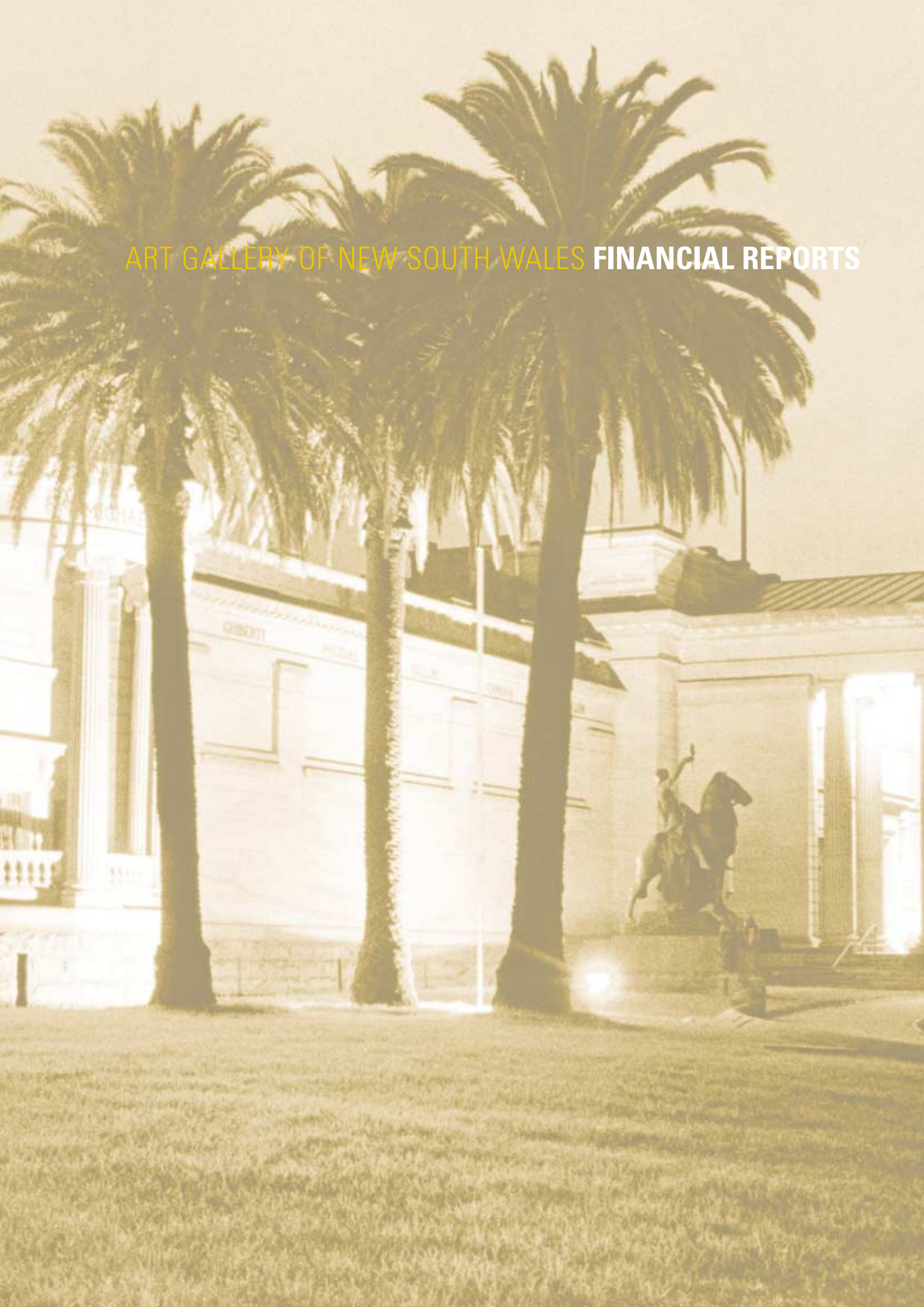
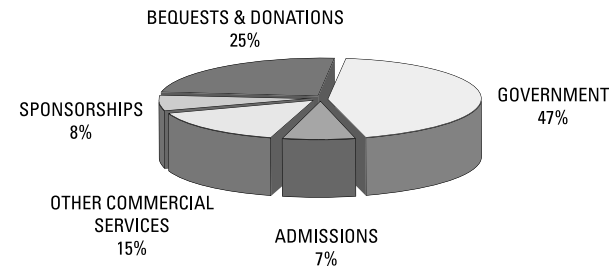


