

The background features a complex geometric design. It consists of several overlapping shapes and patterns. A prominent feature is a large, dark gray triangle that points downwards from the top right towards the bottom left. This triangle is set against a background of fine, parallel diagonal lines that run from the top left to the bottom right. The overall composition is clean and modern, with a professional aesthetic.

Audited Financial Statements

Department of State and Regional Development
Financial Report for the
year ended 30 June 2008



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 2008, the operating statement, statement of recognised income and expense, cash flow statement, program statement - expenses and revenues and a summary of compliance with financial directives 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 the Department as at 30 June 2008, and its financial performance and 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.

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

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 controls 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 controls 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 controls. 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 of New South Wales 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 of New South Wales are not compromised in their role by the possibility of losing clients or income.

A handwritten signature in cursive script, appearing to read 'C J Giumelli'.

C J Giumelli
Director, Financial Audit Services

21 October 2008
SYDNEY

**STATEMENT BY THE DIRECTOR GENERAL 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, 2008 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.



**B. BUFFIER
DIRECTOR GENERAL**

Financial Statements**Operating Statement**

for the Year Ended 30 June 2008

	Notes	Actual 2008 \$'000	Budget 2008 \$'000	Actual 2007 \$'000
Expenses excluding losses				
Operating expenses				
Employee related	2(a)	44,672	48,110	44,197
Other operating expenses	2(b)	23,137	20,371	26,281
Depreciation and amortisation	2(c)	1,710	1,368	1,709
Grants and subsidies	2(d)	54,687	61,634	64,300
Other expenses	2(e)	50,250	44,773	45,344
Total Expenses excluding losses		174,456	176,256	181,831
Revenue				
Sale of goods and services	3(a)	605	1,023	587
Investment revenue	3(b)	809	2,283	1,461
Grants and contributions	3(c)	7,791	5,567	5,693
Other revenue	3(d)	3,841	524	2,263
Total Revenue		13,046	9,397	10,004
Gain / (loss) on disposal	4	(75)	-	(30)
Other gains / (losses)	5	(411)	-	(74)
Net Cost of Services		161,896	166,859	171,931
Government Contributions				
Recurrent appropriation	6	160,423	162,063	171,855
Capital appropriation	6	413	413	1,624
Acceptance by the Crown Entity of employee benefits and other liabilities	7	1,856	3,128	3,244
Total Government Contributions		162,692	165,604	176,723
SURPLUS / (DEFICIT) FOR THE YEAR		796	(1,255)	4,792

The accompanying notes form part of these financial statements.

Statement of Recognised Income and Expense

for the Year Ended 30 June 2008

	Notes	Actual 2008 \$'000	Budget 2008 \$'000	Actual 2007 \$'000
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		-	-	-
Surplus / (Deficit) for the year		796	(1,255)	4,792
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR	19	796	(1,255)	4,792
Accumulated Funds		-	-	-
		796	(1,255)	4,792

The accompanying notes form part of these financial statements.

Balance Sheet

as at 30 June 2008

	Notes	Actual 2008 \$'000	Budget 2008 \$'000	Actual 2007 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	10	26,103	20,794	21,872
Receivables	11	8,837	8,390	8,386
Non current assets held for sale	15	44	44	-
Total Current Assets		34,984	29,228	30,258
Non Current Assets				
Financial assets at fair value	12	-	415	459
Property plant and equipment				
Plant and Equipment	13	5,667	5,580	6,411
Intangible assets	14	642	655	779
Total Non Current Assets		6,309	6,650	7,649
Total Assets		41,293	35,878	37,907
LIABILITIES				
Current Liabilities				
Payables	16	7,685	3,712	4,488
Provisions	17	4,588	4,841	4,841
Other	18	254	592	592
Total Current Liabilities		12,527	9,145	9,921
Non Current Liabilities				
Provisions	17	955	806	804
Other	18	473	640	640
Total Non Current Liabilities		1,428	1,446	1,444
Total Liabilities		13,955	10,591	11,365
Net Assets		27,338	25,287	26,542
EQUITY				
Accumulated funds	19	27,338	25,287	26,542
Total Equity		27,338	25,287	26,542

The accompanying notes form part of these financial statements.

Cash Flow Statement

for the Year Ended 30 June 2008

	Notes	Actual 2008 \$'000	Budget 2008 \$'000	Actual 2007 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(42,635)	(44,925)	(41,520)
Grants and subsidies		(73,228)	(66,634)	(62,292)
Other		(64,270)	(68,885)	(87,956)
Total Payments		(180,133)	(180,444)	(191,768)
Receipts				
Sale of goods and services		2,100	1,023	700
Interest received		1,213	2,283	1,345
Other		21,139	13,997	21,272
Total Receipts		24,452	17,303	23,317
Cash Flows From Government				
Recurrent appropriation	6	160,423	162,063	171,855
Capital appropriation (excluding equity appropriations)	6	413	413	1,624
Net Cash Flows From Government		160,836	162,476	173,479
NET CASH FLOWS FROM OPERATING ACTIVITIES	24	5,155	(665)	5,028
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of Plant and Equipment	3	-	15	-
Advance repayments received		-	-	-
Purchases of Plant and Equipment		(927)	(413)	(3,245)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(924)	(413)	(3,230)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings and advances		-	-	-
NET INCREASE / (DECREASE) IN CASH		4,231	(1,078)	1,798
Opening cash and cash equivalents		21,872	21,872	20,105
Cash transferred in (out) as a result of administrative restructuring	20	-	-	(31)
CLOSING CASH AND CASH EQUIVALENTS	10	26,103	20,794	21,872

The accompanying notes form part of these financial statements.

Supplementary Financial Statements

Program Statement — Expenses and Revenues for the Year Ended 30 June 2008

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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Expenses excluding losses										
Operating expenses										
Employee related	44,672	28,780	-	13,211	-	2,206	-	-	44,672	44,197
Total operating expenses	23,137	21,404	-	4,184	-	693	-	-	23,137	26,281
Depreciation and amortisation	1,710	1,035	-	430	-	244	-	-	1,710	1,709
Grants and subsidies	54,687	23,790	-	6,233	-	34,752	-	-	54,687	64,775
Other expenses	50,250	17,850	-	24,257	-	2,762	-	-	50,250	44,869
Total expenses excluding losses	174,456	92,859	-	48,315	-	40,657	-	-	174,456	181,831
Revenue										
Sale of goods and services	605	91	-	496	-	-	-	-	605	587
Investment revenue	809	1,454	-	7	-	-	-	-	809	1,461
Grants and Contributions	7,791	783	-	4,895	-	15	-	-	7,791	5,693
Other revenue	3,841	442	-	1,781	-	40	-	-	3,841	2,263
Total Revenue	13,046	2,770	-	7,179	-	55	-	-	13,046	10,004
Gain / (loss) on disposal	(75)	(30)	-	-	-	-	-	-	(75)	(30)
Other gains / (losses)	(411)	(74)	-	-	-	-	-	-	(411)	(74)
Net Cost of Services	161,896	90,193	-	41,136	-	40,602	-	-	161,896	171,931
Government contributions **							162,692	176,723	162,692	176,723
NET EXPENDITURE / (REVENUE) FOR THE YEAR	161,896	90,193	-	41,136	-	40,602	(162,692)	(176,723)	(796)	(4,792)

* The Department's program structure was consolidated in 2007–2008 with the adoption of one Program "Development of the New South Wales Economy". Comparative figures for 2006–2007 include financial data for program structures reported in that year.

