

Audited Financial Statements

14



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

Department of State and Regional Development

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the Department of State and Regional Development (the Department):

- presents fairly the Department's financial position as at 30 June 2006 and its performance for the year ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 45E of the *Public Finance and Audit Act 1983* (the Act) and the *Public Finance and Audit Regulation 2005*.

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

Scope

The Financial Report and Director General's Responsibility

The financial report comprises the operating statement, statement of changes in equity, balance sheet, cash flow statement, program statement - expenses and revenues, summary of compliance with financial directives and accompanying notes to the financial statements for the Department, for the year ended 30 June 2006.

The Director General is responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order 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 Standards and statutory requirements, and I:

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Director General in preparing the financial report, and
- examined a sample of evidence that supports the amounts and 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 General had not fulfilled his reporting obligations.

My opinion does *not* provide assurance:

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

A handwritten signature in black ink, appearing to read 'S R Stanton'.

S R Stanton CPA
Director, Financial Audit Services

SYDNEY
20 October 2006

Department of State and Regional Development

Financial Report for the year ending 30 June 2006

**STATEMENT BY THE CHIEF EXECUTIVE OFFICER OF THE
DEPARTMENT OF STATE AND REGIONAL DEVELOPMENT**

Pursuant to section 45F of the Public Finance and Audit Act 1983, I state to the best of my knowledge and belief:

- a) the accompanying financial statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Financial Reporting Code for Budget Dependent General Government Sector Agencies, the Public Finance and Audit (General) Regulation (as applicable) and Treasurer's Directions;
- b) the Financial Statements exhibit a true and fair view of the financial position of the Department of State and Regional Development as at 30 June, 2006 and for the operations for the year then ended;
- c) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Loftus Harris
Director General

19/10/06

Department of State and Regional Development Financial Statements

Operating Statement

for the year ended 30 June 2006

	Notes	Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000
Expenses excluding losses				
Operating expenses				
Employee related expenses	2(a)	32,155	32,448	28,681
Other operating expenses	2(b)	33,594	34,831	16,747
Depreciation and amortisation expenses	2(c)	2,027	1,518	1,700
Grants and subsidies	2(d)	42,077	21,511	19,139
Other expenses	2(e)	22,375	28,433	24,576
Total Expenses excluding losses		132,228	118,741	90,843
Less:				
Revenue				
Sale of goods and services	3(a)	358	446	149
Investment income	3(b)	986	750	877
Grants and contributions	3(c)	1,635	2,268	586
Other revenue	3(d)	2,169	751	591
Total Revenue		5,148	4,215	2,203
Gain / (loss) on disposal	4	(411)	-	(4)
Other gains / (losses)	5	41	-	-
Net Cost of Services	24	127,450	114,526	88,644
Government Contributions				
Recurrent appropriations	6	113,727	101,004	83,859
Capital appropriations	6	113	113	110
Acceptance by the Crown Entity of employee benefits and other liabilities	7	1,823	1,688	3,281
Total Government Contributions		115,663	102,805	87,250
SURPLUS / (DEFICIT) FOR THE YEAR		(11,787)	(11,721)	(1,394)

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

for the year ended 30 June 2006

	Notes	Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		-	-	-
Surplus / (Deficit) for the year		(11,787)	(11,721)	(1,394)
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR	19	(11,787)	(11,721)	(1,394)

The accompanying notes form part of these financial statements.

Department of State and Regional Development Financial Statements

Balance Sheet

as at 30 June 2006

	Notes	Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	10	20,105	22,872	19,816
Receivables	11	8,107	7,565	5,053
Other	15	200	53	-
Total Current Assets		28,412	30,490	24,869
Non-Current Assets				
Financial assets at fair value	12	459	459	-
Other financial assets		-	45	-
Property plant and equipment	13			
Plant and Equipment	13	4,543	2,866	2,647
Intangible assets	14	631	4	4
Other	15	735	-	-
Total Non-Current Assets		6,368	3,374	2,651
Total Assets		34,780	33,864	27,520
LIABILITIES				
Current Liabilities				
Payables	16	5,729	4,575	2,580
Provisions	17	4,780	4,213	2,536
Other	18	926	1,320	141
Total Current Liabilities		11,435	10,108	5,257
Non-Current Liabilities				
Provisions	17	860	1,279	1,073
Other	18	735	45	-
Total Non-Current Liabilities		1,595	1,324	1,073
Total Liabilities		13,030	11,432	6,330
Net Assets		21,750	22,432	21,190
EQUITY				
Accumulated funds	19	21,750	22,432	21,190
Total Equity		21,750	22,432	21,190

The accompanying notes form part of these financial statements.

Department of State and Regional Development
Financial Statements

Cash Flow Statement

for the year ended 30 June 2006

	Notes	Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(29,664)	(30,901)	(26,496)
Grants and subsidies		(42,076)	(26,325)	(19,069)
Other		(64,259)	(63,550)	(55,533)
Total Payments		(135,999)	(120,776)	(101,098)
Receipts				
Sale of goods and services		12	446	458
Interest received		740	750	787
Other		12,760	8,119	8,146
Total Receipts		13,512	9,315	9,391
Cash Flows From Government				
Recurrent appropriation	6	113,727	101,004	83,859
Capital appropriation	6	113	113	110
Cash reimbursements from the Crown Entity		-	-	1,344
Cash transfers to the Consolidated Fund		-	-	(4,931)
Net Cash Flows From Government		113,840	101,117	80,382
NET CASH FLOWS FROM OPERATING ACTIVITIES	24	(8,647)	(10,344)	(11,325)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of Plant and Equipment		2	-	1
Advance repayments received		130	130	130
Purchases of Plant and Equipment		(2,930)	(113)	(228)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(2,798)	17	(97)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings and advances		(130)	-	(130)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(130)	-	(130)
NET INCREASE / (DECREASE) IN CASH				
Opening cash and cash equivalents		19,816	19,816	31,368
Cash transferred in (out) as a result of administrative restructuring	20	11,864	13,383	-
CLOSING CASH AND CASH EQUIVALENTS	10	20,105	22,872	19,816

The accompanying notes form part of these financial statements.

Program Statement – Expenses and Revenues

for the year ended 30 June 2006

	Program 1: Development of the New South Wales Economy*		Program 2: Development of the Tourism Industry*		Program 3: Science and Medical Research*		Not Attributable		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Agency's Expenses and Revenues										
Expenses excluding losses										
Operating expenses										
Employee related expenses	25,105	28,681	6,032	-	1,018	-	-	-	32,155	28,681
Other operating expenses	20,017	16,747	13,010	-	567	-	-	-	33,594	16,747
Depreciation and amortisation expenses	1,666	1,700	274	-	87	-	-	-	2,027	1,700
Grants and subsidies	12,791	19,139	1,609	-	27,677	-	-	-	42,077	19,139
Other expenses	22,375	24,576	-	-	-	-	-	-	22,375	24,576
Total expenses excluding losses	81,954	90,843	20,925	-	29,349	-	-	-	132,228	90,843
Revenue										
Sale of goods and services	81	149	277	-	-	-	-	-	358	149
Investment income	858	877	54	-	74	-	-	-	986	877
Grants and contributions	399	586	1,236	-	-	-	-	-	1,635	586
Other revenue	1,194	591	975	-	-	-	-	-	2,169	591
Total Revenue	2,532	2,203	2,542	-	74	-	-	-	5,148	2,203
Gain / (loss) on disposal	(409)	(4)	-	-	(2)	-	-	-	(411)	(4)
Other gains / (losses)	-	-	41	-	-	-	-	-	41	-
Net Cost of Services	79,831	88,644	18,342	-	29,277	-	-	-	127,450	88,644
Government contributions **							115,663	87,250	115,663	87,250
NET EXPENDITURE / (REVENUE) FOR THE YEAR	79,831	88,644	18,342	-	29,277	-	(115,663)	(87,250)	11,787	1,394

* The name and purpose of each program is summarised in Note 9.

** Appropriations are made on an agency basis and not to individual programs.
Consequently, government contributions must be included in the 'Not Attributable' column.