ART GALLERY OF NEW SOUTH WALES **FINANCIAL REPORTS**



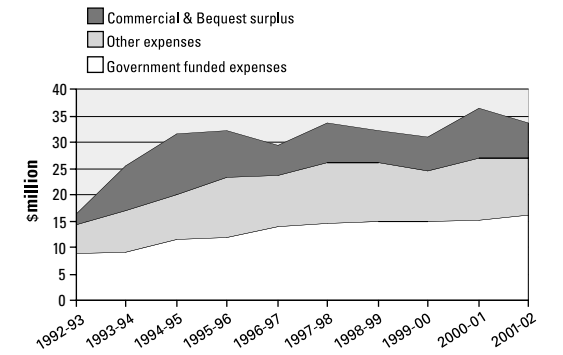
ART GALLERY OF NEW SOUTH WALES												
Financial Summary												
Total Attendances - Incl Touring/Studio												
	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-2001	2001-2002	Total	Average p.a.
Attendances - Paid exhibitions	0.18	0.43	0.35	0.40	0.45	0.27	0.30	0.26	0.28	0.31	3.24	0.32
Attendances - Free access - Main	0.57	0.48	0.63	0.59	0.56	0.65	0.65	0.64	0.72	0.70	6.19	0.62
Total Attendances - Main Building	0.75	0.91	0.99	0.99	1.01	0.92	0.95	0.90	1.00	1.01	9.43	0.94
Artworks Purchased	\$5.3	\$1.6	\$1.9	\$2.9	\$1.2	\$4.1	\$0.3	\$0.9	\$1.6	\$1.4	\$21.4	\$2.1
Donations of Artworks	\$2.8	\$8.2	\$10.4	\$7.4	\$4.3	\$7.2	\$3.7	\$4.3	\$6.2	\$2.8	\$57.3	\$5.7
Total Works of Art Acquired	\$8.2	\$9.8	\$12.4	\$10.3	\$5.5	\$11.3	\$4.1	\$5.2	\$7.8	\$4.3	\$78.7	\$7.9
Exhibition Admission revenue	\$0.8	\$2.3	\$2.8	\$2.9	\$2.5	\$2.4	\$2.7	\$2.1	\$2.5	\$2.6	\$23.6	\$2.4
Sponsorships and contributions	\$1.0	\$0.9	\$1.5	\$3.1	\$2.6	\$2.1	\$3.8	\$3.0	\$3.8	\$2.4	\$24.3	\$2.4
Other Commercial Activities/Other misc	\$2.3	\$3.7	\$4.3	\$6.3	\$5.4	\$5.4	\$5.1	\$5.7	\$6.1	\$5.7	\$50.0	\$5.0
Revenue from Commercial activities	\$4.2	\$7.0	\$8.6	\$12.4	\$10.5	\$9.9	\$11.6	\$10.8	\$12.3	\$10.7	\$97.9	\$9.8
Bequests/Special Funds income	\$3.2	\$9.3	\$11.3	\$8.0	\$5.0	\$9.3	\$5.9	\$5.2	\$8.9	\$7.0	\$73.2	\$7.3
Total Revenue from commercial and private sources	\$7.4	\$16.3	\$19.9	\$20.4	\$15.5	\$19.2	\$17.5	\$16.0	\$21.2	\$17.7	\$171.1	\$17.1
Operating Expenses	\$14.2	\$16.9	\$20.1	\$23.2	\$23.7	\$26.1	\$26.1	\$24.6	\$27.1	\$27.1	\$229.1	\$22.9
Net Cost of Services (exc. Bequests)	\$10.0	\$9.9	\$11.5	\$10.9	\$13.2	\$16.2	\$14.5	\$13.7	\$14.8	\$16.4	\$131.2	\$13.1
Recurrent appropriation	\$8.5	\$8.7	\$10.7	\$11.0	\$12.9	\$13.6	\$13.6	\$13.6	\$13.8	\$14.5	\$120.9	\$12.1
Liabilities assumed by government	\$0.4	\$0.4	\$0.9	\$0.9	\$0.9	\$0.8	\$1.2	\$1.2	\$1.4	\$1.5	\$9.4	\$0.9
Capital appropriation/Other	\$1.0	\$1.7	\$0.6	\$0.6	\$2.0	\$3.4	\$1.1	\$2.3	\$3.0	\$6.4	\$22.0	\$2.2
Total Govt Grants	\$9.8	\$10.7	\$12.2	\$12.4	\$15.8	\$17.8	\$15.8	\$17.1	\$18.2	\$22.4	\$152.3	\$15.2
Government funding as a % of total revenues	57%	40%	38%	38%	50%	48%	47%	52%	46%	56%	47%	47%
Total Revenue	\$17.2	\$27.0	\$32.2	\$32.8	\$31.3	\$37.0	\$33.3	\$33.1	\$39.4	\$40.1	\$323.4	\$32.3
Net Surplus	\$3.0	\$10.1	\$12.1	\$9.5	\$7.6	\$10.8	\$7.2	\$8.6	\$12.3	\$13.0	\$4.3	9.4
Employees - Effective Full time (EFT's)	167	157	170	187	197	189	186	193	193	193		
Net cash flows	\$0.4	\$1.0	-\$2.0	-\$0.5	\$0.8	\$0.4	-\$0.3	-\$1.0	\$1.2	-\$0.7		
Net Assets	\$474.0	\$485.0	\$518.0	\$524.0	\$606.0	\$616.0	\$641.8	\$712.8	\$780.8	\$721.7		
Net Surplus per visitor (incl bequests)	\$13.40	\$10.90	\$11.70	\$11.00	\$13.10	\$17.60	\$15.20	\$15.20	\$14.80	\$16.30		
Net Cost of Services per visitor	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		