** 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 2008

	2008				2007			
	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	167,713	151,296	413	413	168,023	163,498	1,667	1,367
– Additional Appropriations	-	-	-	-	-	-	257	257
– s24 PF&AA — transfers of functions between departments	-	-	-	-	(217)	(217)	-	-
	167,713	151,296	413	413	167,806	163,281	1,924	1,624
OTHER APPROPRIATIONS / EXPENDITURE								
– Treasurer's Advance	9,800	9,800	-	-	11,600	11,600	-	-
– Section 22 — expenditure for certain works and services	300	-	-	-	-	-	-	-
– Transfers to / from another agency (s24 of the Appropriation Act)	176	176	-	-	(35)	(35)	-	-
– Transfers to / from another agency (s32 of the Appropriation Act)**	(10,058)	-	-	-	-	-	-	-
	218	9,976	-	-	11,565	11,565	-	-
Total Appropriations / Expenditure / Net Claim on Consolidated Fund (includes transfer payments)	167,931	161,272	413	413	179,371	174,846	1,924	1,624
Amount drawn down against Appropriation		161,272		413		174,846		1,624
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 transfer includes the funding of Major Events Unit to the Department of Premier and Cabinet

Notes to the Financial Statements

for the Year Ended 30 June 2008

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.

On 3 September, 2007 the NSW Government formed the company Events New South Wales Pty Ltd to attract and nurture events for NSW. The company took responsibility for the functions and activities that were previously performed by the Major Events Unit of the Department. The company is responsible to the Premier. Recurrent funding for the activities previously undertaken by the Major Events Unit was transferred to the Department of Premier and Cabinet under Section 32 of the Appropriation Act 2007.

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 is in Note 20.

The financial report for the year ended 30 June 2008 has been authorised for issue by the Director General on 20 October 2008.

(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 Accounting Interpretations)
- › the requirements of the *Public Finance and Audit Act 1983* and Regulation
- › the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer.

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 report.

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 Australian Accounting Interpretations.

(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

Except as specified below, parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as revenue 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 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 and paid sick 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

Notes to the Financial Statements

for the Year Ended 30 June 2008

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 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".

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 07 / 04) 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 that:

- › 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.

Cash flows are included in the cash flow statement on a gross basis. However, the GST components of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

(i) Acquisitions of assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Department. 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.

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.

Notes to the Financial Statements

for the Year Ended 30 June 2008

(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	10.00
Office equipment	14.28
Computer equipment and software	25.00
Leasehold improvement	Over the period of the lease

(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 Department'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 4 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 or 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 upon initial recognition "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. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the operating statement.
- › Available for sale investments — Any residual investments that do not fall into any other category are accounted for as available for sale investments and measured at fair value directly in equity until disposed or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the operating statement. However, interest calculated using the effective interest method and dividends are recognised in the operating statement.

(t) Non current assets (or disposal group) held for sale

The Department has certain non current assets (or disposal groups) classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non current assets (or disposal groups) 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.

(u) 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.

Notes to the Financial Statements

for the Year Ended 30 June 2008

(v) 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.

(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) Grants and Subsidies

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 for expenditure (Refer Note 21).

(y) New Australian Accounting Standards issued but not effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the financial reporting period ended 30 June 2008. These are listed as follows:

- › AASB 8 and AASB 2007 3 are effective for financial reporting periods commencing on or after 1 January 2009
- › AASB1049 Whole of Government and General Government Sector Financial Reporting applies to reporting periods beginning on or after 01 July 2008
- › Revised AASB 101 Presentation of Financial Statements and AASB 2007 8 Amendments to Australian Accounting Standards arising from AASB 101. A revised AASB 101 was issued in September 2007 and is applicable for financial reporting periods beginning on or after 1 January 2009
- › Revised AASB 123 Borrowing Costs and AASB 2007 6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]. The revised AASB 123 is applicable to financial reporting periods commencing on or after 1 January 2009.

In the period of initial application, the Department does not anticipate any material impact on the figures reported in the financial statements.

(z) Reclassification of financial information

Following the consolidation of the Department's Program disclosure, several expenditure items were re classified in the financial report. The comparative figures for each of these items were also re classified. The major reclassified expenditure items during the year with amounts as follows :

- › Science and Medical Research \$2,300,000
- › Tourism Grants (\$2,403,000)
- › Major Events (\$4,545,000)
- › Small Business Development \$857,000
- › Biotechnology Initiatives (\$2,379,000)
- › Tourism Industry \$24,257,000 and
- › Other Operating expenses \$26,767,000.

Financial Statements

Notes to the Financial Statements

for the Year Ended 30 June 2008

2 Expenses Excluding Losses

	2008 \$'000	2007 \$'000
(a) Employee related expenses		
Salaries and wages (including recreation leave)	37,868	36,201
Superannuation — defined benefit plans	822	757
Superannuation — defined contribution plans	2,327	2,186
Long service leave	991	2,447
Workers' compensation insurance	197	208
Payroll tax and fringe benefit tax	2,422	2,353
Other	2	5
Payroll tax employer's superannuation contribution	43	40
	44,672	44,197
(b) Other operating expenses include the following:		
Auditor's remuneration — audit of the financial reports	117	106
Other expenses	3,518	4,076
Miscellaneous Fees	4,570	4,341
Building Occupancy Charges	6,514	8,023
Staff Development	385	352
Publication and advertising costs	2,278	3,795
Telecommunication expenses	1,006	923
Insurance	85	91
Industry Networking	159	2
Payments to contractors	599	1,093
Printing and stationery	768	683
Travel expenses	1,100	977
Motor vehicles expenses	778	797
Consultancies	1,002	725
Maintenance	258	297
	23,137	26,281
<i>* Reconciliation — Total maintenance</i>		
Maintenance expense — contracted labour and other (non employee related), as above	258	297
Total maintenance expenses included in Note 2(a) + 2(b)	258	297