Summary of Compliance with Financial Directives

for the year ended 30 June 2006

	2006				2005			
	Recurrent Appropriation	Expenditure / Net Claim on Consolidated Fund	Capital Appropriation	Expenditure / Net Claim on Consolidated Fund	Recurrent Appropriation	Expenditure / Net Claim on Consolidated Fund	Capital Appropriation	Expenditure / Net Claim on Consolidated Fund
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ORIGINAL BUDGET APPROPRIATION / EXPENDITURE								
• Appropriation Act	92,891	77,926	113	113	106,489	89,386	110	110
• s24 PF&AA – transfers of functions between departments	17,729	17,729	–	–	–	–	–	–
	110,620	95,655	113	113	106,489	89,386	110	110
OTHER APPROPRIATIONS / EXPENDITURE								
• Treasurer's Advance	500	500	–	–	–	–	–	–
• Transfers to / from another agency (s28 of the Appropriation Act)	26,339	26,339	–	–	–	–	–	–
	26,839	26,839	–	–	457	457	–	–
Total Appropriations / Expenditure / Net Claim on Consolidated Fund (includes transfer payments)	137,459	122,494	113	113	106,946	89,843	110	110
Amount drawn down against Appropriation		122,494		113		89,843		110
Liability to Consolidated Fund		–		–		–		–

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

The net claim on Consolidated Fund is less than budget appropriation due to less than forecast expenditure in program activities including Regional Headquarters Tax Concessions, Katoomba Echo Point Development, Illawarra Advantage Fund, Regional Development Assistance, BioFirst Projects and Spinal Grants Program.

Notes to the Financial Statements

for the year ended 30 June 2006

1 Summary of Significant Accounting Policies

(a) Reporting Entity

The Department of State and Regional Development (hereafter the "Department") is a separate reporting entity. There are no other entities under its control.

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

The Tourism Industry Division was transferred from the former Department of Tourism, Sport and Recreation to the Department of State and Regional Development in accordance with the Public Sector Employment and Management (General) Order 2006, with effect from 3 March 2006. The expenses and revenues for the Tourism Industry Division prior to 3 March are reported in Note 9.

The Office for Science & Medical Research was transferred from the former Ministry for Science and Medical Research to the Department of State and Regional Development in accordance with the Public Sector Employment and Management (General) Order 2006, with effect from 3 March 2006. The expenses and revenues for the former Ministry for Science & Medical Research prior to 3 March are reported in Note 9.

The financial report for the year ended 30 June 2006 has been authorised for issue by the Director-General on 19 October 2006.

(b) Basis of Preparation

The agency's financial report is a general purpose financial report which has been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian Equivalents to International Financial Reporting Standard (AIFRS));

- the requirements of the *Public Finance and Audit Act 1983* and Regulation;
- UIG Interpretations and other authoritative announcements; and
- the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer.

In the absence of a specific Accounting Standard, the hierarchy of pronouncements as outlined in AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors is considered.

Property, plant and equipment and financial assets are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

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

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) Statement of Compliance

The financial statements and notes comply with Australian Accounting Standards, which include AIFRS.

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly.

Reconciliations of AIFRS equity and surplus or deficit for 30 June 2005 to the balances reported in the 30 June 2005 financial report are detailed in Note 27.

(d) Administered Activities

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

(e) Income Recognition

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

(i) **Parliamentary Appropriations and Contributions from Other Bodies**
Parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as income when the agency obtains control over the assets comprising the appropriations / contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash.

(ii) Sale of Goods

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

(iii) Rendering of Services

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

(iv) Investment income

Interest revenue is recognised using the effective interest method as set out in AASB 139.

(f) 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 that fall due wholly within 12 months of the reporting date are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

Long-term annual leave that is not expected to be taken within twelve months is measured at present value in accordance with AASB 119 *Employee Benefits*.

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

Notes to the Financial Statements

for the year ended 30 June 2006

1 Summary of Significant Accounting Policies (cont'd)

(f) Employee Benefits and Other Provisions (cont'd)

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 agency's liabilities for long service leave and superannuation are assumed by the Crown Entity. The agency accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of employee benefits and other liabilities". Prior to 2005/06 the Crown Entity also assumed the defined contribution superannuation liability.

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors (specified in NSWTC 06/09) to employees with 5 or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

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

(iii) Other Provisions

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

(g) 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.

(h) 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 agency 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.

(i) Acquisitions of Assets

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

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition (see also assets transferred as a result of an administrative restructure – Note 1(u)).

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

(j) Capitalisation Thresholds

Property, plant and equipment and intangible assets costing \$5,000 and above individually (or forming part of a network costing more than \$5,000) are capitalised.

(k) Revaluation of Property, Plant and Equipment

As the Department does not own Land, Building or Infrastructure assets, it considers it not-cost-efficient 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.

The Department's assets are short lived and it is considered by management that the written down value of its non-current assets would approximate their fair value.

(l) Impairment of Property, Plant and Equipment

As a not-for-profit entity with no cash generating units, the Agency is effectively exempted from AASB 136 Impairment of Assets and impairment testing. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

Notes to the Financial Statements

for the year ended 30 June 2006

1 Summary of Significant Accounting Policies (cont'd)

(m) Depreciation of Property, Plant and Equipment

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

Depreciation Rates	% Rate
Plant & Equipment	
Office furniture and fittings	10
Office equipment	14.28
Computer equipment and software	25
Leasehold improvement	20.77

(n) Restoration Cost

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

(o) Maintenance

Day-to-day servicing costs or 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.

(p) Leased Assets

Operating lease payments are charged to the Operating Statement in the periods in which they are incurred.

(q) Intangible Assets

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

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

As there is no active market for the agency's intangible assets, the assets are carried at cost less any accumulated amortisation.

The agency's intangible assets are amortised using the straight line method over a period of 6 years.

In general, intangible assets are tested for impairment where an indicator of impairment exists. However, as a not-for-profit entity with no cash generating units, the agency is effectively exempted from impairment testing.

(r) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less any provision for doubtful debts. Any changes are accounted for in the Operating Statement when impaired, derecognised or through the amortisation process.

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

(s) Investments

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit and loss, transaction costs. The Department determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

Fair value through profit or loss –

The Department subsequently measures investments classified as "held for trading" or designated "at fair value through profit or loss" at fair value. Financial assets are classified as "held for trading" if they are acquired for the purpose of selling in the near term. Gains or losses on these assets are recognised in the Operating Statement.

(t) Trust Funds

The agency receives monies in a trustee capacity for various trusts as set out in Note 25. As the agency performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the agency's own objectives, these funds are not recognised in the financial statements.

(u) Equity Transfers

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs / functions and parts thereof between NSW public sector agencies are designated as a contribution by owners by NSWTPP 06/07 and are recognised as an adjustment to "Accumulated Funds". This treatment is consistent with Urgent Issued Group Interpretation 1038 "Contributions by Owners Made to Wholly Owned Public Sector Entities".

Transfers arising from an administrative restructure between government departments are recognised at the amount at which the assets were recognised by the transferor government department immediately prior to the restructure. In most instances this will approximate fair value. All other equity transfers are recognised at fair value.

(v) Payables

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

Notes to the Financial Statements

for the year ended 30 June 2006

1 Summary of Significant Accounting Policies (cont'd)

(w) 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 Operating Statement and the Cash Flow Statement are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the Balance Sheet, 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).

(x) Comparative Information

Comparative figures have been restated based on AEIFRS with the exception of financial instruments information, which has been prepared under the previous AGAAP as permitted by AASB 1.36A. The transition to AEIFRS for financial instruments information was 1 July 2005.

The comparative figures disclosed in the financial statements do not include comparative figures for these Divisions transferred to the Department as a result of the administrative changes referred to in Note 1 (a).

