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Audited Financial Statements



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Department of State and Regional Development

To Members of the New South Wales Parliament

I have audited the accompanying financial report of Department of State and Regional Development (the Department), which comprises the balance sheet as at 30 June 2007, and the operating statement, statement of recognised income and expense, cash flow statement, program statement - expenses and revenues, and summary of compliance with financial directives for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Department as of 30 June 2007, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

Department Head's Responsibility for the Financial Report

The Department Head is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Department Head, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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.

Independence

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A 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 Oyetunji
Director, Financial Audit Services

19 October 2007
SYDNEY

Department of State and Regional Development

Financial Report
for the year ended 30 June 2007

**STATEMENT BY THE ACTING 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, 2007 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.

Handwritten signature of Michael Cullen, dated 14/10/07.

Michael Cullen
Acting Director General

Financial Statements

Operating Statement

for the year ended 30 June 2007

	Notes	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
Expenses excluding losses				
Operating expenses				
Employee related	2(a)	44,197	45,672	32,155
Other operating expenses	2(b)	53,048	53,214	33,537
Depreciation and amortisation expenses	2(c)	1,709	1,031	2,027
Grants and subsidies	2(d)	59,698	47,438	40,797
Other expenses	2(e)	23,179	25,873	23,712
Total Expenses excluding losses		181,831	173,228	132,228
Less:				
Revenue				
Sale of goods and services	3(a)	587	1,009	358
Investment revenue	3(b)	1,461	922	986
Grants and contributions	3(c)	5,693	6,365	1,635
Other revenue	3(d)	2,263	707	2,169
Total Revenue		10,004	9,003	5,148
Gain / (loss) on disposal	4	(30)	–	(411)
Other gains / (losses)	5	(74)	–	41
Net Cost of Services	24	171,931	164,225	127,450
Government Contributions				
Recurrent appropriations	6	171,855	159,873	113,727
Capital appropriations	6	1,624	1,667	113
Acceptance by the Crown Entity of employee benefits and other liabilities	7	3,244	2,960	1,823
Total Government Contributions		176,723	164,500	115,663
SURPLUS / (DEFICIT) FOR THE YEAR		4,792	275	(11,787)

The accompanying notes form part of these financial statements.

Financial Statements

Statement of Recognised Income and Expense

for the year ended 30 June 2007

		Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		–	–	–
Surplus / (Deficit) for the year		4,792	275	(11,787)
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR	19	4,792	275	(11,787)

The accompanying notes form part of these financial statements.

Financial Statements

Balance Sheet

as at 30 June 2007

	Notes	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	10	21,872	19,752	20,105
Receivables	11	8,386	8,245	8,107
Other	15	–	200	200
Total Current Assets		30,258	28,197	28,412
Non-Current Assets				
Financial assets at fair value	12	459	459	459
Property plant and equipment				
Plant and Equipment	13	6,411	5,276	4,543
Intangible assets	14	779	631	631
Other	15	–	735	735
Total Non-Current Assets		7,649	7,101	6,368
Total Assets		37,907	35,298	34,780
LIABILITIES				
Current Liabilities				
Payables	16	4,488	5,793	5,729
Provisions	17	4,841	4,852	4,780
Other	18	592	926	926
Total Current Liabilities		9,921	11,571	11,435
Non-Current Liabilities				
Provisions	17	804	870	860
Other	18	640	735	735
Total Non-Current Liabilities		1,444	1,605	1,595
Total Liabilities		11,365	13,176	13,030
Net Assets		26,542	22,122	21,750
EQUITY				
Accumulated funds	19	26,542	22,122	21,750
Total Equity		26,542	22,122	21,750

The accompanying notes form part of these financial statements.

Financial Statements

Cash Flow Statement

for the year ended 30 June 2007

	Notes	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(41,520)	(42,555)	(29,664)
Grants and subsidies		(62,292)	(52,438)	(42,076)
Other		(87,956)	(81,508)	(64,259)
Total Payments		(191,768)	(176,501)	(135,999)
Receipts				
Sale of goods and services		700	1,007	12
Interest and dividends received		1,345	932	740
Other		21,272	14,336	12,760
Total Receipts		23,317	16,275	13,512
Cash Flows From Government				
Recurrent appropriation	6	171,855	159,873	113,727
Capital appropriation	6	1,624	1,667	113
Net Cash Flows From Government		173,479	161,540	113,840
NET CASH FLOWS FROM OPERATING ACTIVITIES	24	5,028	1,314	(8,647)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of Plant and Equipment		15	–	2
Advance repayments received		–	–	130
Purchases of Plant and Equipment		(3,245)	(1,667)	(2,930)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(3,230)	(1,667)	(2,798)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings and advances		–	–	(130)
NET CASH FLOWS FROM FINANCING ACTIVITIES		–	–	(130)
NET INCREASE / (DECREASE) IN CASH				
Opening cash and cash equivalents	20	20,105	20,105	19,816
Cash transferred in (out) as a result of administrative restructuring		(31)	–	11,864
CLOSING CASH AND CASH EQUIVALENTS	10	21,872	19,752	20,105

The accompanying notes form part of these financial statements.