Notes to the Financial Statements

for the Year Ended 30 June 2008

	2008 \$'000	2007 \$'000
(c) Depreciation and amortisation expense		
Depreciation		
Plant and Equipment	735	455
Total Depreciation	735	455
Amortisation		
Leasehold improvements	786	882
Intangible	189	372
	1,710	1,709
(d) Grants and subsidies		
Industry Capability Network (NSW)	1,247	1,247
Hunter Valley Research Foundation	150	134
Illawarra Regional Information Service	150	150
Hunter Advantage Fund	419	728
Regional Development Boards	1,690	1,702
Katoomba / Echo Point Development	365	-
Illawarra Advantage Fund	1,386	1,000
Australian Research Centres of Excellence	-	1,070
Science Leverage Fund	9,085	9,575
Smart Internet Technology CRC	-	249
ICT Centre For Excellence	5,000	5,000
Science and Medical Research	27,450	37,052
Tourism Grants	1,633	1,688
Major Events	2,330	4,545
Payroll Tax Incentive Scheme	3,782	160
	54,687	64,300
(e) Other expenses		
Small Business Development	6,603	5,699
Biotechnology Initiatives	4,857	3,624
Regional Development Assistance	11,414	11,289
Tourism Industry	26,295	24,257
Australian Technology Showcase	1,081	475
	50,250	45,344

Financial Statements

Notes to the Financial Statements

for the Year Ended 30 June 2008

3 Revenue

	2008 \$'000	2007 \$'000
(a) Sale of goods and services		
Retail Tenancies Disputes fees	51	49
Commission on sales	403	498
Other	151	40
	605	587
(b) Investment revenue		
Interest revenue from financial assets not at fair value through profit or loss	809	1,461
	809	1,461
(c) Grants and contributions		
NSW Budget Sector Entities	164	163
Commonwealth	964	587
Other State Governments	-	28
Local Government	73	100
Other Private Sector	6,533	4,809
Other General Government Agencies	57	6
	7,791	5,693
(d) Other revenue		
Sponsorship	3	183
Recoveries for administer retail leases	1,169	-
In kind sponsorship	1,597	1,017
Rental rebate	293	325
Other	779	738
	3,841	2,263

4 Gain / (Loss) On Disposal

Gain / (loss) on disposal of plant and equipment		
Proceeds from disposal	3	15
Written down value of assets disposed	(60)	(45)
Net gain / (loss) on disposal of plant and equipment	(57)	(30)
Gain / (loss) on disposal of Intangible		
Written down value of assets disposed	(18)	-
Net gain / (loss) on disposal of intangible	(18)	-
Gain / (loss) on disposal	(75)	(30)

Notes to the Financial Statements

for the Year Ended 30 June 2008

5 Other Gains / (Losses)

	2008 \$'000	2007 \$'000
Impairment of receivables	4	(74)
Impairment of receivables	4	(74)
Impairment of shares held	(415)	-
Other gains / (losses)	(415)	-
Other gains / (losses) total	(411)	(74)

6 Appropriations

Recurrent appropriation		
Total recurrent drawdowns from NSW Treasury (per Summary of Compliance)	161,272	174,846
	161,272	174,846
Comprising:		
Recurrent appropriation (per Operating Statement)	160,423	171,855
Transfer payments (Note 8)	849	2,991
	161,272	174,846
Capital appropriation		
Total capital drawdowns from NSW Treasury (per Summary of Compliance)	413	1,624
	413	1,624
Comprising:		
Capital appropriation (per Operating Statement)	413	1,624
	413	1,624

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	822	757
Payroll tax	43	40
Long service leave	991	2,447
	1,856	3,244

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	73	74
Ministerial Corporation for Industry	776	2,917
	849	2,991

Notes to the Financial Statements

for the Year Ended 30 June 2008

9 Programs / Activities of the Agency

The Department's program structure was consolidated in 2007–2008 with the adoption of one Program "Development of the New South Wales Economy". This Program Statement encompasses all the objectives and activities of the programs formerly disclosed under "Development of the Tourism Industry" and "Science and Medical Research".

Objective(s): To advance the economic development of New South Wales by securing sustainable economic and business growth in metropolitan and regional areas, to foster a sustainable tourism economy and to advance science and medical research in the State.

Program Description: The provision of programs and services that promote increased investment and economic growth for metropolitan and regional New South Wales.

Encouraging and promoting innovation. Internationalisation of the NSW business sector through the promotion of exports. Promoting tourism in New South Wales to sustain the growth of the tourism economy. Promoting New South Wales as a preferred location for major events. Policy formulation, advice and strategic review of funding programs and projects that optimise the Government's investment in science and medical research.

10 Cash and Cash Equivalents

	2008 \$'000	2007 \$'000
Cash at bank and on hand	26,103	21,872
	26,103	21,872
Cash and cash equivalents (per Balance Sheet)	26,103	21,872
Closing cash and cash equivalents (per Cash Flow Statement)	26,103	21,872
Refer Note 26 for details regarding credit risk, liquidity risk, and market risk arising from financial instruments.		
Unused credit standby facilities		
Credit card facilities	757	704
	757	704

Notes to the Financial Statements

for the Year Ended 30 June 2008

11 Receivables

	2008 \$'000	2007 \$'000
Current Receivables		
Sale of goods and services	2,494	1,672
Accrued Interest	360	764
GST receivable from Australian Taxation Office	4,379	4,932
Prepayments	1,634	1,171
	8,867	8,539
Less: Allowance for impairment	30	153
	8,837	8,386
<i>Movement in the allowance for impairment</i>		
Balance at 1 July	153	80
Amounts written off during the year	(73)	-
Amounts recovered during the year	(80)	-
Increase / (decrease) in allowance recognised in profit or loss	30	73
Balance at 30 June	30	153

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 26.

12 Financial Assets at Fair Value

Non current		
CRC for Sustainable Tourism Pty Ltd Shares	-	459
	-	459

Refer to Note 26 for further information regarding credit risk, liquidity risk, and market risk arising from financial instruments.