(y) New Australian Accounting Standards issued but not effective

At the reporting date, a number of Accounting Standards adopted by the AASB had been issued but are not yet operative and have not been early adopted by the Department. The following is a list of these standards:

AASB 7 – Financial Instruments: Disclosure (issued August 2005)

AASB 119 – Employee Benefits (issued December 2004)

AASB 2004-3 – Amendments to Australian Accounting Standards (issued December 2004)

AASB 2005-1 – Amendments to Australian Accounting Standards (issued May 2005)

AASB 2005-5 – Amendments to Australian Accounting Standards (issued June 2005)

AASB 2005-9 – Amendments to Australian Accounting Standards (issued September 2005)

AASB 2005-10 – Amendments to Australian Accounting Standards (issued September 2005)

AASB 2006-1 – Amendments to Australian Accounting Standards (issued January 2006)

Notes to the Financial Statements

for the year ended 30 June 2006

2 Expenses Excluding Losses

	2006 \$'000	2005 \$'000
(a) Employee related expenses		
Salaries and wages (including recreation leave)	26,337	23,738
Superannuation – defined benefit plans	655	667
Superannuation – defined contribution plans	1,728	1,344
Long service leave	1,087	1,149
Workers compensation insurance	229	139
Payroll tax and fringe benefit tax	1,995	1,523
Payroll tax employer's superannuation contribution	124	121
	32,155	28,681
(b) Other operating expenses		
Auditor's remuneration – audit of the financial reports	103	80
Bad and doubtful debts	52	–
Other expenses	3,427	1,323
Miscellaneous Fees	4,377	2,948
Building Occupancy Charges	7,777	6,692
Staff Development	454	258
Publication and advertising costs	9,962	1,119
Telecommunication expenses	751	694
Insurance	98	119
Industry Networking	450	689
Payments to contractors	2,641	775
Printing and stationery	713	419
Travel expenses	1,274	650
Motor vehicles expenses	565	582
Consultancies	521	147
Maintenance expenses	429	252
	33,594	16,747
(c) Depreciation and amortisation expenses		
Depreciation		
Plant and Equipment	805	650
Total Depreciation	805	650
Amortisation		
Leasehold improvements	1,164	1,048
Intangible	58	2
	2,027	1,700

Notes to the Financial Statements

for the year ended 30 June 2006

2 Expenses Excluding Losses (cont'd)

	2006 \$'000	2005 \$'000
(d) Grants and subsidies		
Industry Capability Network (NSW)	1,195	1,195
Hunter Valley Research Foundation	150	150
Illawarra Regional Information Service	150	150
Hunter Advantage Fund	1,194	1,340
Regional Development Boards	1,688	1,699
Regional HQ Tax Concessions	40	171
Newcastle Centre for Excellence	-	2,000
Katoomba/Echo Point Development	1,106	10
Illawarra Advantage Fund	661	740
Australian Research Centres of Excellence	1,246	1,406
Mount Panorama Precinct Upgrade	-	5,000
Smart Internet Technology CRC	361	278
ICT Centre For Excellence	5,000	5,000
Science and Medical Research	27,677	-
Tourism Industry	1,609	-
	42,077	19,139
(e) Other expenses		
NSW High Growth Business Program	672	826
Small Business Development	5,547	5,652
Biotechnology Initiatives	4,555	4,612
Regional Development Assistance	11,601	13,486
	22,375	24,576

Notes to the Financial Statements

for the year ended 30 June 2006

3 Revenues

	2006 \$'000	2005 \$'000
(a) Sale of goods and services		
Retail Tenancies Disputes fees	46	101
Other	312	48
	358	149
(b) Investment income		
Interest	986	877
	986	877
(c) Grants and contributions		
NSW Budget Sector Entities	84	125
Commonwealth	287	419
Other State Governments	1	40
Local Government	-	2
Other Private Sector	1,263	-
	1,635	586
(d) Other revenue		
Sponsorship	99	278
Other	527	313
Assets Acquired free of liability	650	-
In kind sponsorship	893	-
	2,169	591

4 Gain / (Loss) on Disposal

Gain / (loss) on disposal of plant and equipment		
Proceeds from disposal	2	1
Written down value of assets disposed	(413)	(5)
Net gain / (loss) on disposal of plant and equipment	(411)	(4)

5 Other Gains / (Losses)

Increment on shares held	41	-
Other gains / (losses) total	41	-

Notes to the Financial Statements

for the year ended 30 June 2006

6 Appropriations

	2006 \$'000	2005 \$'000
Recurrent appropriations		
Total recurrent drawdowns from NSW Treasury (per Summary of Compliance)	122,494	89,843
Less: Liability to Consolidated Fund (per Summary of Compliance)	-	-
	122,494	89,843
Comprising:		
Recurrent appropriations (per Operating Statement)	113,727	83,859
Transfer payments (Note 8)	8,767	5,984
	122,494	89,843
Capital appropriations		
Total capital drawdowns from NSW Treasury (per Summary of Compliance)	113	110
Less: Liability to Consolidated Fund (per Summary of Compliance)	-	-
	113	110
Comprising:		
Capital appropriations (per Operating Statement)	113	110
Transfer payments (Note 8)	-	-
	113	110

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

The following liabilities and / or expenses have been assumed by the Crown Entity:		
Superannuation	655	2,011
Payroll tax	116	121
Long service leave	1,052	1,149
	1,823	3,281

8 Transfer Payments

Transfer payments to the Ministerial Corporation for Industry comprise amounts administered by the Corporation relating to Assistance to Industry.		
The Corporation controls the identification of recipients, the amount and timing of payments and the conditions under which payments are made to the recipients. The Corporation draws funds from the Department only to the extent necessary to meet current cash requirements for expenditure.		
Transfer payments		
Small Business Development Corporation of NSW	40	78
Ministerial Corporation for Industry	8,727	5,906
	8,767	5,984

Notes to the Financial Statements

for the year ended 30 June 2006

9 Programs / Activities of the Agency

(a) Program 1 – Development of the New South Wales Economy

Objective(s): To advance the economic development of New South Wales by securing sustainable economic and business growth in metropolitan and regional areas.

Program Description: The provision of business information on Government policies applying to industries. Marketing regional and metropolitan New South Wales as an investment location. Project facilitation and the provision of limited financial assistance. Provision of business counselling and consultancy assistance to small and medium enterprises. Assisting the development of enterprises. Promoting exports and co-ordinating public sector exports. Encouraging and promoting innovation. Acting as an advocate for business within Government.

(b) Program 2 – Development of the Tourism Industry

Objective(s): To grow the New South Wales tourism economy for the benefit of the people of New South Wales.

Program Description: Marketing New South Wales destinations and working with and providing advice to industry, government agencies and other key stakeholders about the development of sustainable destinations.

(c) Program 3 – Science and Medical Research

Objective(s): To drive growth and innovation in science and medical research to achieve better health, environmental and economic outcomes for the people of New South Wales.

Description: Policy formulation, strategic review of funding programs and projects, industry and infrastructure support, management of grants, awards and fellowships.

Reconciliation of Program 2 transferred during the year

	TSR	DSRD	2006	2005
	Development of the Tourism Industry 1 July to 2 March	Development of the Tourism Industry 3 March to 30 June	Development of the Tourism Industry	Development of the Tourism Industry
	\$'000	\$'000	\$'000	\$'000
Expenses excluding losses				
Operating expenses				
Employee related	9,696	6,032	15,728	15,754
Other operating expenses	14,261	13,010	27,271	27,026
Depreciation and amortisation	558	274	832	1,117
Grants and subsidies	3,388	1,609	4,997	5,196
Other expenses	–	–	–	–
Total expenses excluding losses	27,903	20,925	48,828	49,093
Retained Revenue				
Sale of goods and services	658	277	935	703
Investment income	126	54	180	89
Grants and contributions	4,817	1,236	6,053	6,108
Other revenue	21	975	996	804
Total Retained Revenue	5,622	2,542	8,164	7,704
Gain / (loss) on disposal	–	–	–	–
Other gains / (losses)	–	41	41	–
Net Cost of Services	22,281	18,342	40,623	41,389

The Development of the Tourism Industry Program was transferred from the former Department of Tourism, Sport and Recreation (TSR) to Department of State and Regional Development as a consequence of a restructuring of administrative arrangements with effect from 3 March 2006. The above table summarises the expenses and revenues, recognised by the former Department of Tourism, Sport and Recreation (up to date of transfer) and Department of State and Regional Development (from date of transfer to year end) for the reporting period.

Notes to the Financial Statements

for the year ended 30 June 2006

9 Programs / Activities of the Agency (cont'd)

Reconciliation of Program 3 transferred during the year

	MSMR	DSRD	2006	2005
	Science and Medical Research 1 July to 2 March	Science and Medical Research 3 March to 30 June	Science and Medical Research	Science and Medical Research
	\$'000	\$'000	\$'000	\$'000
Expenses excluding losses				
Operating expenses				
Employee related	1,616	1,018	2,634	2,448
Other operating expenses	781	567	1,348	1,571
Depreciation and amortisation	176	87	263	152
Grants and subsidies	2,867	27,677	30,544	4,173
Other expenses	-	-	-	-
Total expenses excluding losses	5,440	29,349	34,789	8,344
Retained Revenue				
Sale of goods and services	-	-	-	-
Investment income	174	74	248	167
Grants and contributions	-	-	-	220
Other revenue	-	-	-	53
Total Retained Revenue	174	74	248	440
Gain / (loss) on disposal	-	(2)	(2)	(27)
Other gains / (losses)	-	-	-	-
Net Cost of Services	5,266	29,277	34,543	7,931

The Science and Medical Research Program was transferred from the former Ministry for Science and Medical Research (MSMR) to the Department of State and Regional Development as a consequence of a restructuring of administrative arrangements with effect from 3 March 2006. The above table summarises the expenses and revenues, recognised by the former Ministry for Science and Medical Research (up to date of transfer) and the Department of State and Regional Development (from date of transfer to year end) for the reporting period.