Financial Statements

Program Statement – Expenses and Revenues

for the year ended 30 June 2007

Consolidated AGENCY'S EXPENSES AND REVENUES	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	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Expenses excluding losses										
Operating expenses										
– Employee related	28,780	25,105	13,211	6,032	2,206	1,018	–	–	44,197	32,155
– Other operating expenses	21,772	20,017	30,584	13,010	692	510	–	–	53,048	33,537
Total operating expenses	50,552	45,122	43,795	19,042	2,898	1,528	–	–	97,245	65,692
Depreciation and amortisation	1,035	1,666	430	274	244	87	–	–	1,709	2,027
Grants and subsidies	20,855	12,791	4,091	1,609	34,752	26,397	–	–	59,698	40,797
Finance costs	–	–	–	–	–	–	–	–	–	–
Other expenses	20,417	22,375	–	–	2,762	1,337	–	–	23,179	23,712
Total expenses excluding losses	92,859	81,954	48,316	20,925	40,656	29,349	–	–	181,831	132,228
Revenue										
Sale of goods and services	91	81	496	277	–	–	–	–	587	358
Investment revenue	1,454	858	7	54	–	74	–	–	1,461	986
Grants and contributions	783	399	4,895	1,236	15	–	–	–	5,693	1,635
Other revenue	442	1,194	1,781	975	40	–	–	–	2,263	2,169
Total Revenue	2,770	2,532	7,179	2,542	55	74	–	–	10,004	5,148
Gain / (loss) on disposal	(30)	(409)	–	–	–	(2)	–	–	(30)	(411)
Other gains / (losses)	(74)	–	–	41	–	–	–	–	(74)	41
Net Cost of Services	90,193	79,831	41,137	18,342	40,601	29,277	–	–	171,931	127,450
Government contributions**							176,723	115,663	176,723	115,663
NET EXPENDITURE / (REVENUE) FOR THE YEAR	90,193	79,831	41,137	18,342	40,601	29,277	(176,723)	(115,663)	(4,792)	11,787

* 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.

Financial Statements

Summary of Compliance with Financial Directives

for the year ended 30 June 2007

	2007				2006			
	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	168,023	163,498	1,667	1,367	92,891	77,926	113	113
– Additional Appropriations	–	–	257	257	–	–	–	–
– s24 PF&AA – transfers of functions between departments	(217)	(217)	–	–	17,729	17,729	–	–
	167,806	163,281	1,924	1,624	110,620	95,655	113	113
OTHER APPROPRIATIONS / EXPENDITURE								
– Treasurer's Advance	11,600	11,600	–	–	500	500	–	–
– Transfers to / from another agency (s28 of the Appropriation Act)	–	–	–	–	26,339	26,339	–	–
– Additional appropriation (forced saving)	(35)	(35)	–	–	–	–	–	–
	11,565	11,565	–	–	26,839	26,839	–	–
Total Appropriations / Expenditure / Net Claim on Consolidated Fund (includes transfer payments)	179,371	174,846	1,924	1,624	137,459	122,494	113	113
Amount drawn down against Appropriation		174,846		1,624		122,494		113
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).

*If there is a "Liability to Consolidated Fund", the agency must state this represents the difference between the "Amount drawn against Appropriation" and the "Total Expenditure / Net Claim" on Consolidated Fund".

The net claim on Consolidated Fund is less than budget appropriation due to less than forecast expenditure in employee related payments and program activities including Katoomba Echo Point Development, Australian Research Centres of Excellence, Regional Development Assistance, NSW High Growth Business and greater than budgeted investment and grants and contributions revenue.

Notes to the Financial Statements

for the year ended 30 June 2007

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 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.

In accordance with the Public Sector Employment and Management (General) Order 2007, with effect from 27 April 2007, four positions from the Department's Investment Division were transferred to the Office of the Co-ordinator General in the Department of Premier and Cabinet. The related equity transfer in Note 20.

The financial report for the year ended 30 June 2007 has been authorised for issue by the Director-General on 19 October 2007.

(b) Basis of Preparation

The Department'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;
- Australian Accounting Interpretations and other professional reporting requirements; 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.

(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

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.

An exception to the above is when appropriations are unspent at year end. In this case, the authority to spend the money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are accounted for as liabilities rather than revenue.

(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 revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

(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.

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.

Notes to the Financial Statements

for the year ended 30 June 2007

(ii) Long Service Leave and Superannuation

The Department's liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity. The Department 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 five 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 exist when: the Department 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 Department'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 claim 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 Department 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 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 is 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 Department 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.

(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 Department.

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

Notes to the Financial Statements

for the year ended 30 June 2007

(n) Restoration Costs

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 part or 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 Department 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.

Intangible assets are subsequently measured at fair value only if there is an active market.

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

(u) Other Assets

Other assets are recognised on a cost basis.

(v) Equity Transfers

The transfer of net assets between Departments as a result of an administrative restructure, transfers of programs / functions and parts thereof between NSW public sector agencies is designated as a contribution by owners and recognised as an adjustment to "Accumulated Funds". This treatment is consistent with Urgent Issues 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.

Notes to the Financial Statements

for the year ended 30 June 2007

(w) Payables

These amounts represent liabilities for goods and services provided to the Department 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.