REVENUE RECEIVED OVER TEN YEARS TO 2001/02
\$323 Million



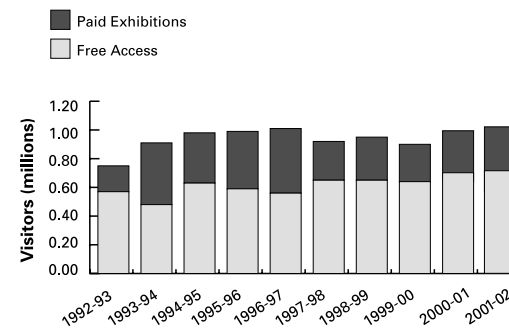
The Gallery has generated over \$300 million revenue, of which over 50% has come from non government sources

REVENUES AND OPERATING EXPENSES



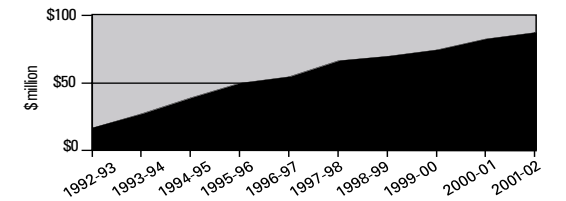
The Government funds the core operations but the Gallery has generated surpluses on its other activities which are used to fund acquisitions.

ATTENDANCES
Main Building



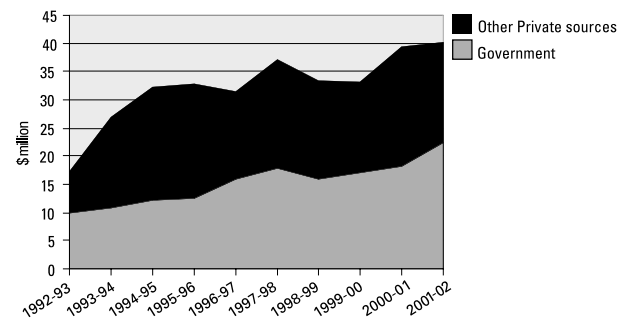
During the year the gallery underwent major building construction work which impinged on the level of activities. Hence visitor numbers have remained static.

\$78.8m WORKS OF ART ACQUIRED
over 10 years



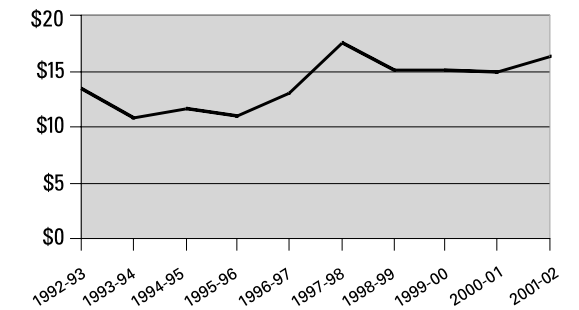
Over seventy eight million dollars worth of art has been acquired thanks to the generosity of our donors/patrons and our commercial earnings.

GALLERY FUNDING



Revenue from non government sources declined this year although it is still above the 10 year average.

NET COST OF SERVICES PER VISITOR



The Net cost of services per visitor increased this year due to the lower visitor/revenue numbers. Costs have remained static.



GPO BOX 12
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

ART GALLERY OF NEW SOUTH WALES TRUST

To Members of the New South Wales Parliament

Scope

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

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

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

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

Audit Opinion

In my opinion, the financial report of the Art Gallery of New South Wales Trust complies with sections 41B and 41BA of the Act and presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of the Trust as at 30 June 2002 and the results of its operations and its cash flows for the year then ended.

G J Gibson FCPA
Director of Audit

SYDNEY
11 October 2002

ART GALLERY OF NEW SOUTH WALES TRUST

STATUTORY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

ART GALLERY OF NEW SOUTH WALES TRUST
STATEMENT IN ACCORDANCE WITH SECTION 41C(1C) OF THE PUBLIC FINANCE AND AUDIT ACT, 1983

In accordance with a resolution of the Board of Trustees of the Art Gallery of New South Wales 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 applicable clauses of the Public Finance and Audit (General) Regulation 1995, applicable Accounting Standards, other mandatory reporting requirements and the Treasurer's Directions
- (b) the financial statements and notes thereto exhibit a true and fair view of the financial position as at 30 June 2002 and the operations for the year then ended; and
- (c) at the date of signing we are not aware of circumstances that would render the financial statements misleading or inaccurate.