10 Cash and Cash Equivalents

	2006 \$'000	2005 \$'000
Cash at bank and on hand	20,105	19,816
	20,105	19,816
Cash and cash equivalents (per Balance Sheet)	20,105	19,816
Closing cash and cash equivalents (per Cash Flow Statement)	20,105	19,816
Unused credit standby facilities		
Credit card facilities	773	442
Interest bearing repayable Treasury advance	1,885	-

Notes to the Financial Statements

for the year ended 30 June 2006

11 Receivables

	2006 \$'000	2005 \$'000
Current Receivables		
Sale of goods and services	1,717	1,583
Recoverable Advances	-	130
Accrued Interest	647	401
GST receivable from Australian Taxation Office	5,009	1,659
Prepayments	773	1,280
	8,146	5,053
Less: Provision for doubtful debts	39	-
	8,107	5,053

12 Financial Assets at Fair Value

	2006 \$'000	2005 \$'000
Non-current		
CRC for Sustainable Tourism Pty Ltd Shares	415	-
Australian Tourism Data Warehouse Pty Ltd shares	44	-
	459	-

13 Non-Current Assets - Plant and Equipment

	\$'000
At 1 July 2005	
At Fair Value	10,439
Accumulated depreciation and impairment	(7,792)
Net carrying amount	2,647
At 30 June 2006	
At Fair Value	15,469
Accumulated depreciation and impairment	(10,926)
Net carrying amount	4,543

Reconciliation

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

Notes to the Financial Statements

for the year ended 30 June 2006

13 Non-Current Assets – Plant and Equipment (cont'd)

	S'000
Year ended 30 June 2006	
Net carrying amount at start of year	2,647
Additions	2,930
Disposals	(413)
Acquisitions through administrative restructures	1,348
Depreciation expense	(1,969)
Net carrying amount at end of year	4,543
At 1 July 2004	
At Fair Value	10,653
Accumulated depreciation and impairment	(6,531)
Net carrying amount	4,122
At 30 June 2005	
At Fair Value	10,439
Accumulated depreciation and impairment	(7,792)
Net carrying amount	2,647

Reconciliation

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

	S'000
Year ended 30 June 2005	
Net carrying amount at start of year	4,122
Additions	228
Disposals	(5)
Depreciation expense	(1,698)
Net carrying amount at end of year	2,647

Notes to the Financial Statements

for the year ended 30 June 2006

14 Intangible Assets

	Software \$'000
At 1 July 2005	
Cost (gross carrying amount)	36
Accumulated amortisation and impairment	(32)
Net carrying amount	4
At 30 June 2006	
Cost (gross carrying amount)	822
Accumulated amortisation and impairment	(191)
Net carrying amount	631
Year ended 30 June 2006	
Net carrying amount at start of year	4
Additions acquired separately	650
Acquisitions through administrative restructures	35
Amortisation (recognised in depreciation and amortisation)	(58)
Net carrying amount at end of year	631
At 1 July 2004	
Cost (gross carrying amount)	36
Accumulated amortisation and impairment	(30)
Net carrying amount	6
At 30 June 2005	
Cost (gross carrying amount)	36
Accumulated amortisation and impairment	(32)
Net carrying amount	4
Year ended 30 June 2005	
Net carrying amount at start of year	6
Amortisation (recognised in depreciation and amortisation)	(2)
Net carrying amount at end of year	4

Notes to the Financial Statements

for the year ended 30 June 2006

15 Assets - Other

	2006 \$'000	2005 \$'000
Current		
Lease Incentive	200	-
	200	-
Non-current		
Lease incentive	735	-
	735	-

16 Payables

Current		
Accrued salaries, wages and on-costs	849	295
Creditors	4,880	2,285
	5,729	2,580

17 Provisions

Current		
Employee benefits and related on-costs		
Recreation leave	3,970	2,485
Payroll tax	810	51
	4,780	2,536
Non-Current		
Employee benefits and related on-costs		
Payroll tax	312	407
Workers' Compensation Insurance	38	156
	350	563
Non-Current		
Other provisions		
Restoration costs	510	510
Workers' Compensation Insurance	510	510
	860	1073
Aggregate employee benefits and related on-costs		
Provisions current	4,780	2,536
Provisions non-current	350	563
Accrued salaries, wages and on-costs	849	295
	5,979	3,394

Notes to the Financial Statements

for the year ended 30 June 2006

18 Liabilities - Other

	2006 \$'000	2005 \$'000
Current		
Repayable Advances	11	141
Lease incentive	200	-
Fees received in advance	715	-
	926	141
Non-current		
Lease incentive	735	-
	735	-

19 Changes In Equity

	Accumulated Funds	
	2006 \$'000	2005 \$'000
Balance at the beginning of the financial year	21,190	22,584
Changes in equity - transactions with owners as owners		
Increase / (decrease) in net assets from equity transfers (note 20)	12,347	-
Total	12,347	-
Changes in equity - other than transactions with owners as owners		
Surplus / (deficit) for the year	(11,787)	(1,394)
Total	(11,787)	(1,394)
Balance at the end of the financial year	21,750	21,190

Notes to the Financial Statements

for the year ended 30 June 2006

20 Increase / Decrease in Net Assets from Equity Transfers

	2006 \$'000	2005 \$'000
Assets		
Cash	11,864	-
Receivables	2,204	-
Property, plant and equipment	1,384	-
Other	418	-
	15,870	-
Liabilities		
Payables	(1,603)	-
Employee entitlements	(1,920)	-
	(3,523)	-
Total	12,347	-
Assets transferred from the former Department of Tourism, Sport and Recreation		
Cash	6,232	-
Receivables	1,761	-
Property, plant and equipment	913	-
Other	418	-
Assets transferred from the former Ministry for Science and Medical Research		
Cash	5,632	-
Receivables	443	-
Property, plant and equipment	471	-
	15,870	-
Liabilities transferred from the former Department of Tourism, Sport and Recreation		
Payables	1,459	-
Employee entitlements	1,612	-
Liabilities transferred from the former Ministry for Science and Medical Research		
Payables	144	-
Employee entitlements	308	-
	3,523	-

Notes to the Financial Statements

for the year ended 30 June 2006

21 Commitments for Expenditure

	2006 \$'000	2005 \$'000
(a) Other Expenditure Commitments		
Aggregate other expenditure for the acquisition of goods and services contracted for at balance date and not provided for:		
Not later than one year	5,857	3,691
Later than one year and not later than five years	3,301	6,568
Total (including GST)	9,158	10,259
The total other expenditure commitments above include input tax credits of \$833,000 (30 June 2005 \$933,000) that are expected to be recovered from the ATO.		
(b) Operating Lease Commitments		
Future non-cancellable operating lease rentals not provided for and payable		
Not later than one year	5,630	6,625
Later than one year and not later than five years	14,522	1,858
Later than five years	2,680	–
Total (including GST)	22,832	8,483
The total operating lease commitments above include input tax credits of \$2,028,000 (30 June 2005 \$771,230) that are to be recovered from the ATO.		
(c) Grants and Subsidies Commitments		
Regional Headquarters Tax Concessions	–	44
Small Business Development	267	286
Regional Development Assistance	13,346	12,276
Hunter Advantage Fund	2,933	2,390
NSW High Growth Business	652	378
Regional Economic Transition Scheme	1,650	1,515
Country Lifestyles Program	–	693
Australian Technology Showcase	164	461
Illawarra Advantage Fund	1,407	2,933
Biotechnology Initiatives	2,025	4,127
Australian Research Centres of Excellence	1,370	2,742
ICT Centre for Excellence	5,500	11,000
Smart Internet Technology CRC	880	1,320
Business Drought Assistance	22	1,312
Science & Medical Research	62,137	–
Tourism Industry	30,964	–
Total (Including GST)	123,317	41,477
Payment Schedule		
Not later than one year	52,479	29,632
Later than one year and not later than five years	65,708	11,845
Later than five years	5,130	–
Total (including GST)	123,317	41,477

The total grants and subsidies commitments above include input tax credits of \$11,211,000 (30 June 2005 \$3,771,000) that are expected to be recovered from the ATO.