(x) 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).

(y) New Australian Accounting Standards issued but not effective

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

AASB 7 & AASB 2005-10
'Financial instruments: disclosures'

AASB 101 (Oct 2006) 'Presentation of Financial Statements' – revised standard.

Interpretation 4 'Determining whether an Arrangement contains a Lease'

The Department anticipates that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Department.

Financial Statements**Notes to the Financial Statements**

for the year ended 30 June 2007

2 Expenses Excluding Losses

	2007 \$'000	2006 \$'000
(a) Employee related expenses		
Salaries and wages (including recreation leave)	36,201	26,337
Superannuation – defined benefit plans	757	655
Superannuation – defined contribution plans	2,186	1,728
Long service leave	2,447	1,087
Workers compensation insurance	208	229
Payroll tax and fringe benefit tax	2,353	1,995
Other	5	–
Payroll tax employer's superannuation contribution	40	124
	44,197	32,155
(b) Other operating expenses		
Auditor's remuneration – audit of the financial reports	112	103
Bad and doubtful debts	–	52
Other expenses	6,146	3,427
Miscellaneous Fees	4,375	4,377
Building Occupancy Charges	8,030	7,777
Staff Development	402	452
Publication and advertising costs	24,041	9,962
Telecommunication expenses	1,037	751
Insurance	91	98
Industry Networking	295	450
Payments to contractors	3,045	2,609
Printing and stationery	1,101	713
Travel expenses	2,126	1,251
Motor vehicles expenses	800	565
Consultancies	983	521
Maintenance	464	429
	53,048	33,537
<i>* Reconciliation – Total maintenance</i>		
Maintenance expense – contracted labour and other (non–employee related), as above	464	429
Total maintenance expenses included in Note 2(a) + 2(b)	464	429

Financial Statements**Notes to the Financial Statements**

for the year ended 30 June 2007

2 Expenses Excluding Losses (Cont'd)

	2007 \$'000	2006 \$'000
(c) Depreciation and amortisation expense		
Depreciation		
Plant and Equipment	455	805
Total Depreciation	455	805
Amortisation		
Leasehold improvements	882	1,164
Intangible	372	58
	1,709	2,027
(d) Grants and subsidies		
Industry Capability Network (NSW)	1,247	1,195
Hunter Valley Research Foundation	134	150
Illawarra Regional Information Service	150	150
Hunter Advantage Fund	728	1,194
Regional Development Boards	1,702	1,688
Regional HQ Tax Concessions	-	40
Katoomba/Echo Point Development	-	1,106
Illawarra Advantage Fund	1,000	661
Australian Research Centres of Excellence	1,070	1,246
Science Leverage Fund	9,575	-
Smart Internet Technology CRC	249	361
ICT Centre For Excellence	5,000	5,000
Science and Medical Research	34,752	26,397
Tourism Industry	4,091	1,609
	59,698	40,797
(e) Other expenses		
NSW High Growth Business Program	852	672
Small Business Development	4,842	5,547
Biotechnology Initiatives	6,003	5,892
Regional Development Assistance	11,327	11,601
Payroll Tax Incentive Scheme	155	-
	23,179	23,712

Financial Statements**Notes to the Financial Statements**

for the year ended 30 June 2007

3 Revenue

	2007 \$'000	2006 \$'000
(a) Sale of goods and services		
Retail Tenancies Disputes fees	49	46
Other	538	312
	587	358
(b) Investment revenue		
Interest	1,461	986
	1,461	986
(c) Grants and contributions		
NSW Budget Sector Entities	163	84
Commonwealth	587	287
Other State Governments	28	1
Local Government	100	–
Other Private Sector	4,809	1,263
Other General Government Agencies	6	–
	5,693	1,635
(d) Other revenue		
Sponsorship	183	99
Other	1,063	527
Assets Acquired free of liability	–	650
In kind sponsorship	1,017	893
	2,263	2,169

4 Gain / (Loss) On Disposal

Gain / (loss) on disposal of plant and equipment		
Proceeds from disposal	15	2
Written down value of assets disposed	(45)	(413)
Net gain / (loss) on disposal of plant and equipment	(30)	(411)

5 Other Gains / (Losses)

Increment on shares held	–	41
Impairment of Receivables	(74)	–
	(74)	–
Other gains / (losses) total	(74)	41

Financial Statements

Notes to the Financial Statements

for the year ended 30 June 2007

6 Appropriations

	2007 \$'000	2006 \$'000
Recurrent appropriations		
Total recurrent drawdowns from NSW Treasury (per Summary of Compliance)	174,846	122,494
Less: Liability to Consolidated Fund (per Summary of Compliance)	–	–
	174,846	122,494
Comprising:		
Recurrent appropriations (per Operating Statement)	171,855	113,727
Transfer payments (Note 8)	2,991	8,767
	174,846	122,494
Capital appropriations		
Total capital drawdowns from NSW Treasury (per Summary of Compliance)	1,624	113
Less: Liability to Consolidated Fund (per Summary of Compliance)	–	–
	1,624	113
Comprising:		
Capital appropriations (per Operating Statement)	1,624	113
Transfer payments (Note 8)	–	–
	1,624	113

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	757	655
Payroll tax	40	116
Long service leave	2,447	1,052
	3,244	1,823

8 Transfer Payments

Transfer payments to the Ministerial Corporation for Industry and Small Business Development Corporation of NSW comprise amounts administered by the Corporations relating to their activities. The Corporations draw funds from the Department only to the extent necessary to meet current cash requirements for expenditure.		
Transfer payments		
Small Business Development Corporation of NSW	74	40
Ministerial Corporation for Industry	2,917	8,727
	2,991	8,767

Financial Statements

Notes to the Financial Statements

for the year ended 30 June 2007

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.