D.M. GONSKI
PRESIDENT

E.G. CAPON
DIRECTOR

P. YOUNG
CHAIRMAN
FINANCE AND AUDIT COMMITTEE

R. SENN
GENERAL MANAGER
FINANCIAL & MANAGEMENT SERVICES

ART GALLERY OF NEW SOUTH WALES TRUST

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2002

	Notes	Actual 2002 \$'000	Budget 2002 \$'000	Actual 2001 \$'000
Expenses				
Operating expenses				
Employee related	2(a)	13,206	12,849	12,948
Other operating expenses	2(b)	11,261	10,385	11,543
Maintenance	2(c)	961	907	1,372
Depreciation and amortisation	2(d)	934	1,300	1,192
Other Expenses	2(e)	736	-	-
Total Expenses		<u>27,098</u>	<u>25,441</u>	<u>27,055</u>
Less:				
Retained Revenue				
Sale of goods and services	3(a)	7,923	7,475	8,336
Investment Income	3(b)	233	532	145
Grants and contributions	3(c)	2,412	1,832	3,761
Other revenue	3(d)	65	-	9
Total Retained Revenue		<u>10,633</u>	<u>9,839</u>	<u>12,251</u>
Gain(loss) on disposal of non current assets	4	<u>36</u>	<u>-</u>	<u>26</u>
Net cost of services before bequests and special funds		16,429	15,602	14,778
Bequests and Special Funds	14(b)	<u>(7,006)</u>	<u>-</u>	<u>(8,913)</u>
Net cost of services after bequests and special funds	16	<u>9,423</u>	<u>15,602</u>	<u>5,865</u>
Government Contributions				
Recurrent appropriation		14,504	14,482	13,824
Capital appropriation		6,415	7,173	2,978
Acceptance by the Crown Entity of employee entitlements and other liabilities	5	<u>1,467</u>	<u>368</u>	<u>1,396</u>
		<u>22,386</u>	<u>22,023</u>	<u>18,198</u>
SURPLUS/(DEFICIT) FOR THE YEAR FROM ORDINARY ACTIVITIES		<u>12,963</u>	<u>6,421</u>	<u>12,333</u>
NON-OWNER TRANSACTION CHANGES IN EQUITY				
Net increase(decrease) in asset revaluation reserve		<u>(77,104)</u>	<u>-</u>	<u>55,682</u>
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		<u>(77,104)</u>	<u>-</u>	<u>55,682</u>
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS	14	<u>(64,141)</u>	<u>6,421</u>	<u>68,015</u>

The accompanying notes form part of these statements

ART GALLERY OF NEW SOUTH WALES TRUST

STATEMENT OF FINANCIAL POSITION

As at 30 June 2002

	Notes	Actual 2002 \$'000	Budget 2002 \$'000	Actual 2001 \$'000
ASSETS				
Current Assets				
Cash	6	660	1,662	1,347
Receivables	7	1,376	1,511	1,523
Inventories	8	1,379	1,577	1,577
Other financial assets	9	10,071	10,598	10,598
Total Current Assets		<u>13,486</u>	<u>15,348</u>	<u>15,045</u>
Non-Current Assets				
Property Plant and Equipment	10			
- Land and Buildings		107,603	178,177	173,228
- Plant and Equipment		3,721	6,863	4,939
- Collection Assets		588,094	587,647	587,647
Total Property, Plant and Equipment		699,418	772,687	765,814
Other financial assets	9	7,755	2,996	2,996
Total Non-current Assets		<u>707,173</u>	<u>775,683</u>	<u>768,810</u>
Total Assets		<u>720,659</u>	<u>791,031</u>	<u>783,855</u>
LIABILITIES				
Current Liabilities				
Payables	12	3,015	1,948	1,946
Employee entitlements and other provisions	13	995	1,119	1,119
Total Current Liabilities		<u>4,010</u>	<u>3,067</u>	<u>3,065</u>
Net Assets		<u>716,649</u>	<u>787,964</u>	<u>780,790</u>
EQUITY				
Reserves	14	139,889	216,993	216,993
Accumulated funds	14	576,760	570,971	563,797
Total Equity		<u>716,649</u>	<u>787,964</u>	<u>780,790</u>