Notes to the Financial Statements

for the year ended 30 June 2006

22 Contingent Liabilities and Contingent Assets

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

23 Budget Review

Net cost of services

The actual Net Cost of Services was greater than budget by \$12,924,000. Major components of this variation include:

- (a) Actual Other Operating Expenses were less than budget by \$1,237,000 due to less than budgeted project and program operating expenditure across the Department's program areas.
- (b) Actual Grants and Subsidies expenditure was greater than budget by \$20,566,000. This increase was primarily due to the negotiation and payment of several specific Science and Medical Research grants in the last quarter of the financial year.

(c) Actual Other Expenses were less than budget by \$6,058,000. This is primarily due to less than budgeted expenditure in program activities including Regional Development Assistance and Biotechnology initiatives, as a result of cash flow variations in approved program projects and activities.

(d) Actual Revenue was greater than budget by \$933,000. This is primarily due to notional revenue of \$650,000 associated with the acquisition of an intangible asset.

Assets and liabilities

There was minimal variation between actual and budgeted Net Assets at year end. Actual Total Assets were less than budget by \$916,000. Current Asset Cash was \$2,767,000 less than budget primarily due to the use of cash for the Department's relocation to a new CBD accommodation.

Actual Non Current Assets were \$2,994,000 greater than budget. A major component of the increase over budget was the capitalisation of leasehold improvements associated with the Department's new CBD office accommodation.

Actual Current Liabilities were greater than budget by \$1,327,000. Major components include greater than budgeted current creditors at year end, greater than budgeted current component of employee recreation leave provisions, offset by less than budgeted other current liabilities.

Cash flows

Actual Net Cash Flows from operating activities were less than budget by \$1,697,000. This was due to greater than budgeted cash flows from Government of \$12,723,000, greater than budgeted receipts of \$4,197,000, offset by greater than budgeted total payments of \$15,223,000 in program areas including Science and Medical Research financial assistance.

Actual Net Cash Flows from investing activities were greater than budget by \$2,781,000. This was due to greater than budgeted investing activities of associated with leasehold improvements associated with the Department's new CBD office accommodation.

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

	2006 \$'000	2005 \$'000
Net cash used on operating activities	(8,647)	(11,325)
Cash flows from Government / Appropriations	(113,840)	(80,382)
Acceptance by the Crown Entity of employee benefits and other liabilities	(1,823)	(1,937)
Depreciation	(2,027)	(1,700)
Asset acquired free of liability	650	-
Decrease / (increase) in provisions	(111)	(103)
Increase / (decrease) in receivables and other assets	1,785	(373)
Decrease / (increase) in payables	(1,547)	7,050
Net gain / (loss) on sale of plant and equipment	(411)	(4)
Other gain / (loss)	41	-
Decrease / (increase) in other liabilities	(1,520)	130
Net cost of services	(127,450)	(88,644)

Notes to the Financial Statements

for the year ended 30 June 2006

25 Trust Funds

	2006 \$'000	2005 \$'000
(a) Retail Leases Security Bonds Trust Account		
The Agency holds money in the Retail Leases Security Bonds Trust Account. Retail Lease Security Bonds are lodged with the Director General of the Department of State and Regional Development in accordance with Section 16C of the <i>Retail Leases Act 1994</i> . These monies are excluded from the financial statements as the Department can not use them for the achievement of its objectives. The following is a summary of the transactions in the trust account:		
Cash balance at the beginning of the financial year	-	-
Add: Receipts	64,153	-
Less: Expenditure	(2,108)	-
Cash balance at the end of the financial year	62,045	-
(b) Sydney Visitor Centre – Airport Travel Centre Trust Account		
The finances of the Sydney Visitor Centre – Airport Travel Centre are operated through a separate trust account as the funds are held in trust for clients. These monies are excluded from the financial statements as the Department cannot use the funds for the achievement of its objectives. The following is a summary of the transactions in the trust account:		
Cash balance at the beginning of the financial year	270	600
Add: Receipts	3,364	3,783
Less: Expenditure	(3,492)	(4,113)
Cash balance at the end of the financial year	142	270

26 Financial Instruments

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

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 rate over the year was 4.54% (4.33% in 2005) and at year end the rate was 4.75% (4.5% at 30 June 2005).

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 there is objective evidence that the entity will not be able to collect all amounts due. The credit risk is the carrying amount (net of any allowance for impairment). 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. The credit risk is the carrying amount which approximates the 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.

Repayable Advances

All repayable advances are recognised as amounts payable at balance date. Amounts payable are settled in accordance with the term as specified in deeds of agreement and other contractual correspondence associated with the advance.

Notes to the Financial Statements

for the year ended 30 June 2006

27 Impact of Adoption of AEIFRS

The Department of State and Regional Development has applied AEIFRS for the first time in its 2005/06 financial report. The key areas where changes in accounting policies have impacted the financial report are disclosed below. Some of these impacts arise because AEIFRS requirements are different from previous AASB requirements (AGAAP). Other impacts arise from options in AEIFRS that were not available or not applied under previous AGAAP. The Department has adopted the options mandated by NSW Treasury for all NSW public sector agencies. The impacts below reflect Treasury's mandates and policy decisions.

The impacts of adopting AEIFRS on total equity and surplus / (deficit) as reported under previous AGAAP are shown below. There are no material impacts on the Department's cash flows.

(a) Reconciliation – 1 July 2004 and 30 June 2005 Reconciliation of equity under previous Accounting standards (AGAAP) to equity under AEIFRS

	30 June 2005** S'000	1 July 2004* S'000
Total Equity under AGAAP	21,533	22,827
Recognition of restoration costs	(343)	(243)
Total equity under AEIFRS	21,190	22,584

* = adjustments as at the date of transition

** = cumulative adjustments as at date of transition plus the year ended 30 June, 2005

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

	S'000
Year ended 30 June 2005	
Surplus / (deficit) under previous AGAAP	(1,294)
Recognition of depreciation and finance costs for the provision for restoration costs	(100)
Surplus / (deficit) under AEIFRS	(1,394)

Based on the above, application of AEIFRS in 2004/05 has increased the Net Cost of Services from \$88,544 to \$88,644.

i AASB 116 requires the cost and fair value of property, plant and equipment to be increased to include the estimated restoration costs, where restoration provisions are recognised under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. This treatment was not required under previous AGAAP. As a result the provisions, net carrying amount of property, plant and equipment, depreciation expense and finance costs related to the unwinding of the restoration provision have all increased.

(b) Grant recognition

The Department of State and Regional Development, as a *not-for-profit entity* has applied 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 previous AASB 1004. However, the new AASB 1004 may be amended by proposals in Exposure Draft (ED) 125 *Financial Reporting by Local Governments* and ED 147 *Revenue from Non-Exchange Transactions (Including Taxes and Transfers)*. If the ED 125 and ED 147 approach is applied, revenue and / or expense recognition will not occur until either The Department of State and Regional Development 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 and ED 147 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.

28 After Balance Date Events

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

(End of audited financial statements)



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT
Ministerial Corporation for Industry

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the Ministerial Corporation for Industry (the Corporation):

- presents fairly the Corporation's financial position as at 30 June 2006 and its performance for the year ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 45E of the *Public Finance and Audit Act 1983* (the Act) and the *Public Finance and Audit Regulation 2005*.

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

Scope

The Financial Report and Minister's Responsibility

The financial report comprises the operating statement, statement of changes in equity, balance sheet, cash flow statement and accompanying notes to the financial statements for the Corporation, for the year ended 30 June 2006.

The Minister is responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order 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 Standards and statutory requirements, and I:

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Minister for State Development in preparing the financial report, and
- examined a sample of evidence that supports the amounts and 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 his reporting obligations.

My opinion does *not* provide assurance:

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

Audit Independence

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

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

Handwritten signature of Peter Achterstraat in black ink.

Peter Achterstraat
Auditor-General

SYDNEY
20 October 2006

Ministerial Corporation for Industry

Financial Report
for the year ending 30 June 2006

STATEMENT BY MINISTERIAL CORPORATION FOR INDUSTRY

In accordance with the Public Finance and Audit Act, 1983 as amended, I state that:

- a) the accompanying financial statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Financial Reporting Code for Budget Dependent General Government Sector Agencies, the Public Finance and Audit (General) Regulation (as applicable) and Treasurer's Directions;
- b) the Financial Statements exhibit a true and fair view of the financial position of the Corporation as at 30 June, 2006 and for the operations for the year then ended;
- c) At the date of this statement I am not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.