10 Cash and Cash Equivalents

	2007 \$'000	2006 \$'000
Cash at bank and on hand	21,872	20,105
	21,872	20,105
Cash and cash equivalents (per Balance Sheet)	21,872	20,105
Closing cash and cash equivalents (per Cash Flow Statement)	21,872	20,105
Unused credit standby facilities		
Credit card facilities	704	773
Interest bearing repayable Treasury advance	–	1,885

11 Receivables

Current Receivables		
Sale of goods and services	1,672	1,757
Accrued Interest	764	647
GST receivable from Australian Taxation Office	4,932	5,009
Prepayments	1,171	773
	8,539	8,186
Less: Allowance for impairment	153	79
	8,386	8,107

12 Financial Assets at Fair Value

Non-current		
CRC for Sustainable Tourism Pty Ltd Shares	415	415
Australian Tourism Data Warehouse Pty Ltd shares	44	44
	459	459

Financial Statements**Notes to the Financial Statements**

for the year ended 30 June 2007

13 Non-Current Assets – Plant and Equipment

	\$'000
At 1 July 2006	
Gross Carrying Amount	15,469
Accumulated depreciation and impairment	(10,926)
Net carrying amount at fair value	4,543
At 30 June 2007	
Gross Carrying Amount	13,202
Accumulated depreciation and impairment	(6,791)
Net carrying amount at fair value	6,411
Reconciliation	
A reconciliation of the carrying amount of plant and equipment at the beginning and end of the current reporting period is set out below.	
Year ended 30 June 2007	
Net carrying amount at start of year	4,543
Additions	3,549
Disposals	(711)
Reclassification as intangibles	(298)
Depreciation expense	(1,337)
Disposal written back against Accum Deprn	665
Net carrying amount at end of year	6,411
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 previous reporting period is set out below.	
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

Financial Statements**Notes to the Financial Statements**

for the year ended 30 June 2007

14 Intangible Assets – Software

	\$'000
At 1 July 2006	
Cost (gross carrying amount)	822
Accumulated amortisation and impairment	(191)
Net carrying amount	631
At 30 June 2007	
Cost (gross carrying amount)	6,149
Accumulated amortisation and impairment	(5,370)
Net carrying amount	779
Year ended 30 June 2007	
Net carrying amount at start of year	631
Additions acquired separately	222
Reclassification	298
Amortisation (recognised in depreciation and amortisation)	(372)
Other movements	–
Net carrying amount at end of year	779
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

15 Current / Non-Current Assets – Other

	2007 \$'000	2006 \$'000
Current		
Lease Incentive	–	200
	–	200
Non-current		
Lease incentive	–	735
	–	735

Financial Statements**Notes to the Financial Statements**

for the year ended 30 June 2007

16 Payables

	2007 \$'000	2006 \$'000
Current		
Accrued salaries, wages and on-costs	424	849
Creditors	4,064	4,880
	4,488	5,729

17 Provisions

Current		
Employee benefits and related on-costs		
Recreation leave	4,180	4,135
Long service leave on costs	661	645
	4,841	4,780
	4,841	4,780
Non-current		
Employee benefits and related on-costs		
Long service leave on-costs	35	350
	35	350
Non-current		
Other provisions		
Restoration costs	769	510
	769	510
	804	860
Aggregate employee benefits and related on-costs		
Provisions – current	4,841	4,780
Provisions – non-current	35	350
Accrued salaries, wages and on-costs	424	849
	5,300	5,979

Movements in provisions (other than employee benefits)

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

	\$'000
Restoration costs 2007	
Carrying amount at the beginning of financial year	510
Additional provisions recognised	533
Amounts used	(274)
Carrying amount at end of financial year	769

Notes to the Financial Statements

for the year ended 30 June 2007

18 Liabilities – Other

	2007 \$'000	2006 \$'000
Current		
Repayable Advances	11	11
Lease incentive	167	200
Fees received in advance	414	715
	592	926
Non current		
Lease incentive	640	735
	640	735

19 Changes In Equity

	Accumulated Funds	
	30 June 2007 \$'000	30 June 2006 \$'000
Consolidated		
Balance at the beginning of the financial year	21,750	21,190
Increase / (decrease) in net assets from equity transfers (note 20)	–	12,347
Changes in equity – other than transactions with owners as owners		
Surplus / (deficit) for the year	4,792	(11,787)
Total	4,792	(11,787)
Balance at the end of the financial year	26,542	21,750

Financial Statements**Notes to the Financial Statements**

for the year ended 30 June 2007

20 Increase / Decrease In Net Assets from Equity Transfers

	2007 \$'000	2006 \$'000
Assets		
Cash	(31)	11,864
Receivables	–	2,204
Property, plant and equipment	–	1,384
Other	–	418
	(31)	15,870
Liabilities		
Payables	–	(1,603)
Employee entitlements	31	(1,920)
	31	(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
Assets and Liabilities transferred to the Department of Premier and Cabinet		
Cash	(31)	–
Employee entitlements	31	–
	–	–

Four positions transferred from the Department to the Department of Premier and Cabinet following the administrative changes. Refer to note 1(a).