The accompanying notes form part of these statements

ORIGINAL BUDGET APPROPRIATION/ EXPENDITURE	2002		2001	
	RECURRENT APPROPRIATION \$'000	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND \$'000	CAPITAL APPROPRIATION \$'000	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND \$'000
• Appropriation Act	14,482	14,482	7,173	5,473
• Additional Appropriations	-	-	-	-
• s21A PR&AA - special appropriations	-	-	-	-
• s24 PR&AA - transfers of functions between departments	-	-	-	-
• s28 PR&AA - Commonwealth specific purpose payments	-	-	-	-
OTHER APPROPRIATIONS / EXPENDITURE				
• Treasurer's Advance	22	22	942	942
• Section 22 - expenditure for certain works and services	-	-	-	-
• Transfers from other agency (section 25 of the Appropriation Act)	-	-	-	-
Total Appropriations/Expenditure/Net Claim on Consolidated Fund (Total 1) (includes transfer payments)	14,504	14,504	8,115	6,415
Amount drawn down against appropriation (Total 3)		14,504		6,415
Liability to Consolidated Fund² (Total 4)		-		-

The summary of compliances based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed).

The expenditure/net claim on Consolidated Fund was lower than the Capital Appropriation due to technical problems in construction and severe adverse weather conditions experienced during the building extension program

ART GALLERY OF NEW SOUTH WALES TRUST

STATEMENT OF CASH FLOWS

For the year ended 30 June 2002

Notes	Actual 2002 \$'000	Budget 2002 \$'000	Actual 2001 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee related	(11,353)	(10,964)	(10,777)
Other	(13,572)	(13,255)	(13,760)
Total Payments	<u>(24,925)</u>	<u>(24,219)</u>	<u>(24,537)</u>
Receipts			
Sale of goods and services	9,772	7,475	9,169
Interest received	959	532	145
Other	5,915	2,677	4,728
Total Receipts	<u>16,646</u>	<u>10,684</u>	<u>14,042</u>
Cash Flows from Government			
Recurrent appropriation	14,504	14,482	13,824
Capital appropriation	6,415	7,173	2,978
Cash reimbursements from the Crown Entity	561	368	514
Net Cash Flows from Government	<u>21,480</u>	<u>22,023</u>	<u>17,316</u>
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>16</u> 13,201	<u>8,488</u>	<u>6,821</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of Land and Buildings, Plant and Equipment and Collection Assets	170	-	68
Proceeds from investments	35,907	-	29,739
Purchases of Land and Buildings, Plant and Equipment and Collection Assets	(9,603)	(8,173)	(5,112)
Purchases of investments	(40,362)	-	(30,295)
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(13,888)</u>	<u>(8,173)</u>	<u>(5,600)</u>
NET INCREASE/(DECREASE) IN CASH	(687)	315	1,221
Opening cash and cash equivalents	1,347	1,347	126
CLOSING CASH AND CASH EQUIVALENTS	<u>6</u> 660	<u>1,662</u>	<u>1,347</u>

*The above Payments and Receipts are GST inclusive

The accompanying notes form part of these statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) **Reporting Entity**

The Art Gallery of NSW Trust, as a reporting entity comprises all the activities under its control, including the Gallery's commercial activities of exhibitions, merchandising, venue hire, and catering.

Other entities associated with the Gallery but not under its direct control and hence not consolidated, include the Art Gallery Foundation, the Brett Whiteley Foundation and VisAsia Foundation.

The reporting entity is consolidated as part of the NSW Total State Sector and as part of the NSW Public Accounts.

(b) **Basis of Accounting**

The agency's financial statements are a general purpose financial report which has been prepared on an accrual basis and in accordance with:

- applicable Australian Accounting Standards;
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Urgent Issues Group (UIG) Consensus Views;
- the requirements for the Public Finance and Audit Act and Regulations; and
- the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under section 9(2)(n) of the Act.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed. In the absence of a specific Accounting Standard, other authoritative pronouncement of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS 6 "Accounting Policies" is considered. Except for certain investments, Land and Buildings and the majority of Collection assets, the financial statements are prepared in accordance with historical cost convention.

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

(c) **Revenue Recognition**

Revenue is recognised when the agency has control of the good or right to receive, it is probable that the economic benefits will flow to the agency and the amount of revenue can be measured reliably. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

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

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

- (ii) **Sale of Goods and Services**
Revenue from the sale of goods and services comprises revenue from the provision of products or services i.e. user charges. User charges are recognised as revenue when the agency obtains Control of the assets that result from them.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

- (iii) **Investment income**
Interest revenue is recognised as it accrues. Dividend income is recognised when the Gallery's right to receive payment is established.

(d) **Employee Entitlements**

- (i) **Wages and Salaries, Annual Leave, Sick Leave and On-costs**
Liabilities for wages and salaries, annual leave and vesting sick leave are recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

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

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

- (ii) **Long Service Leave and Superannuation**
The Gallery's liabilities for long service leave and superannuation are assumed by the Crown Entity. The Gallery 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 Entitlements and other Liabilities".