Morris Iemma
Ministerial Corporation for Industry
Minister for State Development
as Minister administering the
State Development and Industries Assistance Act, 1966

18/10/06

Ministerial Corporation for Industry
Financial Statements

Operating Statement

for the year ended 30 June 2006

	Notes	Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000
Expenses excluding losses				
Other operating expenses	2(a)	6,742	9,566	7,880
Total Expenses excluding losses		6,742	9,566	7,880
Less:				
Revenue				
Grants and contributions	3(a)	10,103	9,566	6,134
Total Revenue		10,103	9,566	6,134
Gain / (loss) on disposal	4	49	-	-
Net Cost of Services	17	(3,410)	-	1,746
SURPLUS / (DEFICIT) FOR THE YEAR		3,410	-	(1,746)

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

for the year ended 30 June 2006

	Notes	Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		-	-	-
Surplus / (Deficit) for the year		3,410	-	(1,746)
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR	13	3,410	-	(1,746)

The accompanying notes form part of these financial statements.

Ministerial Corporation for Industry Financial Statements

Balance Sheet

as at 30 June 2006

	Notes	Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000
ASSETS				
Current Assets				
Receivables	7	–	23	23
Non-current assets held for sale	11	1,669	–	–
Total Current Assets		1,669	23	23
Non-Current Assets				
Financial assets at fair value	8	–	–	–
Other financial assets	9	500	500	500
Property plant and equipment	10			
Land	10	2,635	3,198	3,198
Total Non-Current Assets		3,135	3,698	3,698
Total Assets		4,804	3,721	3,721
Current Liabilities				
Payables	12	468	2,795	2,795
Total Current Liabilities		468	2,795	2,795
Total Liabilities		468	2,795	2,795
Net Assets		4,336	926	926
EQUITY				
Accumulated funds	13	4,336	926	926
Total Equity		4,336	926	926

The accompanying notes form part of these financial statements.

Cash Flow Statement

for the year ended 30 June 2006

Notes	Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Other	(9,069)	(9,566)	(6,231)
Total Payments	(9,069)	(9,566)	(6,231)
Receipts			
Other	10,126	9,566	6,231
Total Receipts	10,126	9,566	6,231
Cash Flows From Government			
Recurrent appropriation	-	-	-
Net Cash Flows From Government	-	-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,057	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of Land	78	-	-
Purchases of Land	(1,135)	-	-
Advances made	-	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	(1,057)	-	-
NET INCREASE / (DECREASE) IN CASH			
Opening cash and cash equivalents	-	-	-
CLOSING CASH AND CASH EQUIVALENTS	-	-	-

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2006

1 Summary of Significant Accounting Policies

(a) Reporting entity

The Ministerial Corporation for Industry (hereafter referred to as the "Corporation") is constituted under the *State Development and Industries Assistance Act, 1966*.

The Corporation's functions are:

To promote, encourage and stimulate:

- (a) the establishment, expansion or development of industries; and
- (b) the carrying out, by business undertakings and prescribed institutions, of projects that are likely to assist the establishment, expansion or development of industries.

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

As the Corporation is a single program entity the financial operations disclosed in the Operating Statement and Balance Sheet are identical to the Corporation's 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.

The financial report for the year ended 30 June 2006 has been authorised for issue by the Minister for State Development, in the capacity of the Ministerial Corporation for Industry on 18 October 2006.

(b) Basis of Preparation

The agency's financial report is a general purpose financial report which has been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian Equivalents to International Financial Reporting Standards (AEIFRS));
- the requirements of the *Public Finance and Audit Act 1983* and Regulation;
- UIG Interpretations and other authoritative announcements; and

- the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer.

In the absence of a specific Accounting Standard, the hierarchy of pronouncements as outlined in AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors is considered.

Except for land and investment in the Smart Internet Technology CRC, which is recorded at valuation, 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.

(c) Administrative Support

The Department of State and Regional Development is responsible for administering the *State Development and Industries Assistance Act 1966* on behalf of the Corporation. The functions and activities of the Corporation are considered to be an integral part of the Department's core economic development activities and is not an entity that operates independently to the Department. The Department therefore does not separately cost administrative services.

(d) Income Recognition

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

Contributions from Other Bodies

Contributions from other bodies (including grants and donations) are generally recognised as income when the agency obtains control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash.

(e) Insurance

The Corporation's insurance activities are included in the Department of State and Regional Development's insurance coverage conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies.

(f) Acquisitions of Assets

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

Assets acquired at no cost, or for nominal consideration, are initially recognised 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 knowledgeable, willing parties in an arm's length transaction.

(g) Revaluation of Land

Physical non-current assets are valued in accordance with the «Valuation of Physical Non-Current Assets at Fair Value» Policy and Guidelines Paper (TPP 05-3). This policy adopts fair value in accordance with AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.

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

Notes to the Financial Statements

for the year ended 30 June 2006

1 Summary of Significant Accounting Policies (cont'd)

(g) Revaluation of Land (cont'd)

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

The Corporation's physical non-current assets are represented by land held for sale for commercial or industrial development. Land is valued at market based value. Physical non-current assets are revalued every 5 years or with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date.

(h) Impairment of Land

As a not-for-profit entity with no cash generating units, the Corporation is effectively exempted from AASB 136 Impairment of Assets and impairment testing. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

(i) Depreciation of Property, Plant and Equipment

Depreciation is not provided as the Corporation's non-current physical assets are non depreciable.

(j) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less any provision for doubtful debts. Any changes are accounted for in the Operating Statement when impaired, derecognised or through the amortisation process.

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

(k) Impairment of financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. A provision for doubtful debts is established when there is objective evidence that the entity will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the Operating Statement.

Any reversals of impairment losses are reversed through the Operating Statement, where there is objective evidence. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

(l) Non-current Assets Held For Sale

The Corporation has certain non-current assets classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are recognised at the lower of carrying amount and fair value less costs to sell. These assets are not depreciated while they are classified as held for sale.

(m) New Australian Accounting Standards issued but not effective

At the reporting date, a number of Accounting Standards adopted by the AASB had been issued but are not yet operative and have not been early adopted by the Corporation. The following is a list of these standards:

AASB 7 – Financial Instruments: Disclosure (issued August 2005)

AASB 2004-3 – Amendments to Australian Accounting Standards (issued December 2004)

AASB 2005-1 – Amendments to Australian Accounting Standards (issued May 2005)

AASB 2005-5 – Amendments to Australian Accounting Standards (issued June 2005)

AASB 2005-9 – Amendments to Australian Accounting Standards (issued September 2005)

AASB 2005-10 – Amendments to Australian Accounting Standards (issued September 2005)

AASB 2006-1 – Amendments to Australian Accounting Standards (issued January 2006)

The initial application of these standards will have no impact on the financial results of the Corporation. The Standards are operative for annual reporting periods beginning on or after 1 January 2006.

(n) Grants, Subsidies and Industry Assistance

Payments for grants, subsidies and industry assistance are expensed at the time the Corporation becomes liable to make the payment. The approval of the grant, subsidy or assistance may cover a number of years, and it is not considered that a liability arises until conditions specified in the approval have been met and a claim for payment has been received. Grants, subsidies and assistance which have been approved but have not been paid or accrued have been included in commitments (Refer Note 14).

Notes to the Financial Statements

for the year ended 30 June 2006

2 Expenses Excluding Losses

	2006 \$'000	2005 \$'000
(a) Other operating expenses		
Auditor's remuneration – audit of the financial report	16	16
Consultancies	–	22
Contractors	–	53
Other expenses	–	5
Assistance to Industry	6,726	7,784
	6,742	7,880

3 Revenues

(a) Grants and contributions		
Department of State and Regional Development	10,103	6,134
	10,103	6,134

4 Gain / (Loss) on Disposal

Gain / (loss) on disposal of land and buildings		
Proceeds from disposal	78	–
Written down value of assets disposed	(29)	–
Net gain / (loss) on disposal of land and buildings	49	–

5 Programs / Activities of the Agency

The Corporation operates from within the Development of the New South Wales Economy program of the Department of State and Regional Development.