Financial Statements**Notes to the Financial Statements**

for the year ended 30 June 2007

21 Commitments for Expenditure

	2007 \$'000	2006 \$'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	7,609	5,857
Later than one year and not later than five years	3,215	3,301
Total (including GST)	10,824	9,158
The total other expenditure commitments above include input tax credits of \$984,000 (30 June 2006 \$833,000) 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	6,263	5,630
Later than one year and not later than five years	18,467	14,522
Later than five years	388	2,680
Total (including GST)	25,118	22,832
The total operating lease commitments above include input tax credits of \$2,228,652 (30 June 2006 \$2,028,000) that are to be recovered from the ATO.		
(c) Grants and Subsidies Commitments		
Small Business Development	1,416	267
Regional Development Assistance	10,918	13,346
Hunter Advantage Fund	2,764	2,933
NSW High Growth Business	–	652
Regional Economic Transition Scheme	1,503	1,650
Payroll Tax Incentive Scheme	5,563	–
Australian Technology Showcase	1,300	164
Illawarra Advantage Fund	2,492	1,407
Biotechnology Initiatives	2,695	2,025
Australian Research Centres OF Excellence	–	1,370
ICT Centre for Excellence	–	5,500
Smart Internet Technology CRC	1,320	880
Business Drought Assistance	2,365	22
Science & Medical Research	44,461	62,137
Tourism Industry	32,687	30,964
Total (Including GST)	109,484	123,317
Payment Schedule		
Not later than one year	51,043	52,479
Later than one year and not later than five years	54,514	65,708
Later than five years	3,927	5,130
Total (including GST)	109,484	123,317
The total grants and subsidies commitments above include input tax credits of \$9,953,000 (30 June 2006 \$11,211,000) that are expected to be recovered from the ATO.		

Notes to the Financial Statements

for the year ended 30 June 2007

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 \$7,706,000. Major components of this variation include:

- (a) Actual employee related payments were less than budget by \$1,475,000. This was primarily due to less than budgeted expenditure of \$2,420,000 in salaries and wages and employee oncosts, and greater than budgeted superannuation expenditure of \$1,103,000.
- (b) Actual grants and subsidies expenditure was greater than budget by \$12,260,000. This increase was primarily due to the negotiation and payment of specific Science and Medical Research grants in the last quarter of the financial year.

- (c) Actual other expenses were less than budget by \$2,694,000. This is primarily due to less than budgeted expenditure in program activities including Small Business Development, Regional Development Assistance and NSW High Growth Business. This arises as a result of cash flow variations in approved program projects and related activities.
- (d) Actual revenue was greater than budget by \$1,001,000 primarily due to increased investment income and cash and inkind co-operative sponsorships.

Assets and liabilities

Actual total net assets at the end of the financial year were greater than budget by \$4,418,000. Components of the variation over the various asset and liability categories include:

- (a) Actual total assets were \$2,609,000 greater than budget and was primarily due to:
 - (i) greater than budgeted cash and cash equivalent of \$2,120,000 due to less than budgeted expenditure in several program areas and activities and greater than budgeted revenue;

- (ii) greater than budgeted current accounts receivable of \$141,000; and
- (iii) greater than budgeted property, plant and equipment assets of \$548,000.
- (b) Total liabilities were less than budget by \$1,809,000. This is primarily due to less than budgeted current liabilities payables and provisions of \$1,648,000.

Cash flows

Actual net cash flows from operating activities were greater than budget by \$3,715,000. This was due to greater than budgeted cash flows from Government and receipts of \$16,724,000 offset by greater than budgeted total payments of \$15,267,000 in areas including Science and Medical Research program activities.

Actual net cash flows from investing activities were greater than budget by \$1,564,000 and is associated with leasehold improvements for additional CBD accommodation.

Financial Statements**Notes to the Financial Statements**

for the year ended 30 June 2007

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

	2007 \$'000	2006 \$'000
Net cash used on operating activities	5,029	(8,647)
Cash flows from Government / Appropriations	(173,479)	(113,840)
Acceptance by the Crown Entity of employee benefits and other liabilities	(3,244)	(1,823)
Depreciation	(1,709)	(2,027)
Asset acquired free of liability	–	650
Decrease / (increase) in provisions	(36)	(111)
Increase / (decrease) in receivables and other assets	(582)	1,785
Decrease / (increase) in payables	1,765	(1,547)
Net gain / (loss) on sale of plant and equipment	(30)	(411)
Other gain / (loss)	(74)	41
Decrease / (increase) in other liabilities	429	(1,520)
Net cost of services	(171,931)	(127,450)

25 Trust Funds**(a) Retail Leases Security Bonds Trust Account**

The Department 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 Retail Leases Act 1994. 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	62,045	–
Add: Receipts	39,908	64,153
Less: Expenditure	(15,491)	(2,108)
Cash balance at the end of the financial year	86,462	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	142	270
Add: Receipts	3,141	3,364
Less: Expenditure	(3,144)	(3,492)
Cash balance at the end of the financial year	139	142

Notes to the Financial Statements

for the year ended 30 June 2007

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 5.15 per cent (4.54 per cent in 2006) and at year end the rate was 5.25 per cent (4.75 per cent at 30 June 2006).