Financial Statements**Notes to the Financial Statements**

for the Year Ended 30 June 2008

13 Non Current Assets — Plant And Equipment

	\$'000
At 1 July 2007	
Gross Carrying Amount	13,202
Accumulated depreciation and impairment	(6,791)
Net carrying amount at fair value	6,411
At 30 June 2008	
Gross Carrying Amount	13,346
Accumulated depreciation and impairment	(7,679)
Net carrying amount at fair value	5,667
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 2008	
Net carrying amount at start of year	6,411
Additions	922
Disposals	(726)
Reclassification as intangibles	(53)
Depreciation expense	(1,521)
Disposal written back against Accumulated Depreciation	634
Net carrying amount at end of year	5,667
At 1 July 2006	
At Fair Value	15,469
Accumulated depreciation and impairment	(10,926)
Net carrying amount	4,543
At 30 June 2007	
At Fair Value	13,202
Accumulated depreciation and impairment	(6,791)
Net carrying amount	6,411
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 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 Accumulated Depreciation	665
Net carrying amount at end of year	6,411

Notes to the Financial Statements

for the Year Ended 30 June 2008

14 Intangible Assets

	Software \$'000
At 1 July 2007	
Cost (gross carrying amount)	6,149
Accumulated amortisation and impairment	(5,370)
Net carrying amount	779
At 30 June 2008	
Cost (gross carrying amount)	1,080
Accumulated amortisation and impairment	(438)
Net carrying amount	642
Year ended 30 June 2008	
Net carrying amount at start of year	779
Additions acquired separately	19
Disposals	(5,151)
Reclassification as intangibles	53
Amortisation (recognised in depreciation and amortisation)	(189)
Disposal written back against Accumulated Depreciation	5,133
Other	(2)
Net carrying amount at end of year	642
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)
Net carrying amount at end of year	779

Notes to the Financial Statements

for the Year Ended 30 June 2008

15 Non Current Asset (or Disposal Groups) Held for Sale

	2008 \$'000	2007 \$'000
Assets held for sale		
Australian Tourism Data Warehouse Pty Ltd Shares	44	-
Total	44	-

16 Payables

Current		
Accrued salaries, wages and on costs	941	424
Creditors	6,744	4,064
	7,685	4,488

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 26.

Notes to the Financial Statements

for the Year Ended 30 June 2008

17 Provisions

	2008 \$'000	2007 \$'000
Current		
Employee benefits and related on costs		
Recreation leave	3,979	4,180
Long service leave on costs	609	661
	4,588	4,841
Non current		
Employee benefits and related on costs		
Long service leave on costs	33	35
	33	35
Non current		
Other provisions		
Restoration costs	922	769
	922	769
	955	804
Aggregate employee benefits and related on costs		
Provisions current	4,588	4,841
Provisions non current	33	35
Accrued salaries, wages and on costs (Note 16)	941	424
	5,562	5,300

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	
2008	
Carrying amount at the beginning of financial year	769
Additional provisions recognised	153
Carrying amount at end of financial year	922

Financial Statements

Notes to the Financial Statements

for the Year Ended 30 June 2008

18 Liabilities — Other

	2008 \$'000	2007 \$'000
Current		
Repayable Advances	11	11
Lease incentive	167	167
Fees received in advance	76	414
	254	592
Non current		
Lease incentive	473	640
	473	640

19 Changes In Equity

	Accumulated Funds	
	2008 \$'000	2007 \$'000
Consolidated		
Balance at the beginning of the financial year	26,542	21,750
Changes in equity — other than transactions with owners as owners		
Surplus / (deficit) for the year	796	4,792
Balance at the end of the financial year	27,338	26,542

20 Increase / Decrease in Net Assets from Equity Transfers

	2008 \$'000	2007 \$'000
Assets		
Cash	-	(31)
	-	(31)
Liabilities		
Employee entitlements	-	31
	-	31
Total	-	-
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).

Notes to the Financial Statements

for the Year Ended 30 June 2008

21 Commitments for Expenditure

	2008 \$'000	2007 \$'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	7,497	7,609
Later than one year and not later than five years	2,692	3,215
Total (including GST)	10,189	10,824
The total other expenditure commitments above include input tax credits of \$926,000 (June 2007 \$984,000) 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	6,784	6,263
Later than one year and not later than five years	16,349	18,467
Later than five years	95	388
Total (including GST)	23,228	25,118
The total operating lease commitments above include input tax credits of \$2,060,000 (30 June 2007 \$2,228,652) that are to be recovered from the ATO.		
(c) Grants and Subsidies Commitments		
Small Business Development	1,384	1,416
Regional Development Assistance	22,064	10,918
Hunter Advantage Fund	2,956	2,764
Illawarra Advantage Fund	1,273	2,492
Regional Economic Transition Scheme	1,011	1,503
Australian Technology Showcase	2,310	1,300
Biotechnology Initiatives	4,422	2,695
National ICT Centre for Excellence	22,000	-
Smart Internet Technology CRC	-	1,320
Payroll Tax Incentive Scheme	27,647	5,563
Business Drought Assistance	782	2,365
Science & Medical Research	24,468	44,461
Tourism Industry	-	32,687
Total (Including GST)	110,317	109,484
Not later than one year	49,651	51,043
Later than one year and not later than five years	60,666	54,514
Later than five years	-	3,927
Total (Including GST)	110,317	109,484
The total grants and subsidies commitments above include input tax credits of \$10,029,000 (30 June 2007 \$9,953,000) that are expected to be recovered from the ATO.		

Notes to the Financial Statements

for the Year Ended 30 June 2008

22 Contingent Liabilities and Contingent Assets

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

23 Budget Review

Net cost of services

The actual net cost of services was less than budget by \$4,963,000. Major components of this variation include:

- (a) Actual employee related payments were less than budget by \$3,438,000. This was primarily due to less than budgeted average staffing levels across the Department during the financial year
- (b) Actual other operating expenses were greater than budget by \$2,766,000 due to greater than budgeted expenditure in additional project and program activities including the engagement of contractors, consultants, event management, travel and contributions to special projects.
- (c) Actual grants and subsidies expenditure was less than budget by \$6,947,000. This was due to less than budgeted expenditure in specific items including the Katoomba Echo Point Development Project, Payroll Tax Incentive Scheme, Science Leverage Fund, Australian Research Centres for Excellence, and Smart Internet Technology CRC projects. In addition budgeted allocations for Major Events Unit projects were transferred to the Department of Premier and Cabinet following the formation of Events NSW Pty Ltd. Less than budgeted expenditure was offset by greater than budgeted expenditure in the National ICT Centre for Excellence and Science and Medical Research projects. The variations to budget generally occur due to cash flow variations for approved projects and the introduction of new funding approvals
- (d) Actual other expenses were greater than budget by \$5,477,000. This is primarily due to greater than budgeted expenditure in Small Business Development trade programs and activities, as well as Tourism NSW projects and marketing activities due to an increase in private sector contributions to Tourism projects and initiatives
- (e) Actual revenue was greater than budget by \$3,649,000. This is primarily due to increased private sector cash and in kind contributions to Tourism NSW projects and marketing activities.