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

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

- (e) **Insurance**
The Gallery's insurance activities are conducted through the NSW Treasury Managed Fund Scheme for self-insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past experience.

- (f) **Accounting for the Goods and Services Tax (GST)**
Revenues, expenses and assets are recognised net of the amount of GST, except:

the amount of GST incurred by the agency as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

(g) **Acquisitions of Assets**

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Gallery. Cost is determined as the fair value of the assets given as consideration plus the costs incidental to the acquisition.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition. Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value at the acquisition date. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained.

(h) **Plant and Equipment**

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

(i) **Revaluation of Physical Non-Current Assets**

Each class of physical non-current assets is included in a five year revaluation plan, based on the estimated written down replacement cost of the most appropriate modern equivalent replacement facility having a similar service potential to the existing assets. Land is valued on an existing use basis, subject to any restrictions or enhancements since acquisition. The Art Gallery building is a heritage asset valued at replacement cost (not subject to write down) equivalent to a building closely resembling the existing facility. Collection assets are also heritage assets valued at replacement cost, which is current market buying price.

(i) Property, Plant and Equipment

Land was valued by the Department of Public Works and Services at 30 June 2000. The amount of the revaluation was brought to account in the books of the Gallery. Land is valued on an existing use basis.

The building was revalued as at 30 June 2002 at replacement cost using current acceptable building methods by Martin Lomas, Senior Quantity Surveyor, QS Services, Department of Public Works and Services. As a result of the revaluation there was a significant decrement to the Building valuation of \$74.0M. This was mainly due to the assumption that the existing external sandstone walls would be replaced with a sandstone façade.

Certain items of building infrastructure integral to the building were assessed to be depreciable and to have a longer life expectancy. These items will be depreciated using the rates determined by the valuer. Additionally certain building items which were previously classified as plant and equipment were transferred to buildings and will be depreciated accordingly.

Items of plant and equipment are carried at original cost net of depreciation which is considered to approximate replacement cost.

(ii) Collection

All works on hand as at 31 December 2001 were valued at fair market value by Simon Storey MAVA, Principal Valuer, Fine Arts and Heritage Collections. As a result of the valuation there was a decrement of \$3.8M in the value of the collection as at the date of valuation of 31 March 2002. The Gallery will use various market indicators such as the International Art Indices, ADEC prices guides etc to maintain up to date values for the collection and also look at the possibility of undertaking a comprehensive valuation at least once every five years.

(iii) Library Collection

The Library collection is revalued on an ongoing basis using the four most valuable categories of the collection. The policy is to value all the remaining categories at least once during the five-year period. The last valuation was performed at 30 June 2001 by Simon Taaffe.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

In accordance with Treasury policy, the gallery has applied the AASB 1041 "Revaluation of Non-Current Assets" transitional provisions for the public sector and has elected to continue to apply the existing revaluation basis, while Treasury's policy on fair value is finalised. It is expected, however, that in most instances the current valuation methodology will approximate fair value.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

Otherwise any balances of accumulated depreciation existing at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are increased or decreased by the revaluation increments or decrements.

The recoverable amounts test has not been applied, as the gallery is a not-for-profit entity whose service potential is not related to the ability to generate net cash flows.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the surplus/deficit, the increment is recognised immediately as revenue in the surplus/deficit.

Revaluation decrements are recognised immediately as expenses in the surplus/deficit, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Assets Not Able to be Reliably Measured

The agency does not hold any assets other than those recognised in the Statement of Financial Position.

Depreciation of Non-Current Physical Assets

Depreciable assets include plant and equipment, permanent exhibition fit out and Motor vehicles.

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 entity. Land and heritage assets comprising the Art Gallery building and collection assets are not depreciable assets. Those items comprising the integral internal structure of the building ie escalators, lifts and air conditioning etc are depreciated based on the remaining useful life as determined by the valuer.

All material separately identifiable component assets are recognised and depreciated over their shorter useful lives, including those components that in effect represent major periodic maintenance.

Depreciation rates are listed below. For Plant and Equipment each asset's effective life is assessed and a depreciation rate of 7%, 14% or 20% is applied.

Depreciation Rates for each class of depreciable assets are as follows:

	Rate
Plant and Equipment	7-20%
Motor Vehicles	20%
Furniture and Fittings	20%
Office Equipment	33%
Computer Equipment	33%
Catering Equipment	20%
Other Equipment	20%
Building Infrastructure	3-7%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

- (l) **Maintenance and repairs**
The costs of maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated.
- (m) **Leased Assets**
The agency does not have any assets, which are subject to finance leases. Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred.
- (n) **Receivables**
Receivables are recognised and carried at cost, based on the original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.
- (o) **Inventories**
Inventories are stated at the lower of cost and net realisable value. The cost is calculated using the "weighted average" price of each stock item.
- (p) **Other Financial Assets**
TCorp Hour-Glass Facilities, Listed Interest Rate Securities and Managed Fund Investments, are measured at market value. Revaluation increments and decrements are recognised in the same manner as physical non-current assets.