Program 1 – Development of the New South Wales Economy

Objective: To advance the economic development of New South Wales by securing sustainable economic and business growth in metropolitan and regional areas.

6 Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents include cash at bank, cash on hand. Total cash at 30 June 2006 as shown in the Statement of Cash Flows is nil, which is the same as the related item in the Balance Sheet.

7 Receivables

Current		
Amounts due on sale of land	–	23
	–	23

8 Financial Assets at Fair Value

Non-current		
Investment-equity in Smart Internet Technology CRC	1,202	961
Diminution of value of CRC shares	(1,202)	(961)
	–	–

Notes to the Financial Statements

for the year ended 30 June 2006

9 Other Financial Assets

	2006 \$'000	2005 \$'000
Non-current		
Loans to industry	3,323	3,548
Provision for Doubtful Debts	(2,823)	(3,048)
	500	500

10 Non-Current Assets - Land

	Land \$'000
At 1 July 2005	
At Fair Value	3,198
Net carrying amount	3,198
At 30 June 2006	
At Fair Value	2,635
Net carrying amount	2,635
Reconciliation	
A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below.	
Year ended 30 June 2006	
Net carrying amount at start of year	3,198
Additions	1,135
Disposals	(29)
Transfer to non-current assets held for sale	(1,669)
Net carrying amount at end of year	2,635
At 1 July 2004	
At Fair Value	3,198
Net carrying amount	3,198
At 30 June 2005	
At Fair Value	3,198
Net carrying amount	3,198
Reconciliation	
A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the previous reporting period is set out below.	
Year ended 30 June 2005	
Net carrying amount at start of year	3,198
Net carrying amount at end of year	3,198

Notes to the Financial Statements

for the year ended 30 June 2006

11 Non-Current Assets Held for Sale

	2006 \$'000	2005 \$'000
Land	1,669	–
	1,669	–

The Corporation is party to a joint venture development agreement with the Albury Wodonga Development Corporation to develop, market and sell industrial property at Albury. The Corporation contributed the industrial land with the Albury Wodonga Development Corporation responsible for development of the site. The Corporation's interest in the joint venture arrangement is calculated at 58.8%. The land was revalued in November 2004. The fair value of the land amounts to \$488,000.

12 Payables

Current		
Assistance to Industry	468	2,795
	468	2,795

13 Changes in Equity

	Accumulated Funds	
	2006 \$'000	2005 \$'000
Balance at the beginning of the financial year	926	2,672
Changes in equity – other than transactions with owners as owners		
Surplus / (deficit) for the year	3,410	(1,746)
Balance at the end of the financial year	4,336	926

14 Commitments for Expenditure

	2006 \$'000	2005 \$'000
a) Other Expenditure Commitments		
Industry Assistance Fund Commitments approved but not paid:		
Not later than one year	8,495	8,406
Later than one year and not later than five years	5,353	9,870
Later than five years	55	55
Total (including GST)	13,903	18,331

The total expenditure commitments above include input tax credits of \$1,264,000 (30 June 2005 \$1,667,000) that are expected to be recovered from the ATO.

Notes to the Financial Statements

for the year ended 30 June 2006

15 Contingent Liabilities and Contingent Assets

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

16 Budget Review

Net cost of services

The actual net cost of services was less than budget by \$3,410,000. This is primarily due to the contribution by the Department of State and Regional Development for the purchase of land and the cash received from the Department during 2005-06 that is recognised as revenue for grant expenses accrued for in the prior year.

Assets and liabilities

Actual Current Assets were greater than budget by \$1,646,000. This variation is due to greater than budgeted non current assets held for sale of \$1,669,000 (primarily due to land transferred from non current assets).

Actual Non Current Assets were less than budget by \$563,000. This variation is due to less than budgeted land of \$563,000.

Actual Current Liabilities were greater than budget by \$2,327,000. This is due to less than budgeted current payables at year end.

Cash flows

Actual Net Cash Flows from operating activities is greater than budget by \$1,057,000 primarily due to greater than budgeted receipts of \$560,000 and less than budgeted financial assistance payments of \$497,000. Actual receipts include a grant from the Department of State and Regional Development to enable the purchase of land associated with a specific development project.

Actual Net Cash Flows from investing activities are greater than budget by \$1,057,000 and is primarily due to the purchase by the Corporation of land for a specific development project.

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

	2006 S'000	2005 S'000
Net cash used on operating activities	1,057	-
Increase / (decrease) in receivables	(23)	(97)
Decrease / (increase) in payables	2,327	(1,649)
Net gain / (loss) on sale of plant and equipment	49	-
Net cost of services	3,410	(1,746)

18 Financial Instruments

The Ministerial Corporation for Industry's principal financial instruments are outlined below. These financial instruments arise directly from the Corporation's operations or are required to finance its operations. The Corporation does not enter into or trade financial instruments for speculative purposes. The Corporation does not use financial derivatives.

Loans to Industry

All loans are recognised as amounts receivable at balance date. Collectability is reviewed on an ongoing basis. The majority of loans are considered to be not collectable. As a result a large provision for doubtful debts has been raised. The credit risk is the carrying amount (net of any provision for doubtful debts). Security is generally in the form of mortgage over the company's assets or directors' guarantees.

Bank Overdraft

The Corporation does not have any bank overdraft facility.

Trade Creditors and Accruals

Liabilities are recognised for amounts due to be paid in respect of Industry Assistance Grants, where the performance criteria has been met, and the claim has been made prior to the end of the year.

Notes to the Financial Statements

for the year ended 30 June 2006

19 Impact of Adoption of AEIFRS

The Ministerial Corporation for Industry has applied AEIFRS for the first time in its 2005/06 financial report. The key areas where changes in accounting policies have impacted the financial report are disclosed below. Some of these impacts arise because AEIFRS requirements are different from previous AASB requirements (AGAAP). Other impacts arise from options in AEIFRS that were not available or not applied under previous AGAAP. The Corporation has adopted the options mandated by NSW Treasury for all NSW public sector agencies. The impacts below reflect Treasury's mandates and policy decisions.

The impacts of adopting AEIFRS on total equity and surplus / (deficit) as reported under previous AGAAP are shown below. There are no material impacts on the Ministerial Corporation for Industry's cash flows.

(a) Reconciliation – 1 July 2004 and 30 June 2005

Reconciliation of equity under previous Accounting standards (AGAAP) to equity under AEIFRS

	30 June 2005** S'000	1 July 2004* S'000
Total Equity under AGAAP	926	2,672
Adjustments to accumulated funds	-	-
Total equity under AEIFRS	926	2,672

* = adjustments as at the date of transition

** = cumulative adjustments as at date of transition plus the year ended 30 June, 2005

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

Year ended 30 June 2005

	S'000
Surplus / (deficit) under AGAAP	(1,746)
Surplus / (deficit) under AEIFRS	(1,746)

(b) Grant recognition

The Ministerial Corporation for Industry, as a *not-for-profit entity* has applied 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 previous AASB 1004. However, the new AASB 1004 may be amended by proposals in Exposure Draft (ED) 125 *Financial Reporting by Local Governments* and ED 147 *Revenue from Non-Exchange Transactions (Including Taxes and Transfers)*. If the ED 125 and ED 147 approach is applied, revenue and / or expense recognition will not occur until either the Ministerial Corporation for Industry 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 and ED 147 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.

20 After Balance Date Events

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

(End of audited financial statements)



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

Small Business Development Corporation of New South Wales

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the Small Business Development Corporation of New South Wales (the Corporation):

- presents fairly the Corporation's financial position as at 30 June 2006 and its performance for the year ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 41B of the *Public Finance and Audit Act 1983* (the Act) and the *Public Finance and Audit Regulation 2005*.

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

Scope

The Financial Report and Board's Responsibility

The financial report comprises the balance sheet, operating statement, statement of changes in equity, cash flow statement, and accompanying notes to the financial statements for the Corporation, for the year ended 30 June 2006.

The members of the Board of the Corporation are responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order 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 Standards and statutory requirements, and I:

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Board in preparing the financial report, and
- examined a sample of evidence that supports the amounts and 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 Board members had not fulfilled their reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the Corporation,
- that it 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.

A handwritten signature in black ink, appearing to read 'S R Stanton'.