Assets and Liabilities

Actual total net assets at the end of the financial year were greater than budget by \$2,051,000. Components of the variation over the various asset and liability categories include:

- (a) Actual total assets were \$5,415,000 greater than budget and was primarily due greater than budgeted cash and cash equivalent of \$5,309,000 due to less than budgeted expenditure in several program areas and activities, greater than budgeted revenue and greater than budgeted current liabilities payable at year end
- (b) Total current liabilities were greater than budget by \$3,382,000. This is primarily due to greater than budgeted current liabilities payables and provisions of \$3,973,000 and less than budgeted current provisions and other of \$591,000.

Cash flows

Actual net cash flows from operating activities were greater than budget by \$5,820,000. This was due to greater than budgeted receipts and contributions from Government of \$5,509,000 and less than budgeted payments of \$311,000.

Actual net cash flows from investing activities were greater than budget by \$511,000 and is related to increased payment associated with the purchase of plant and equipment.

Notes to the Financial Statements

for the Year Ended 30 June 2008

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

	2008 \$'000	2007 \$'000
Net cash used on operating activities	5,155	5,028
Cash flows from Government / Appropriations	(160,836)	(173,479)
Acceptance by the Crown Entity of employee benefits and other liabilities	(1,856)	(3,244)
Depreciation	(1,710)	(1,709)
Decrease / (increase) in provisions	102	(36)
Increase / (decrease) in receivables and other assets	451	(582)
Decrease / (increase) in payables	(3,221)	1,766
Net gain / (loss) on sale of plant and equipment	(75)	(30)
Other gain / (loss)	(411)	(74)
Decrease / (increase) in other liabilities	505	429
Net cost of services	(161,896)	(171,931)

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

The Department holds money in the Retail Leases Security Bonds Trust Account with NSW Treasury Corporation. 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	86,462	62,045
Add: Bond lodgements	28,729	35,218
Interest	6,231	4,690
Less: Expenditure	(18,574)	(15,491)
Transfer to NSW Treasury Consolidated Funds	(9,000)	-
Transfer to Department to administer Retail Leases Act 1994	(1,169)	-
Cash balance at the end of the financial year	92,679	86,462

Retail Lease Security Bonds comprising:

Bonds Lodgements	90,805	80,220
Balance of interest earned after transfer to Consolidated Fund and the Department	1,405	5,343
Cash on hand	469	899
	92,679	86,462

(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	139	142
Add: Receipts	2,549	3,141
Less: Expenditure	(2,677)	(3,144)
Cash balance at the end of the financial year	11	139

Notes to the Financial Statements

for the Year Ended 30 June 2008

26 Financial Instruments

The Department's principal financial instruments are cash deposits held within the NSW Treasury Banking System, short term receivables and payables. These instruments expose the Department primarily to interest rate risk on cash balances held within

the NSW Treasury Banking system and credit risk on short term receivables. The Department does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives.

The Director General through the Department's Audit and Review

Committee has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Compliance with policies is reviewed by the Internal Auditors on a continuous basis.

(a) Financial instrument categories

	Note	Category	Carrying Amount 2008 \$'000	Carrying Amount 2007 \$'000
Financial Assets				
Class:				
Cash and cash equivalents	10	n/a	26,103	21,872
Receivables (Note 1)	11	Loans and receivables (at amortised cost)	2,824	2,283
Financial assets at fair value	12	At fair value through profit or loss classified at held for trading	-	459
Other financial assets	15	Available for sale financial assets (at fair value)	44	-
Financial Liabilities				
Class:				
Payables (Note 2)	16	Financial liabilities measured at amortised cost	7,685	4,488
Other	18	Financial liabilities measured at amortised cost	640	807

1. Excludes statutory receivables and prepayments (i.e. not within scope of ASSB 7).

2. Excludes statutory payables and unearned revenue (i.e. not within scope of ASSB 7).

Notes to the Financial Statements

for the Year Ended 30 June 2008

(b) Credit Risk

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations, resulting in a financial loss to the Department. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Cash

Cash comprises cash on hand and bank balances within the NSW 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 NSW Treasury.

Receivables — trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectibility of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible 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. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Debtors' invoices are generally issued on 30 day terms.

The Department is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors.

The only financial assets that are past due or impaired are 'sales of goods and services' in the 'receivables' category of the balance sheet.

	\$'000		
	Total (Notes 1 & 2)	Past due but not impaired (Notes 1 & 2)	Considered impaired (Notes 1 & 2)
2008			
< 3 months overdue	1,572	1,572	-
3 months–6 months overdue	128	128	-
> 6 months overdue	89	59	30

	\$'000		
	Total	Past due but not impaired	Considered impaired
2007			
< 3 months overdue	423	423	-
3 months–6 months overdue	329	329	-
> 6 months overdue	145	58	87

1. Each column in the table reports "gross receivables".

2. The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the "total" will not reconcile to the receivables total recognised in the balance sheet.

Notes to the Financial Statements

for the Year Ended 30 June 2008

(c) Liquidity risk

Liquidity risk is the risk that the Department will be unable to meet its payment obligations when they fall due. The Department continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

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 (2007-\$Nil).

The table below summarises the maturity profile of the Department's financial liabilities, together with the interest rate exposure.

	\$'000			
	Carrying Amount	Maturity Dates		
		< 1 yr	1-5 yrs	> 5 yrs
2008				
Payables:				
Accrued salaries, wages and on costs	941	941	-	-
Creditors	6,744	6,744	-	-
Other	640	167	473	-
	8,325	7,852	473	-
2007				
Payables:				
Accrued salaries, wages and on costs	424	424	-	-
Creditors	4,064	4,064	-	-
Other	807	167	640	-
	5,295	4,655	640	-

Notes to the Financial Statements

for the Year Ended 30 June 2008

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Department's exposures to market risk are primarily through

interest rates on cash and cash equivalents. The Department has no material exposure to foreign currency risk and does not enter into commodity contracts.

A change in interest rates would not materially affect profit or loss

or equity. A reasonably possible change of + / -1 per cent is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Department's exposure to interest rate risk is set out below.

		\$'000			
		-1%		+1%	
	Carrying Amount	Profit	Equity	Profit	Equity
2008					
Financial assets:					
Cash and cash equivalents	26,103	(261)	(261)	261	261
Receivables	2,824	-	-	-	-
Other financial assets	44	-	-	-	-
Other	-	-	-	-	-
Financial liabilities:					
Payables	7,685	-	-	-	-
Other	640	-	-	-	-
	37,296	(261)	(261)	261	261
2007					
Financial assets:					
Cash and cash equivalents	21,872	(218)	(218)	218	218
Receivables	2,349	-	-	-	-
Financial assets at fair value	459	-	-	-	-
Other financial assets	-	-	-	-	-
Financial liabilities:					
Payables	4,488	-	-	-	-
Other	807	-	-	-	-
	29,975	(218)	(218)	218	218

(e) Fair Value

The carrying value of receivables less any impairment provision and payables is a reasonable approximation of their fair value due to their short term nature.