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. An allowance for impairment 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.

27 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 AUDITOR'S REPORT
Ministerial Corporation for Industry

To Members of the New South Wales Parliament

I have audited the accompanying financial report of Ministerial Corporation for Industry (the Corporation), which comprises the balance sheet as at 30 June 2007, and the operating statement, statement of recognised income and expenses and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Corporation as of 30 June 2007, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

Minister's Responsibility for the Financial Report

The Minister is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Minister, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

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

Independence

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A 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.

Peter Achterstraat
Auditor-General

23 October 2007
SYDNEY

Ministerial Corporation for Industry

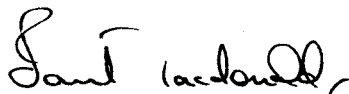
Financial Report
for the year ended 30 June 2007

Statement by Ministerial Corporation for Industry

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, 2007 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.



IAN MACDONALD MLC
Ministerial Corporation for Industry
Minister for State Development
as Minister administering the
State Development and Industries Assistance Act, 1966

22/10/07

Operating Statement
for the year ended 30 June 2007

	Notes	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
Expenses excluding losses				
Other operating expenses	2(a)	3,262	8,100	6,742
Total Expenses excluding losses		3,262	8,100	6,742
Less:				
Revenue				
Investment income	3(a)	1	–	–
Grants and contributions	3(b)	3,086	8,100	10,103
Other revenue	3(c)	26	–	–
Total Revenue		3,113	8,100	10,103
Gain / (loss) on disposal	4	1,759	–	49
Net Cost of Services	16	1,610	–	(3,410)
SURPLUS / (DEFICIT) FOR THE YEAR		1,610	–	3,410

The accompanying notes form part of these financial statements.

Financial Statements**Statement of Recognised Income and Expense**

for the year ended 30 June 2007

	Notes	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
Surplus / (Deficit) for the year		1,610	–	3,410
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR	12	1,610	–	3,410

The accompanying notes form part of these financial statements.

Financial Statements**Balance Sheet**

for the year ended 30 June 2007

	Notes	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	6	3,335	–	–
Non-current assets held for sale	10	764	1,669	1,669
Total Current Assets		4,099	1,669	1,669
Non-Current Assets				
Financial assets at fair value	7	–	–	–
Other financial assets	8	10	500	500
Land	9	2,635	2,635	2,635
Total Non-Current Assets		2,645	3,135	3,135
Total Assets		6,744	4,804	4,804
Current Liabilities				
Payables	11	644	468	468
Total Current Liabilities		644	468	468
Total Liabilities		644	468	468
Net Assets		6,100	4,336	4,336
EQUITY				
Accumulated funds	12	5,454	4,336	4,336
Amounts recognised in equity relating to assets held for sale	10	646	–	–
Total Equity		6,100	4,336	4,336

The accompanying notes form part of these financial statements.

Financial Statements**Cash Flow Statement**

for the year ended 30 June 2007

	Notes	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Other		(3,086)	(8,100)	(9,069)
Total Payments		(3,086)	(8,100)	(9,069)
Receipts				
Other		3,112	8,100	10,126
Total Receipts		3,112	8,100	10,126
Cash Flows From Government				
Net Cash Flows From Government		-	-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	16	26	-	1,057
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of Land		3,500	-	78
Purchases of Land		-	-	(1,135)
Cost of sale of land		(191)	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		3,309	-	(1,057)
NET INCREASE / (DECREASE) IN CASH				
Opening cash and cash equivalents		-	-	-
CLOSING CASH AND CASH EQUIVALENTS	6	3,335	-	-

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2007

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 2007 has been authorised for issue by the Minister for State Development, in the capacity of the Ministerial Corporation for Industry on 22nd October 2007.

(b) Basis of Preparation

The Corporation'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 (AIFRS));
- the requirements of the *Public Finance and Audit Act 1983* and Regulation;

- Australian Accounting Interpretations and other professional reporting requirements; 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.

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) Administrative Support

The Department of State and Regional Development's Investment Division is primarily responsible for managing and facilitating projects in the name of the Corporation under the State Development and Industries Assistance Act 1966. The functions and activities of the Corporation are considered to be an integral part of the Department's core business and economic development activities and is not an entity that operates independently to the Department. The Department does not separately cost the administrative support component for projects that are facilitated or financially assisted under the name of the Corporation. However, the estimated cost to the Department for related Investment Division activities amounts to approximately \$2,600 million.

(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.

Notes to the Financial Statements

for the year ended 30 June 2007

(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.

