSES
(a) EMPLOYEE RELATED EXPENSES

	2002 \$'000	2001 \$'000
Employee related expenses comprise the following specific items:		
Salaries and wages (including recreation leave)	2,386	2,269
Superannuation	179	179
Payroll tax on superannuation	11	11
Long service leave	79	76
Workers compensation insurance	14	14
Payroll and fringe benefits tax	174	135
	2,843	2,684

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)(ii)).

(b) OTHER OPERATING EXPENSES

	2002 \$'000	2001 \$'000
Auditor's remuneration		
– audit or review of the financial reports	17	17
Operating lease rental payments – minimum lease payments	289	259
Bad and doubtful debts	0	141
Insurance	10	9
Corporate services	142	133
Consultancies	431	214
Public relations costs	155	100
Other operating expenses	479	439
	1,523	1,312

(c) DEPRECIATION

	2002 \$'000	2001 \$'000
Depreciation		
Plant and equipment	91	84
	91	84

(d) GRANTS AND SUBSIDIES

	2002 \$'000	2001 \$'000
Environmental heritage grants	44	44
Heritage 2001 grant program	2,849	1,101
State contribution to restoration of Port Macquarie Government House	0	1,000
Linnwood Hall acquisition contribution to Corporation Sole	5,000	0
	7,893	2,145

3. REVENUES**(a) INVESTMENT INCOME**

	2002 \$'000	2001 \$'000
Interest	26	1,804
	26	1,804

Reduction in interest due to return to Treasury of \$30 million of the consolidation funding which was invested in the Treasury Corporation Hour-Glass Facility in 2001.

(b) GRANTS AND CONTRIBUTIONS

	2002 \$'000	2001 \$'000
Commonwealth Government – Shipwreck Program	56	57
Other	510	389
	566	446

(c) OTHER REVENUE

	2002 \$'000	2001 \$'000
Miscellaneous income	105	112
Contribution to operating costs by Corporation Sole	0	520
	105	632

4. GAIN/(LOSS) ON DISPOSAL OF NON-CURRENT ASSETS

	2002 \$'000	2001 \$'000
Proceeds from disposal	1	0
Written down value of assets disposed	(6)	(2)
	(5)	(2)

5. APPROPRIATIONS

	2002 \$'000	2001 \$'000
Recurrent appropriations		
Total recurrent drawdowns from Treasury (per Summary of Compliance)	6,305	3,270
Less: Liability to Consolidated Fund (per Summary of Compliance)	0	0
	6,305	3,270
Comprising:		
Recurrent appropriations (per Statement of Financial Performance)	6,305	3,270
Total	6,305	3,270
Capital appropriations		
Total capital drawdowns from Treasury (per Summary of Compliance)	5,102	20
Less: Liability to Consolidated Fund (per Summary of Compliance)	0	0
	5,102	20
Comprising:		
Capital appropriations (per Statement of Financial Performance)	5,102	20
Total	5,102	20

Financial Statements of Heritage Office – continued
6. ACCEPTANCE BY THE CROWN ENTITY OF EMPLOYEE ENTITLEMENTS AND OTHER LIABILITIES

	2002 \$'000	2001 \$'000
The following liabilities and/or expenses have been assumed by the Crown Entity.		
Superannuation	170	180
Long service leave	79	11
Payroll tax	11	77
	260	268

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

	2002 \$'000	2001 \$'000
– Cash at bank and on hand	761	912
– TCorp Cash Plus Investments	0	30,023
	761	30,935

Reduction in TCorp Cash Plus investment is due to transfer of \$30 million Heritage 2001 program to Treasury.

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 the same as those recognised in the Statement of Cash Flows.

9. CURRENT/NON-CURRENT ASSETS – RECEIVABLES

	2002 \$'000	2001 \$'000
Current		
Sale of goods and services	133	122
Other debtors	94	59
	227	181
Less: Provision for doubtful debts	21	21
	206	160
Non-Current		
Repayable advances	258	287
Less: Provision for doubtful debts	120	120
	138	167

10. RESTRICTED ASSETS

\$30 million Heritage 2001 Program previously held as restricted asset was transferred to Treasury as part of new funding arrangements from 1 July 2001.

There are no other restricted assets held by the entity.

11. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	2002	2001
	\$'000	\$'000
Plant and Equipment		
At Cost	989	708
	989	708
Accumulated Depreciation at Cost	349	287
	349	287
Total Plant and Equipment at Net Book Value	640	421

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	2002	2001
	\$'000	\$'000
Carrying amount at start of year	421	426
Additions	316	62
Disposals	(6)	17
Depreciation expense	(91)	(84)
Carrying amount at end of year	640	421

The Office continues to derive economic benefits from the following fully depreciated assets.

	Quantity	Cost \$000
Computer equipment	44	96
Office equipment	5	4

12. CURRENT LIABILITIES – PAYABLES

	2002	2001
	\$'000	\$'000
Creditors	334	279
	334	279

13. CURRENT LIABILITIES – EMPLOYEE ENTITLEMENTS AND OTHER PROVISIONS

	2002	2001
	\$'000	\$'000
Employee entitlements		
Recreation leave	173	180
Accrued salaries and wages	60	53
	233	233
Other Provisions		
Payroll tax on recreation leave & FBT	68	38
Total Employee entitlements and other provisions	301	271
Aggregate employee entitlements	301	271

Financial Statements of Heritage Office – continued
14. CHANGES IN EQUITY

Changes in Equity – movement	Accumulated Funds		Total Equity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Balance at the beginning of the financial year	31,133	30,930	31,133	30,930
<i>Changes in equity-other than transactions with owners as owners</i>	0	0	0	0
Total	31,133	30,930	31,133	30,930
<i>Changes in equity-other than transactions with owners as owners</i>				
Surplus/(Deficit) for the year	(30,023)	203	(30,023)	203
Total	(30,023)	203	(30,023)	203
Balance at the end of the financial year	1,110	31,133	1,110	31,133

15. COMMITMENTS FOR EXPENDITURE
(a) OTHER EXPENDITURE COMMITMENTS

	2002 \$'000	2001 \$'000
Aggregate grant expenditure contracted for at balance date and not provided for:		
Not later than one year	1,794	5,355
Total (including GST)	1,794	5,355

(b) OPERATING LEASE COMMITMENTS

The Office occupies space at Parramatta but has no occupancy commitment because rent is paid on a month by month basis.

	2002 \$'000	2001 \$'000
Not later than one year	17	0
Between one and five years	23	0
Total	40	0

16. CONTINGENT LIABILITIES

The Office is not aware of any contingent liabilities associated with its operations.

17. BUDGET REVIEW
Net Cost of Services

The variance between actual and budget is mainly due to higher grant expenditure of \$3.4 million (Heritage 2001 grant program).

When the surplus of Heritage Conservation Fund is included, the actual net cost of services is lower than budget by \$100,000.

Assets and Liabilities

When the T Corp Investments of Heritage Conservation Fund are included, the current assets are higher than budget by \$2.5 million.

Non-current assets were \$6.3 million lower than budget. The budget includes funding for the acquisition of Linnwood Hall purchase by Heritage Conservation Fund.

Current liability was \$0.4 million lower than budget.

Cash Flows

The actual net cash outflow was \$30.0 million from operating activities. The actual net cash outflows from investing activities was \$6.5 million for both Heritage Office and Heritage Conservation Fund.

18. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET COST OF SERVICES

	2002 \$'000	2001 \$'000
Net Cash used on operating activities	(29,888)	574
– Cash Flows from Government/Appropriations	18,593	(3,290)
– Acceptance by the Crown Entity of employee entitlements and other liabilities	(260)	(268)
– Depreciation	(91)	(84)
– Write back non-current assets	(5)	(2)
– Decrease/(increase) in provisions	(30)	78
– Increase/(decrease) in prepayments and other assets	46	(196)
– Decrease/(increase) in creditors	(55)	(167)
Net Cost of Services	(11,690)	(3,355)

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 3.52% (2000-2001 4.83%), and the rate at year end was 3.73.% (2000-2001 4.00%).

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.

Hour-Glass Facilities

The Office currently does not have any investments as a result of returning all excess funds to Treasury.

The Office's investments were:	2002 \$'000	2001 \$'000
Cash Plus Facility	0	30,023

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 (2000-2001 \$nil).