27 After Balance Date Events

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

End of audited financial statements

Ministerial Corporation for Industry

Financial report for the year ended 30 June 2008



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 2008, the operating statement, statement of recognised income and expense, 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 the Corporation as at 30 June 2008, and its financial performance and 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.

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

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 controls 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 controls relevant to the Corporation'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 Corporation's internal controls. 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,
- about the effectiveness of its internal controls.

Independence

In conducting this audit, the Audit Office of New South Wales 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 of New South Wales are not compromised in their role by the possibility of losing clients or income.

A handwritten signature in blue ink, appearing to read 'Peter Achterstraat'.

Peter Achterstraat
Auditor-General

22 October 2008
SYDNEY

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, 2008 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

Operating Statement

for the Year Ended 30 June 2008

	Notes	Actual 2008 \$'000	Budget 2008 \$'000	Actual 2007 \$'000
Expenses excluding losses				
Other operating expenses	2(a)	4,461	5,600	3,262
Total Expenses excluding losses		4,461	5,600	3,262
Less:				
Revenue				
Investment income	3(a)	2	-	1
Grants and contributions	3(b)	776	5,600	3,086
Other revenue	3(c)	35	-	26
Total Revenue		813	5,600	3,113
Gain / (loss) on disposal	4	-	-	1,759
Net Cost of Services	16	(3,648)	-	1,610
SURPLUS / (DEFICIT) FOR THE YEAR		(3,648)	-	1,610

The accompanying notes form part of these financial statements.

Statement of Recognised Income and Expense

for the Year Ended 30 June 2008

	Notes	Actual 2008 \$'000	Budget 2008 \$'000	Actual 2007 \$'000
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		-	-	-
Surplus / (Deficit) for the year		(3,648)	-	1,610
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR	12	(3,648)	-	1,610

The accompanying notes form part of these financial statements.

Balance Sheet

as at 30 June 2008

	Notes	Actual 2008 \$'000	Budget 2008 \$'000	Actual 2007 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	6	-	3,335	3,335
Non current assets held for sale	10	764	764	764
Total Current Assets		764	4,099	4,099
Non Current Assets				
Financial assets at fair value	7	-	-	-
Other financial assets	8	12	10	10
Land	9	2,635	2,635	2,635
Total Non Current Assets		2,647	2,645	2,645
Total Assets		3,411	6,744	6,744
Current Liabilities				
Payables	11	959	644	644
Total Current Liabilities		959	644	644
Total Liabilities		959	644	644
Net Assets		2,452	6,100	6,100
EQUITY				
Accumulated funds	12	2,452	6,100	5,454
Amounts recognised in equity relating to assets held for sale	10	-	-	646
Total Equity		2,452	6,100	6,100

The accompanying notes form part of these financial statements.

Cash Flow Statement

for the Year Ended 30 June 2008

	Notes	Actual 2008 \$'000	Budget 2008 \$'000	Actual 2007 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Other		(4,148)	(5,600)	(3,086)
Total Payments		(4,148)	(5,600)	(3,086)
Receipts				
Other		813	5,600	3,112
Total Receipts		813	5,600	3,112
Cash Flows From Government				
Net Cash Flows From Government		-	-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	16	(3,335)	-	26
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of land		-	-	3,500
Cost of sale of land		-	-	(191)
NET CASH FLOWS FROM INVESTING ACTIVITIES		-	-	3,309
NET INCREASE / (DECREASE) IN CASH				
Opening cash and cash equivalents		3,335	3,335	-
CLOSING CASH AND CASH EQUIVALENTS	6	-	3,335	3,335

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

for the Year Ended 30 June 2008

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:

- › the establishment, expansion or development of industries; and
- › 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 agency is a not for profit (as profit is not its principal objective) and has no cash generating units.

The financial report for the year ended 30 June 2008 has been authorised for issue by the Minister for State Development, in the capacity of the Ministerial Corporation for Industry on 20th October 2008.

(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 Accounting Interpretations)
- › the requirements of the *Public Finance and Audit Act 1983* and Regulation
- › the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer.

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 Australian Accounting Interpretations.

(d) 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 \$2.463 million.

(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.

Contributions from Other Bodies

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

(f) 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.

(g) 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.

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 2008

(h) 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.

(i) 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.

(j) Depreciation of property, plant and equipment

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

(k) 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.

(l) 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.

(m) 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.

(n) 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 2008

(o) New Australian Accounting Standards issued but not effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the financial reporting period ended 30 June 2008. These are listed as follows:

These are listed as follows:

- › AASB 8 and AASB 2007 3 are effective for financial reporting periods commencing on or after 1 January 2009
- › AASB1049 Whole of Government and General Government Sector Financial Reporting applies to reporting periods beginning on or after 01 July 2008
- › Revised AASB 101 Presentation of Financial Statements and AASB 2007 8 Amendments to Australian Accounting Standards arising from AASB 101. A revised AASB 101 was issued in September 2007 and is applicable for financial reporting periods beginning on or after 1 January 2009
- › Revised AASB 123 Borrowing Costs and AASB 2007 6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]. The revised AASB 123 is applicable to financial reporting periods commencing on or after 1 January 2009.

In the period of initial application, the Corporation does not anticipate any material impact on the figures reported in the financial statements.

(p) 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 for expenditure (Refer Note 13).

2 Expenses Excluding Losses

	2008 \$'000	2007 \$'000
Other operating expenses include the following:		
Auditor's remuneration audit of the financial report	17	16
Other Expenses	113	8
Consultancies	485	-
Assistance to Industry	3,846	3,238
	4,461	3,262

3 Revenues

(a) Investment income		
Interest	2	1
	2	1
(b) Grants and contributions		
Department of State and Regional Development	776	3,086
	776	3,086
(c) Other revenue		
Miscellaneous revenue	35	26
	35	26

Notes to the Financial Statements

for the Year Ended 30 June 2008

4 Gain / (Loss) on Disposal

	2008 \$'000	2007 \$'000
Gain / (loss) on disposal of land and buildings		
Proceeds from disposal	-	3,500
Cost of sales	-	(191)
Written down value of assets disposed	-	(1,550)
Net gain / (loss) on disposal of land and buildings	-	1,759

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

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 30 June 2008 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

Refer Note 17 for details regarding credit risk, liquidity risk, and market risk arising from financial instruments.