Bills of exchange, negotiable certificates of deposits and term deposits are recognised at cost.
- (q) **Bequests and Special Funds**
This note is considered to cover conditions of contributions and also covers restricted assets.

The agency receives monies and gifts in specie in a trustee capacity for various trusts as set out in note 14(b). As the Gallery is restricted in the use of these funds, they are not brought to account in the financial statements until after calculation of the Net Cost of Services before Bequest and Special Funds. The aggregate of contributions received for the year has been recognised as revenue in the 'Bequest and Special Funds' Revenue and Expenditure Statement in Note 14(b). These revenues provide for expenditure in the current year and in future years. Any revenues unspent in the current year have been carried forward for appropriate expenditure in future years.
- (r) **Trustee benefits**
No Trustee of the Gallery has received or become entitled to receive a benefit because of a contract made by the Gallery or a related body with the Trustee or with a firm of which the Trustee is a member, or with a company in which the Trustee has a substantial interest.
- (s) **Taxation status**
The activities of the Gallery are exempt of income tax. The Gallery is registered for GST/ABN purposes and has gift deductible recipient status.
- (t) **Services provided at no cost**
Where material contributions are made to the Gallery at no charge an expense is recorded in the accounts to reflect activities at the Gallery and is offset by an equivalent revenue entry. Refer to notes 2a, 2c and 3c.
i. Volunteer Services
Volunteers make a substantial and integral contribution to the operation of the Gallery. Volunteer guides provide guided tours of the Gallery's permanent and temporary exhibitions to the public and primary aged children. Additional assistance is provided to the Gallery's library and study room.
ii. Building Maintenance
The Department of Public Works is undertaking a programme of restoring heritage buildings, including the Gallery. The cost of these works is being borne by the Department of Public Works and the Gallery will not incur any costs.
- (u) **Payables**
These amounts represent liabilities for goods and services provided to the agency and other amounts, including interest. Interest is accrued over the period it becomes due.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

- (v) **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 any additional appropriations, s21A, s 24 and/or s 26 of the Public Finance and Audit Act 1983.

The budgeted amounts in the Statement of Financial Performance and the Statement of Cash Flows are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the Statement of Financial Position, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts i.e. per the audited financial statements (rather than carried forward estimates).
- (w) **Programme Statement**
The Gallery operates one programme – Art Gallery of New South Wales. The objective of the programme is to develop and maintain collections of art works for the benefit of the community and to increase knowledge and appreciation of art.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

	2002 \$'000	2001 \$'000
2 EXPENSES		
(a) Employee related expenses comprise the following specific items:		
Salaries and wages (including Recreation Leave)	9,569	9,568
Superannuation	1,273	1,002
Long Service Leave	362	338
Workers' Compensation Insurance	201	173
Payroll tax and fringe benefit tax	705	678
Value of volunteer services (refer also Note 3c)	1,073	1,123
Other	23	66
	<u>13,206</u>	<u>12,948</u>
(b) Other operating expenses		
Auditor's remuneration		
- audit or review of the financial reports	33	31
Cost of sales	2,085	1,849
Travel and Accommodation	542	689
Operating lease rental expense		
- minimum lease payments	119	145
Insurance	832	508
Consumables	1,603	1,712
Exhibition fees and related costs	678	1,410
Fees- General professional	653	700
Freight, packing and storage	746	589
Marketing and promotion	881	1,490
Printing/Graphics	233	301
Property Expenses	1,143	1,221
Other	1,713	898
	<u>11,261</u>	<u>11,543</u>
(c) Maintenance		
Routine maintenance	711	723
Maintenance undertaken free of charge (Refer Note 3c)	250	649
	<u>961</u>	<u>1,372</u>
(d) Depreciation and amortisation expense		
Plant and Equipment	934	1,192
	<u>934</u>	<u>1,192</u>
(e) Other Expenses		
Physical non-current asset revaluation decrement:		
Land and Buildings	736	-
	<u>736</u>	<u>-</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