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 date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

AASB 7 & AASB 2005-10 'Financial instruments: disclosures'

AASB 101 (Oct 2006) 'Presentation of financial statements' – revised standard.

(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 2007

2 Expenses Excluding Losses

	2007 \$'000	2006 \$'000
(a) Other operating expenses		
Auditor's remuneration – audit of the financial report	16	16
Other Expenses	8	–
Assistance to Industry	3,238	6,726
	3,262	6,742

3 Revenues

(a) Investment income		
Interest	1	–
	1	–
(b) Grants and contributions		
Department of State and Regional Development	3,086	10,103
	3,086	10,103
(c) Other revenue		
Miscellaneous revenue related to sale of land	26	–
	26	–

4 Gain / (Loss) On Disposal

Gain / (loss) on disposal of land and buildings		
Proceeds from disposal	3,500	78
Cost of sales	(191)	–
Written down value of assets disposed	(1,550)	(29)
Net gain / (loss) on disposal of land and buildings	1,759	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.

Notes to the Financial Statements

for the year ended 30 June 2007

6 Cash and Cash Equivalents

	2007 \$'000	2006 \$'000
Cash at bank and on hand	3,335	-
	3,335	-
For the purposes of the Cash Flow Statement, cash and cash equivalents include cash at bank, cash on hand. Total cash at 30th June 2007 as shown in the Statement of Cash Flows is nil, which is the same as the related item in the Balance Sheet.		
Cash and cash equivalent assets recognised in the balance sheet are reconciled at the end of the financial year to the Cash Flow Statement as follows:		
Cash and cash equivalents (per Balance Sheet)	3,335	-
Closing cash and cash equivalents (per Cash Flow Statement)	3,335	-

7 Financial Assets at Fair Value

Non-current		
Investment-equity in Smart Internet Technology CRC	1,371	1,202
Diminution of value of CRC shares	(1,371)	(1,202)
	-	-

8 Other Financial Assets

Non-current		
Loans to industry	1,973	3,323
Allowance for impairment	(1,963)	(2,823)
	10	500

Notes to the Financial Statements

for the year ended 30 June 2007

9 Non-Current Assets – Land

	Land \$'000
At 1 July 2006	
At Fair Value	2,635
Net carrying amount	2,635
At 30 June 2007	
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 2007	
Net carrying amount at start of year	2,635
Net carrying amount at end of year	2,635
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 previous 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

Notes to the Financial Statements

for the year ended 30 June 2007

10 Non-Current Assets Held for Sale

	2007 \$'000	2006 \$'000
Land	764	1,669
	764	1,669
Amounts recognised in equity relating to assets held for sale		
Increments/(decrements) on revaluation of land	646	–

The land held for sale relates to the Corporation's involvement in a joint venture development agreement with the Albury Wodonga Corporation to develop, market and sell industrial property at Albury. The Corporation contributed the industrial land with the Albury Wodonga 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 January 2007.

11 Payables

Current		
Assistance to Industry	644	468
	644	468

12 Changes in Equity

	Accumulated Funds	
	2007 \$'000	2006 \$'000
Entity		
Balance at the beginning of the financial year	4,336	926
AASB 139 first-time adoption	(492)	–
Changes in equity – other than transactions with owners as owners		
Surplus / (deficit) for the year	1,610	3,410
Balance at the end of the financial year	5,454	4,336

Notes to the Financial Statements

for the year ended 30 June 2007

13 Commitments for Expenditure

	2007 \$'000	2006 \$'000
(a) Other Expenditure Commitments		
Industry Assistance Fund Commitments approved but not paid:		
Not later than one year	6,600	8,495
Later than one year and not later than five years	5,365	5,353
Later than five years	44	55
Total (including GST)	12,009	13,903

The total expenditure commitments above include input tax credits of \$1,092,000 (30 June 2006 \$1,264,000) that are expected to be recovered from the ATO.

14 Contingent Liabilities and Contingent Assets

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

15 Budget Review**Net cost of services**

The net cost of services was less than budget by \$1,610,000. This is primarily due to less than budgeted other operating assistance to industry expenses of \$4,838,000 and contributions from the Department of State and Regional Development of \$5,014,000. In addition, the gain on disposal of Corporation industrial land was greater than budget by \$1,759,000.

Assets and liabilities

Actual total current assets were greater than budget by \$2,430,000. This was due to greater than budgeted cash and cash equivalents of \$3,335,000 following the sale of a Corporation industrial site during the financial year. This is offset by less than budgeted non current assets held for sale of \$905,000.

Actual non current assets were less than budget by \$490,000 following the adjustment of a repayable advance to fair value.

Actual current liabilities were greater than budget by \$176,000 due to greater than budgeted current payables at year end.

Cash flows

Actual net cash flows from operating activities was greater than budget by \$26,000 and was primarily due to less than budgeted program expenditure of \$5,014,000 and less than budgeted receipts of \$4,988,000.

Actual net cash flows from investing activities were greater than budget by \$3,309,000 and were primarily due to the proceeds from the sale of a Corporation industrial site.