S R Stanton CPA
Director, Financial Audit Services

SYDNEY
20 October 2006

Small Business Development Corporation of
New South Wales

Financial Report
for the year ending 30 June 2006

SMALL BUSINESS DEVELOPMENT CORPORATION
OF NEW SOUTH WALES

STATEMENT BY MEMBERS

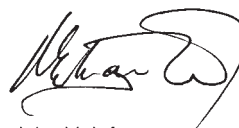
In accordance with the Public Finance and Audit Act, 1983 as amended, we state that:

- a) the accompanying financial statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Financial Reporting Code for Budget Dependent General Government Sector Agencies, the Public Finance and Audit (General) Regulation (as applicable) and Treasurer's Directions;
- b) the Financial Statements exhibit a true and fair view of the financial position of the Corporation as at 30 June, 2006 and for the operations for the year then ended;
- c) At the date of this statement we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Lyn Scott
Chairperson

19/10/06



John Lightfoot
Member

19/10/06

Small Business Development Corporation of New South Wales
Financial Statements

Operating Statement

for the year ended 30 June 2006

	Notes	Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000
Expenses excluding losses				
Other operating expenses	2(a)	40	50	78
Total Expenses excluding losses		40	50	78
Less:				
Revenue				
Grants and contributions		40	50	78
Total Revenue		40	50	78
		-	-	-
Net Cost of Services		-	-	-
SURPLUS / (DEFICIT) FOR THE YEAR		-	-	-

The accompanying notes form part of these financial statements.

Small Business Development Corporation of New South Wales Financial Statements

Statement of Changes in Equity

for the year ended 30 June 2006

	Notes	Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		-	-	-
Surplus / (Deficit) for the year		-	-	-
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR	6	-	-	-

The accompanying notes form part of these financial statements.

Small Business Development Corporation of New South Wales
Financial Statements

Balance Sheet

as at 30 June 2006

	Notes	Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	4	-	-	-
Total Current Assets		-	-	-
Total Assets		-	-	-
LIABILITIES				
Current Liabilities				
Payables	5	5	5	5
Total Current Liabilities		5	5	5
Total Liabilities		5	5	5
Net Assets		(5)	(5)	(5)
EQUITY				
Accumulated funds	6	(5)	(5)	(5)
Total Equity		(5)	(5)	(5)

The accompanying notes form part of these financial statements.

Small Business Development Corporation of New South Wales Financial Statements

Cash Flow Statement

for the year ended 30 June 2006

Notes	Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Other operating expenses	(40)	(40)	(78)
Total Payments	(40)	(40)	(78)
Receipts			
Grants and Contributions	40	40	78
Total Receipts	40	40	78
NET CASH FLOWS FROM OPERATING ACTIVITIES	-	-	-
NET INCREASE / (DECREASE) IN CASH	-	-	-
CLOSING CASH AND CASH EQUIVALENTS	-	-	-
4			

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2006

1 Summary of Significant Accounting Policies

(a) Reporting entity

The Small Business Development Corporation of New South Wales (hereafter the "Corporation"), is constituted under the *Small Business Development Corporation Act, 1984*. The objectives of the Corporation are:

- (i) develop policy objectives for Government programs of assistance to the small business sector of the economy;
- (ii) to evaluate such Government programs in the light of these objectives;
- (iii) to make recommendations for improvement of such Government programs; and
- (iv) to assist the Government generally in matters relating to the development of the small business sector of the economy.

The Corporation is a separate reporting entity. As the Corporation is a single program entity, the financial operations disclosed in the Operating Statement and the Balance Sheet are identical to the Corporation's 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.

This financial report for the year ended 30 June 2006 has been authorised for issue by the Board of the Small Business Development Corporation of New South Wales on 19 October 2006.

(b) Basis of Preparation

The agency's financial report is a general purpose financial report which has been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian Equivalents to International Financial Reporting Standards (AEIFRS)); and
- the requirements of the *Public Finance and Audit Act 1983* and Regulations; and

- UIG Interpretations and other authoritative announcements;
- the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer.

In the absence of a specific Accounting Standard, the hierarchy of pronouncements as outlined in AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors is considered.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

The Corporation has voluntarily elected to comply with Treasury's Financial Reporting Code for the presentation of its financial report.

(c) Administrative Support

The Department of State and Regional Development is responsible for administering the *Small Business Development Corporation Act 1984*. The functions and activities of the Corporation are considered to be an integral part of the Department's core small business portfolio activities and is not an entity that operates independently to the Department. The Department therefore does not separately cost administrative services.

(d) Income Recognition

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

Contributions from Other Bodies

Contributions from other bodies (including grants and donations) are generally recognised as income when the agency obtains control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash.

(e) Insurance

The Corporation's insurance activities are included in the Department of State and Regional Development's insurance coverage conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies.

(f) New Australian Accounting Standards issued but not effective

At the reporting date, a number of Accounting Standards adopted by the AASB had been issued but are not yet operative and have not been early adopted by the Corporation. The following is a list of these standards:

AASB 7 – Financial Instruments: Disclosure (issued August 2005)

AASB 2004-3 – Amendments to Australian Accounting Standards (issued December 2004)

AASB 2005-1 – Amendments to Australian Accounting Standards (issued May 2005)

AASB 2005-5 – Amendments to Australian Accounting Standards (issued June 2005)

AASB 2005-9 – Amendments to Australian Accounting Standards (issued September 2005)

AASB 2005-10 – Amendments to Australian Accounting Standards (issued September 2005)

AASB 2006-1 – Amendments to Australian Accounting Standards (issued January 2006)

The initial application of these standards will have no impact on the financial results of the Corporation. The Standards are operative for annual reporting periods beginning on or after 1 January 2006.

Notes to the Financial Statements

for the year ended 30 June 2006

2 Expenses Excluding Losses

	2006 \$'000	2005 \$'000
(a) Other operating expenses		
Auditor's remuneration for audit of the financial report	5	5
Administration Expenses	3	1
Contractors	2	40
Training and development	-	1
Publications and advertising	2	-
Travel expenses	6	5
Printing	4	3
Other expenses	7	7
Meeting Fees and Expenses	11	16
	40	78

3 Programs / Activities of the Agency

The Corporation's functions are appropriated through the program, Development of the New South Wales Economy, a program of the Department of State and Regional Development.

Objective: To advance the economic development of New South Wales by securing sustainable economic and business growth in metropolitan and regional areas.

4 Current Assets – Cash and Cash Equivalents

The Corporation did not hold cash or cash equivalents as at 30 June 2006 (30 June 2005 Nil)

5 Current Liabilities – Payables

	2006 \$'000	2005 \$'000
Current Liabilities – Payables		
Creditors	5	5
	5	5

6 Changes in Equity

	Accumulated Funds	
	2006 \$'000	2005 \$'000
Entity		
Balance at the beginning of the financial year	(5)	(5)
Changes in equity – other than transactions with owners as owners		
Balance at the end of the financial year	(5)	(5)

Notes to the Financial Statements

for the year ended 30 June 2006

7 Commitments for Expenditure

Expenditure commitments as at 30 June 2006 for goods and services \$ Nil (30 June 2005 \$ Nil)

8 Contingent Liabilities and Contingent Assets

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

9 Budget Review

Net cost of services

The actual Net Cost of Services was lower than budget by \$10,000 primarily due to less than budgeted expenditure on members' meeting fees and other operating expenses.

Assets and liabilities

Net assets were in line with budget.

Cash Flows

Net cash flows from operating activities was zero.

10 Impact of Adoption Of AEIFRS

The Corporation has applied AEIFRS for the first time in its 2005/06 financial report. The key areas where changes in accounting policies have impacted the financial report are disclosed below. Some of these impacts arise because AEIFRS requirements are different from previous AASB requirements (AGAAP). Other impacts arise from options in AEIFRS that were not available or not applied under previous AGAAP. The Corporation has adopted the options mandated by NSW Treasury for all NSW public sector agencies. The impacts below reflect Treasury's mandates and policy decisions.

The impacts of adopting AEIFRS on total equity and surplus/(deficit) as reported under previous AGAAP are shown below. There are no material impacts on The Corporation's cash flows.

Reconciliation of equity under previous Accounting standards (AGAAP) to equity under AEIFRS

	30 June 2005 \$'000	1 July 2004 \$'000
Total Equity under AGAAP	(5)	(5)
Adjustments to accumulated funds	-	-
Total equity under AEIFRS	(5)	(5)

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

	\$'000
Year ended 30 June 2005	
Surplus / (deficit) under AGAAP	-
Surplus / (deficit) under AEIFRS	-

11 After Balance Date Events

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

(End of audited financial statements)