7 Financial Assets at Fair Value

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

Refer to Note 17 for further information regarding credit risk, liquidity risk, and market risk arising from financial instruments.

Notes to the Financial Statements

for the Year Ended 30 June 2008

8 Other Financial Assets

	2008 \$'000	2007 \$'000
Non current		
Loans to industry	1,975	1,973
Allowance for impairment	(1,963)	(1,963)
	12	10

Refer to Note 17 for further information regarding credit risk, liquidity risk, and market risk arising from financial instruments.

9 Non Current Assets — Land

	Land \$'000
At 1 July 2007	
At Fair Value	2,635
Net carrying amount	2,635
At 30 June 2008	
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 2008	
Net carrying amount at start of year	2,635
Net carrying amount at end of year	2,635
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 previous 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

Notes to the Financial Statements

for the Year Ended 30 June 2008

10 Non Current Assets Held for Sale

	2008 \$'000	2007 \$'000
Land	764	764
	764	764
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 development agreement with the Albury–Wodonga Development Corporation (now trading as 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 development arrangement is calculated at 58.8 per cent. The land was revalued in January 2007.

The Corporation is currently reviewing the continuation of this arrangement with the Albury–Wodonga Corporation.

11 Payables

Current		
Assistance to Industry	959	644
	959	644

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 17.

12 Changes in Equity

	Accumulated Funds	
	2008 \$'000	2007 \$'000
Entity		
Balance at the beginning of the financial year	6,100	4,336
AASB 139 first time adoption	-	(492)
	6,100	3,844
Changes in equity other than transactions with owners as owners		
Surplus / (deficit) for the year	(3,648)	1,610
Land (refer to Note 10)	-	646
Balance at the end of the financial year	2,452	6,100

Notes to the Financial Statements

for the Year Ended 30 June 2008

13 Commitments for Expenditure

	2008 \$'000	2007 \$'000
Other Expenditure Commitments		
Industry Assistance Fund Commitments approved but not paid:		
Not later than one year	9,281	6,600
Later than one year and not later than five years	15,730	5,365
Later than five years	-	44
Total (including GST)	25,011	12,009

The total expenditure commitments above include input tax credits of \$2,274,000 (30 June 2007 \$1,092,000) 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 actual net cost of services was less than budget by \$3,648,000. This primarily due to less than budgeted assistance to industry other operating expenses of \$1,139,000, and less than budgeted contributions from the Department of State and Regional Development \$4,787,000. The Corporation used available of cash to meet the cost of activities during the financial year.

Assets and liabilities

Actual total current assets were less than budget by \$3,335,000 due to a reduction in cash and cash equivalents. The balance of cash and cash equivalent amount was used to meet the cost of project activities during the financial year.

Actual current liabilities were greater than budget by \$315,000 due to increased current liabilities payables at year end.

Cash flows

Actual net cash flows from operating activities were greater than budget by \$3,335,000. This was due to less than budgeted receipts and contributions from Government of \$4,787,000 and less than budgeted payments of \$1,452,000.

Notes to the Financial Statements

for the Year Ended 30 June 2008

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

	2008 \$'000	2007 \$'000
Net cash used on operating activities	(3,335)	26
Increase / (decrease) in receivables	2	-
Decrease / (increase) in payables	(315)	(175)
Net gain / (loss) on sale of plant and equipment	-	1,759
Net cost of services	(3,648)	1,610

17 Financial Instruments

The Corporation's principal financial instruments are cash deposits held within the NSW Treasury Banking System, short term receivables and payables. These instruments expose the Corporation primarily to interest

rate risk on cash balances held within the NSW Treasury Banking system and credit risk on short term receivables. The Corporation does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives.

(a) Financial instrument categories

	Note	Category	Carrying Amount 2008 \$'000	Carrying Amount 2007 \$'000
Financial Assets				
Class:				
Cash and cash equivalents	6	n/a	-	3,335
Other financial assets	8	Loans and receivables (at amortised cost)	12	10
Financial Liabilities				
Class:				
Payables (Note 1)	11	Financial liabilities measured at amortised cost	959	644

Note 1. Excludes statutory payables and unearned revenue (i.e. not within scope of ASSB 7).

Notes to the Financial Statements

for the Year Ended 30 June 2008

(b) Credit Risk

Credit risk arises when there is the possibility of the Corporation's debtors defaulting on their contractual obligations, resulting in a financial loss to the Corporation. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due. The Corporation continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

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 (2007–Nil).

The table below summarises the maturity profile of the Corporation's financial liabilities, together with the interest rate exposure.

Maturity Analysis and interest rate exposure of financial liabilities

	\$'000			
	Nominal Amount	Maturity Dates		
		< 1 yr	1-5 yrs	> 5 yrs
2008				
Payables:				
Creditors	959	959	-	-
	959	959	-	-
2007				
Payables:				
Creditors	644	644	-	-
	644	644	-	-

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation's exposures to market risk are primarily through interest rates on cash and cash equivalents. The Corporation has no exposure to foreign currency risk and does not enter into commodity contracts.

A change in interest rates would not materially affect profit or loss or equity. A reasonably possible change of + / -1 per cent is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Corporation's exposure to interest rate risk is set out below.

	\$'000				
	Carrying Amount	-1%		+1%	
		Profit	Equity	Profit	Equity
2008					
Financial liabilities:					
Payables	959	-	-	-	-
	959	-	-	-	-
2007					
Financial liabilities:					
Payables	644	-	-	-	-
	644	-	-	-	-

(e) Fair Value

The carrying value of receivables less any impairment provision and payables is a reasonable approximation of their fair value due to their short term nature.

18 After Balance Date Events

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

End of audited financial statements

Small Business Development
Corporation of New South Wales
Financial report
for the year ended 30 June 2008



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 2008, the operating statement, statement of recognised income and expense 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 the Corporation as at 30 June 2008, and its financial performance and 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

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

The Responsibility of the Members of the Board for the Financial Report

The members of the Board 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 controls 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 controls relevant to the Corporation'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 Corporation's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the members of the Board, 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 of New South Wales 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 of New South Wales are not compromised in their role by the possibility of losing clients or income.

Handwritten signature of C J Giumielli.