Financial Statements**Notes to the Financial Statements**

for the year ended 30 June 2007

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

	2007 \$'000	2006 \$'000
Net cash used on operating activities	26	1,057
Increase / (decrease) in receivables	–	(23)
Decrease / (increase) in payables	(175)	2,327
Net gain / (loss) on sale of plant and equipment	1,759	49
Net cost of services	1,610	3,410

17 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. The credit risk is the carrying amount (net of any allowance for the impairment of assets). 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.

18 After Balance Date Events

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

End of audited financial statements

Independent Audit Report



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Small Business Development Corporation of New South Wales

To Members of the New South Wales Parliament

I have audited the accompanying financial report of Small Business Development Corporation of New South Wales (the Corporation), which comprises the balance sheet as at 30 June 2007, and the operating statement, statement of recognised income and expenses and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of Small Business Development Corporation of New South Wales as of 30 June 2007, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

The Responsibility of Members of the Board for the Financial Report

The members of the Board of the Corporation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the members, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

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

Independence

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A 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 A Oyetunji in black ink.

A Oyetunji
Director, Financial Audit Services

19 October 2007
SYDNEY

Small Business Development Corporation
of New South Wales

Financial Report
for the year ended 30 June 2007

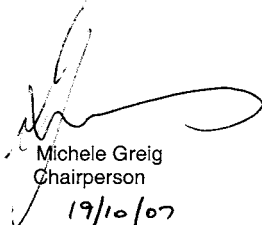
Statement by Members

SMALL BUSINESS DEVELOPMENT CORPORATION OF NEW SOUTH WALES

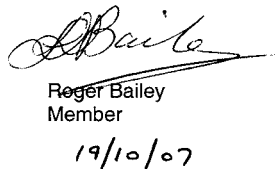
STATEMENT BY MEMBERS

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, 2007 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.



Michele Greig
Chairperson
19/10/07



Roger Bailey
Member
19/10/07

Financial Statements**Operating Statement**

for the year ended 30 June 2007

	Notes	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
Expenses excluding losses				
Other operating expenses	2(a)	74	50	40
Total Expenses excluding losses		74	50	40
Less:				
Revenue				
Grants and contributions		74	50	40
Total Revenue		74	50	40
Gain / (loss) on disposal		-	-	-
Net Cost of Services		-	-	-
Total Government Contributions		-	-	-

The accompanying notes form part of these financial statements.

Financial Statements

Statement of Recognised Income and Expense

for the year ended 30 June 2007

Notes	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY	-	-	-
Surplus / (Deficit) for the year	-	-	-
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR	-	-	-

The accompanying notes form part of these financial statements.

Financial Statements**Balance Sheet**

for the year ended 30 June 2007

	Notes	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'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)
Total Equity		(5)	-	(5)

The accompanying notes form part of these financial statements.

Financial Statements**Cash Flow Statement**

for the year ended 30 June 2007

Notes	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Other operating expenses	(74)	(50)	(40)
Total Payments	(74)	(50)	(40)
Receipts			
Grants and Contributions	74	50	40
Total Receipts	74	50	40
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 2007

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 2007 has been authorised for issue by the Board of the Small Business Development Corporation of New South Wales on 19 October 2007.

(b) Basis of Preparation

The Corporation'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 (AIFRS));
- the requirements of the *Public Finance and Audit Act 1983* and Regulations; and
- Australian Accounting Interpretations and other professional reporting requirements; 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.

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.

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 estimated cost of administrative services provided by the Department to the Corporation amounts to \$124,000.

(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) Payables

These amounts represent liabilities for goods and services provided to the Corporation 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.

(g) New Australian Accounting Standards issued but not effective

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

AASB 7 & AASB 2005-10 'Financial instruments: disclosures'

AASB 101 (Oct 2006) 'Presentation of Financial Statements' – revised standard.

Financial Statements**Notes to the Financial Statements**

for the year ended 30 June 2007

2 Expenses Excluding Losses

	2007 \$'000	2006 \$'000
(a) Other operating expenses		
Auditor's remuneration for audit of the financial report	6	5
Administration Expenses	3	3
Contractors	30	2
Publications and advertising	10	2
Travel expenses	6	6
Printing	2	4
Other expenses	8	7
Meeting Fees and Expenses	9	11
	74	40

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 30th June 2007 (30th June 2006 Nil)

5 Current Liabilities – Payables

	2007 \$'000	2006 \$'000
Creditors	5	5
	5	5

Financial Statements

Notes to the Financial Statements

for the year ended 30 June 2007

6 Changes in Equity

	Accumulated Funds	
	2007 \$'000	2006 \$'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)

7 Commitments for Expenditure

Expenditure commitments as at 30 June 2007 for goods and services \$ Nil (30 June 2006 \$ 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 nil. The actual operating expenses were higher than budget by \$24,000 primarily due to greater than budgeted expenditure on contracting specialist services for the Department, presentation of a small business workshop and advertising expenses to fill vacancies on the board of the Corporation. The actual revenue was higher than budgeted revenue by \$24,000 to meet the actual expenditure.

Assets and liabilities

Net assets were in line with budget.

Cash flows

Net cash flows from operating activities was nil.

10 After Balance Date Events

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

End of audited financial statements