20. AFTER BALANCE DATE EVENTS

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

END OF AUDITED FINANCIAL STATEMENTS

Financial Statements of Corporation Sole



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 and the Minister for Planning

Scope

I have audited the accounts of the Corporation Sole 'Minister Administering the Heritage Act 1977' for the year ended 30 June 2002. The Minister is responsible for the financial report consisting of the statement of financial position, statement of financial performance and statement of cash flows together with the notes thereto, and the information contained therein. My responsibility is to express an opinion on the financial report to Members of the New South Wales Parliament based on my audit as required by the *Public Finance and Audit Act 1983* (the Act).

My audit has been conducted in accordance with the provisions of the Act and Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the requirements of the Act, Accounting Standards and other mandatory professional reporting requirements, in Australia, so as to present a view which is consistent with my understanding of the Corporation Sole's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial report of the Corporation Sole 'Minister Administering the Heritage Act 1977' complies with section 41B of the Act and presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of the Corporation Sole as at 30 June 2002 and the results of its operations and its cash flows for the year then ended.

R J Sendt
Auditor-General

SYDNEY
18 October 2002

STATEMENT BY CORPORATION SOLE
“MINISTER ADMINISTERING THE HERITAGE ACT, 1977”

Pursuant to 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 exhibit a true and fair view of the financial position of the Corporation Sole “Minister Administering the Heritage Act, 1977” as at 30th June 2002, 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.



ANDREW REFSHAUG MP
DEPUTY PREMIER
MINISTER FOR PLANNING

Dated: 18/10/02

Financial Statements of Corporation Sole – *continued*

CORPORATION SOLE “MINISTER ADMINISTERING THE HERITAGE ACT, 1977”

Statement of Financial Performance for the Year Ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
Revenue			
Interest on Investments		440	633
Interest on Advances		0	2
Statutory Fees and Other Charges		197	226
Miscellaneous (Includes grant received for Linnwood Hall purchase)		5,006	23
Revenue from ordinary activities		5,643	884
Expenditure			
Conservation Grants and Advances	4	1,801	1,158
Less: Repayable Conservation Advances	8(b)	0	10
		1,801	1,148
National Estate Program	12	32	37
Administration Expenses	5(a)	312	1,000
Depreciation	5(b)	11	9
Expenses from ordinary activities		2,156	2,194
SURPLUS/(DEFICIT) FOR THE YEAR FROM ORDINARY ACTIVITIES		3,487	(1,310)
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		0	0
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS	13	3,487	(1,310)

The accompanying notes form part of these statements

CORPORATION SOLE "MINISTER ADMINISTERING THE HERITAGE ACT, 1977"

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
Current Assets			
Cash	7	5,311	8,222
Receivables	8,9	273	92
Total Current Assets		5,584	8,314
Non-Current Assets			
Land and Building	10	8,164	1,883
Receivables	8	668	691
Total Non-Current Assets		8,832	2,574
TOTAL ASSETS		14,416	10,888
Current Liabilities			
Payables	11	84	43
Total Current Liabilities		84	43
TOTAL LIABILITIES		84	43
NET ASSETS		14,332	10,845
Equity			
	13		
Retained surplus		13,612	10,125
Reserves		720	720
TOTAL EQUITY		14,332	10,845

The accompanying notes form part of these statements

Financial Statements of Corporation Sole – *continued*

CORPORATION SOLE “MINISTER ADMINISTERING THE HERITAGE ACT, 1977”

Statement of Cash Flows for the Year Ended 30th June 2002

	Note	2002 \$'000	2001 \$'000
Cash Flow from Operating Activities			
Payments			
Administrative Expenses		(271)	(1,510)
Conservation Grants Paid		(1,801)	(1,148)
National Estate Program		(32)	(37)
		(2,104)	(2,695)
Receipts			
Interest Received		437	635
Statutory Fees and Other Charges		197	226
Other		4,817	66
		5,451	927
Net Cash Flow from Operating Activities	15	3,347	(1,768)
Cash Flow from Investing Activities			
Repayable Conservation Advances		34	48
Other Capital Payments		(6,292)	(436)
Net Cash Flow from Investing Activities		(6,258)	(388)
Net Increase/(Decrease) in Cash		(2,911)	(2,156)
Opening Cash Balance		8,222	10,378
CLOSING CASH BALANCE	7	5,311	8,222

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 2002

1. STATEMENT OF PRINCIPAL ACTIVITY

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 Financial Statements are a general purpose financial report which has been prepared on an accrual basis, and in accordance with applicable Australian Accounting Standards, Urgent Issues Group (UIG) Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), the requirements of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2000 and the Financial Reporting Directions 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.