C J Giumielli
Director, Financial Audit Services

21 October 2008
SYDNEY

**SMALL BUSINESS DEVELOPMENT CORPORATION
OF NEW SOUTH WALES**

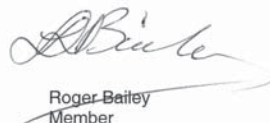
STATEMENT BY MEMBERS

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, 2008 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



Roger Bailey
Member

Operating Statement

for the Year Ended 30 June 2008

	Notes	Actual 2008 \$'000	Budget 2008 \$'000	Actual 2007 \$'000
Expenses excluding losses				
Other operating expenses	2(a)	76	50	74
Total Expenses excluding losses		76	50	74
Less:				
Revenue				
Grants and contributions		73	50	74
Total Revenue		73	50	74
Gain / (loss) on disposal		-	-	-
Net Cost of Services		(3)	-	-
Total Government Contributions		-	-	-
SURPLUS / (DEFICIT) FOR THE YEAR		(3)	-	

The accompanying notes form part of these financial statements.

Statement of Recognised Income and Expense

for the Year Ended 30 June 2008

	Actual 2008 \$'000	Budget 2008 \$'000	Actual 2007 \$'000
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY	-	-	-
Surplus / (Deficit) for the year	(3)	-	-
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR	(3)	-	-
	(3)	-	-

The accompanying notes form part of these financial statements.

Balance Sheet

as at 30 June 2008

	Notes	Actual 2008 \$'000	Budget 2008 \$'000	Actual 2007 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	4	-	-	-
Total Current Assets		-	-	-
Total Assets		-	-	-
LIABILITIES				
Current Liabilities				
Payables	5	8	8	5
Total Current Liabilities		8	8	5
Total Liabilities		8	8	5
Net Assets		(8)	(8)	(5)
EQUITY				
Accumulated funds	6	(8)	(8)	(5)
Total Equity		(8)	(8)	(5)

The accompanying notes form part of these financial statements.

Cash Flow Statement

for the Year Ended 30 June 2008

Notes	Actual 2008 \$'000	Budget 2008 \$'000	Actual 2007 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Other operating expenses	(73)	(50)	(74)
Total Payments	(73)	(50)	(74)
Receipts			
Grants and Contributions	73	50	74
Total Receipts	73	50	74
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 2008

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 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 agency is a not for profit (as profit is not its principal objective) and has no cash generating units.

This financial report for the year ended 30 June 2008 has been authorised for issue by the Board of the Small Business Development Corporation of New South Wales on 20th October 2008.

(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 Accounting Interpretations)
- › the requirements of the *Public Finance and Audit Act 1983* and Regulations; and
- › the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer.

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) Statement of compliance

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

(d) 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 \$132,000.

(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.

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.

(f) 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.

(g) 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.

(h) 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.

Financial Statements**Notes to the Financial Statements**

for the Year Ended 30 June 2008

(i) New Australian Accounting Standards issued but not effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the financial reporting period ended 30 June 2008. These are listed as follows:

- › AASB 8 and AASB 2007 3 are effective for financial reporting periods commencing on or after 1 January 2009
- › AASB1049 Whole of Government and General Government Sector Financial Reporting applies to reporting periods beginning on or after 01 July 2008

- › Revised AASB 101 Presentation of Financial Statements and AASB 2007 8 Amendments to Australian Accounting Standards arising from AASB 101. A revised AASB 101 was issued in September 2007 and is applicable for financial reporting periods beginning on or after 1 January 2009
- › Revised AASB 123 Borrowing Costs and AASB 2007 6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]. The revised AASB 123 is applicable to financial reporting periods commencing on or after 1 January 2009.

In the period of initial application, the Corporation does not anticipate any material impact on the figures reported in the financial statements.

(j) Going concern

The Corporation is reliant on the continued ongoing financial support of the Department of State and Regional Development. The Department will continue to provide ongoing financial support for at least the next 12 months and into the foreseeable future. The Corporation has prepared its financial report on a going concern basis based on this ongoing financial support.

2 Expenses Excluding Losses

	2008 \$'000	2007 \$'000
(a) Other operating expenses		
Auditor's remuneration for audit of the financial report	5	6
Administration Expenses	5	3
Contractors	25	30
Publications and advertising	3	10
Travel expenses	5	6
Printing	21	2
Other expenses	3	8
Meeting Fees and Expenses	9	9
	76	74

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 2008 (30 June 2007 \$Nil).

Financial Statements**Notes to the Financial Statements**

for the Year Ended 30 June 2008

5 Current Liabilities — Payables

	2008 \$'000	2007 \$'000
Creditors	8	5
	8	5

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 10.

6 Changes in Equity

	Accumulated Funds	
	2008 \$'000	2007 \$'000
Entity		
Balance at the beginning of the financial year	(5)	(5)
Changes in equity — other than transactions with owners as owners		
Surplus / (deficit) for the year	(3)	-
Balance at the end of the financial year	(8)	(5)

7 Commitments for Expenditure

Expenditure commitments as at 30 June 2008 for goods and services \$ Nil (30 June 2007 \$ 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 greater than budget by \$3,000. Actual operating expenses were greater than budget by \$26,000 due to greater than budgeted expenditure on contracting and printing services for projects and activities including workshops, presentations and workshop booklets. Actual revenue was greater than budget by \$23,000 to meet the increased Corporation expenditure.

Assets and liabilities

Net assets were in line with budget.

Cash flows

Net cash flows from operating activities was nil.

10 Financial Instruments

The Corporation's principal financial instruments are cash deposits held within the NSW Treasury Banking System, short term receivables and payables. These instruments expose the Corporation primarily to interest rate risk on cash balances held within the NSW Treasury Banking system and credit risk on short term receivables. The Corporation does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives.

Financial Statements**Notes to the Financial Statements**

for the Year Ended 30 June 2008

(a) Financial instrument categories

	Note	Category	Carrying Amount 2008 \$'000	Carrying Amount 2007 \$'000
Financial Liabilities Class:				
Payables (Note 1)	5	Financial liabilities measured at amortised cost	8	5

Note 1. Excludes statutory payables and unearned revenue (i.e. not within scope of ASSB 7).

(b) Credit Risk

Credit risk arises when there is the possibility of the Corporation's debtors defaulting on their contractual obligations, resulting in a financial loss to the Corporation. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due. The Corporation continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

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 (2007-\$Nil).

The table below summarises the maturity profile of the Corporation's financial liabilities, together with the interest rate exposure.

Maturity Analysis and interest rate exposure of financial liabilities

	Nominal Amount	\$'000	
		Maturity Dates	
		< 1 yr	1-5 yrs
2008			
Payables:			
Creditors	8	8	-
	8	8	-
2007			
Payables:			
Creditors	5	5	-
	5	5	-

(d) Fair Value

The carrying value of receivables less any impairment provision and payables is a reasonable approximation of their fair value due to their short term nature.

11 After Balance Date Events

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

End of audited financial statements