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/Historic Houses – At market value; and
- Land surrounding Heritage/Historic Houses – At market value.

The market valuations are at 30 June 1999 using County Valuations Pty Limited, independent real estate valuers.

(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/Historic Houses	3.00

Depreciation has been provided for Heritage/Historic Houses from 1 July 1994.

(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.

Financial Statements of Corporation Sole – continued

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 2.6.

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 agency'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 :

- 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 the item expense.
- receivables and payables are stated with the amount of GST included.

3. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these financial statements are consistent with those used in 2000/2001.

4. CONSERVATION GRANTS AND ADVANCES

Conservation Grants and Advances – movements	2002 \$'000	2001 \$'000
Outstanding Commitments – 1 July	2,230	787
Plus prior years commitments adjustment	0	2,185
Plus new commitments	859	1,138
Less commitments rescinded	840	722
	2,249	3,388
Less Payments	1,801	1,158
Outstanding Commitments – 30 June	448	2,230

5. EXPENSES

(a) ADMINISTRATION EXPENSES

Administration Expenses comprised of:	2002 \$'000	2001 \$'000
Employee related payments	23	17
Repairs and maintenance	2	7
Board fees	104	119
Consultancy fees	35	115
General administration	49	117
Travel	4	10
Audit fees	11	11
Administrative fee (Refer Note 6)	84	84
Contribution to Heritage Office operating costs	0	520
Total	312	1,000

(b) DEPRECIATION

Depreciation comprised:	2002 \$'000	2001 \$'000
Buildings	11	9
Total Depreciation	11	9

6. ASSISTANCE RENDERED

Financial, Human Resources, IT and other corporate services were provided by the Central Corporate Service Unit (DPWS). The Corporation Sole paid an administrative fee of \$84,000 (2000/2001 \$84,000) for services rendered.

7. CASH ASSETS

Cash and Investments	2002 \$'000	2001 \$'000
– Cash at Bank/(Overdraft)*	(175)	299
– Treasury Corporation (Hour-Glass Facilities)	5,486	7,923
Total Cash and Investments	5,311	8,222

*The overdraft of \$175,000 reflects only a book entry.

Treasury Corporation Hour-Glass investments are shown at Market Valuation. Investment income has not been fully realised. (Refer Note 17)

8. REPAYABLE CONSERVATION ADVANCES

Repayable Conservation Advances are made to individuals and organisations for conservation purposes (Refer Note 2.6). Security in the form of mortgage, caveat, bill of exchange or promissory note is held for all repayable advances.

(a) REPAYABLE CONSERVATION ADVANCES	2002 \$'000	2001 \$'000
– Current Assets	41	52
– Non-Current Assets	668	691
Total	709	743

(b) REPAYABLE CONSERVATION ADVANCES – MOVEMENTS	2002 \$'000	2001 \$'000
– Opening Balance – 1 July	743	791
– New Advances (Refer Note 4)	0	10
	743	801
– Less: Repayments	34	58
Closing Balance – 30 June	709	743

Repayable advances written off during the year amounted to Nil (2000/2001 Nil).

As at 30 June, 2002 Refundable Financial Assistance Advances included in Current and Non-Current Assets payable to the Corporation Sole amounted to \$668,000 (2000/2001 \$691,000). A condition of these grants is that they are repayable, indexed by the CPI, on the transfer of title of the property. The indexed amounts of these advances are brought to account on repayment.

9. OTHER RECEIVABLES

Accounts Receivable comprises:	2002 \$'000	2001 \$'000
– Sundry Debtors	232	40
Total Accounts Receivable	232	40

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

10. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	2002 \$'000	2001 \$'000
(i) Land and Buildings		
– At Valuation	1,200	1,200
– At Cost	5,308	313
	6,508	1,513
– Accumulated Depreciation on Buildings at Valuations and Cost	77	67
– Written down Value	6,431	1,446
(iii) Capital Works In Progress		
– At Cost	1,733	437
– Written down Value	1,733	437
TOTAL PROPERTY, PLANT & EQUIPMENT AT NET BOOK VALUE	8,164	1,883

Financial Statements of Corporation Sole – continued

- (i) Additions to Land and Buildings represent acquisition cost, cost of improvements and refurbishing undertaken by the Corporation Sole.
- (ii) Land and Buildings located at Hillview, Sutton Forest were valued (Refer Note 2.2) by County Valuations Pty Limited, Independent Real Estate Valuers, on 30 June 1999 as follows:
- Heritage/Historic Houses – at market value (\$350,000)
 - Land surrounding Heritage/Historic Houses – at market value (\$750,000)
- (iii) 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.
- (iv) 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 1999 as follows:
- Land – (\$100,000)
 - Buildings – nil
- (v) The Corporation Sole is undertaking the restoration of the Old Kings School at Parramatta. Amount spent during the year was \$1,732,955.
- (vi) The Corporation Sole acquired Linnwood Hall Property at \$5 million in June 2002.

11. PAYABLES

Accounts Payable comprises:	2002 \$'000	2001 \$'000
– Other Operating Expenses	84	43
Total Accounts Payable	84	43

12. RESTRICTED ASSETS

National Estate Program

The National Estate Program is funded by the Commonwealth Government for the restoration, preservation and improvement of landscapes and buildings of special significance. Details of the National Estate Program are provided below.

National Estate Program – movements	2002 \$'000	2001 \$'000
Balance of unexpended funds at the beginning of the financial year	320	357
Less: Grants Paid	32	37
Balance at the end of the financial year	288	320

At 30 June, 2002 there were grant commitments outstanding representing the balance of unexpended funds.

13. ACCUMULATED FUNDS – EQUITY
RETAINED SURPLUS

	2002 \$'000	2001 \$'000
Balance at the beginning of the financial year	10,125	11,435
Changes in Equity other than those resulting from transactions with owners as owners	0	0
Surplus/(Deficit) for the year from ordinary activities	3,487	(1,310)
Balance at the end of the financial year	13,612	10,125

RESERVES

Asset Revaluation Reserve	2002 \$'000	2001 \$'000
– Balance at the beginning of the financial year	720	720
Balance at the end of the financial year	720	720

14. CONTINGENT LIABILITY

At 30 June 2002 (30 June 2001 Nil) there were no known contingent liabilities relating to the Corporation Sole.

15. 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 investments. 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 DEFICIENCY

	2002	2001
	\$'000	\$'000
– Operating Surplus/(Deficit)	3,487	(1,310)
– Decrease/(Increase) in Receivables	(192)	43
– Increase/(Decrease) in Payables	41	(510)
– Adjustment for Non-Cash Items – Depreciation	11	9
Net Cash Flow from Operating Activities	3,347	(1,768)

16. 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.

(a) ST MARY'S CATHEDRAL

The Corporation Sole holds funds \$127,613. (2001 \$123,421) in trust for the Conservation of St Mary's Cathedral, Sydney. The funds have been provided by the Commonwealth Government.

(b) ST ANDREW'S CATHEDRAL

The Corporation Sole holds funds \$153,568 (2001 \$429,777) in trust for the Conservation of St Andrew's Cathedral, Sydney. The funds have been provided by the Commonwealth and State Governments.

(c) OLD GOVERNMENT HOUSE AT PORT MACQUARIE

The Corporation Sole holds funds \$762,379 (2001 \$1 million) in trust for the conservation of the Old Government House at Port Macquarie. The funds have been provided by the State Government.

17. 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 3.52% (2000-2001 4.83%) and the rate at year end was 3.73% (2000-2001 4.00%).

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.

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.

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:

	2002	2001
	\$'000	\$'000
Cash Facility	3,106	2,674
Cash Plus Facility	392	0
Bond Market Facility Trust	0	2,301
Medium Term Growth Facility	3,028	2,948
Total	6,526	7,923

Financial Statements of Corporation Sole – continued

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.

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.

18. AFTER BALANCE DATE EVENTS

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

END OF AUDITED FINANCIAL STATEMENTS

Events Subsequent to the Reporting Period

- The NSW Government Heritage Volunteer Awards was launched in August 2002. At a ceremony at the State Library the outstanding contributions of volunteers across NSW was recognised with the State's first-ever heritage awards. The majority of the 16 recipients were from regional and country NSW. The purpose of the awards is to recognise the outstanding performance of individuals and community groups who have significantly improved the profile of heritage management in their local communities and promoted the value of heritage.
- Preparations were made to move the Heritage Office to a new location at the Old Kings School in Marist Place, Parramatta. It is anticipated that the office will move in December 2002.