	2002 \$'000	2001 \$'000
3 REVENUES		
(a) Sales of goods and services		
Sale of goods		
Merchandise, Book and Publication Sales	3,983	4,227
Rendering of Services		
Admission fees	2,571	2,450
Venue hire and catering	642	793
Other	727	866
Total Rendering of Services	3,940	4,109
Total Revenue	<u>7,923</u>	<u>8,336</u>
(b) Investment Income		
Interest	233	145
(c) Grants and contributions		
Sponsorship - cash	524	1,126
Sponsorship - in kind	443	643
Donations - cash	70	134
Grants - Other	52	86
Value of Voluntary Services-Note 2(a)	1,073	1,123
Services provided at no charge-Note 2(c)	250	649
	<u>2,412</u>	<u>3,761</u>
(d) Other revenue		
Workers compensation recovery	65	9
	<u>65</u>	<u>9</u>
4 GAIN/(LOSS) ON DISPOSAL OF NON-CURRENT ASSETS		
Property, Plant and Equipment		
Proceeds from Disposal	85	68
Written down value of assets disposed	(49)	(42)
NET GAIN/(LOSS) ON DISPOSAL OF NON CURRENT ASSETS	<u>36</u>	<u>26</u>
5 ACCEPTANCE BY THE CROWN ENTITY OF EMPLOYEE ENTITLEMENTS AND OTHER LIABILITIES		
The following liabilities and/or expenses have been assumed by the Crown Entity or other government agencies		
Superannuation	1,040	995
Long service leave	362	338
Payroll Tax	65	63
	<u>1,467</u>	<u>1,396</u>

ART GALLERY OF NEW SOUTH WALES TRUST

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

	2002 \$'000	2001 \$'000
6 CURRENT ASSETS - CASH		
Cash at bank and on hand	660	1,347
For the purpose of the Statement of Cash Flows, cash includes cash on hand, and cash at bank. Cash Assets recognised in the Statement of Financial Position are equal to cash at the end of the financial year as shown in the Statement of Cash Flows.		
7 CURRENT ASSETS-RECEIVABLES		
Sale of Goods and services	232	806
Accrued Income	348	319
Other debtors	290	249
Prepayments	521	164
Total	1,391	1,538
Less: Provision for doubtful debts	15	15
Total Receivables	1,376	1,523
8 CURRENT ASSETS- INVENTORIES		
CURRENT INVENTORIES		
Stock on hand-at cost	1,379	1,577
	1,379	1,577
9 CURRENT/NON-CURRENT ASSETS- OTHER FINANCIAL ASSETS		
Current		
Bills of Exchange	2,996	4,998
Negotiable Certificates of Deposit	1,000	1,700
Term Deposits	6,075	3,900
	10,071	10,598
Non-Current		
Bills of Exchange	-	2,996
TCorp-Hour Glass facilities	1,374	-
Listed Shares	2,980	-
Managed Funds	3,401	-
	7,755	2,996
	17,826	13,594

ART GALLERY OF NEW SOUTH WALES TRUST

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

	2002 \$'000	2001 \$'000		
10 NON CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT				
Land and Buildings				
Land - At Valuation	10,925	10,925		
Buildings-At Cost	-	4,378		
Buildings-At Valuation	106,873	157,405		
Work in Progress	4,132	520		
	121,930	173,228		
Accumulated Depreciation at Valuation	14,327	-		
	107,603	173,228		
Plant and Equipment				
At Cost	9,910	16,429		
	9,910	16,429		
Accumulated Depreciation at Cost	6,189	11,490		
	6,189	11,490		
	3,721	4,939		
Art and Library Collections				
At Cost	3,040	14,982		
At Valuation	585,054	572,665		
	588,094	587,647		
Total Property, Plant and Equipment At Net Book Value	699,418	765,814		
The Gallery continues to derive service potential and economic benefits from the following fully depreciated assets				
Plant and Equipment	4,394	10,261		
Reconciliations				
Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and the end of the current and previous financial year are set out below.				
2002				
	Land & Buildings	Plant and Equipment	Collection of Artworks	Total
Carrying amount at start of year	173,228	4,939	587,647	765,814
Additions	5,785	2,383	4,257	12,425
Disposals	-	(100)	-	(100)
Net revaluation increment less revaluation decrements	(74,027)	-	(3,810)	(77,837)
Depreciation Expense	-	(934)	-	(934)
Depreciation written back on disposal of assets	-	50	-	50
Transfers	2,617	(2,617)	-	-
Carrying amount at end of year	107,603	3,721	588,094	699,418

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

11 RESTRICTED ASSETS

	2002 \$'000	2001 \$'000
Included in the cash and investments are restricted use assets (refer also note 14a)		
Current Assets		
Non-current Assets	4,854	7,961
	7,755	2,996
	<u>12,609</u>	<u>10,957</u>

These funds represent donations and bequests held by the Gallery to be used in accordance with the deed of trust or other documents governing these funds.

12 CURRENT LIABILITIES - PAYABLES

Trade Creditors	3,013	1,943
Capital Creditors	2	3
	<u>3,015</u>	<u>1,946</u>

13 CURRENT LIABILITIES - EMPLOYEE ENTITLEMENTS AND OTHER PROVISIONS

Employee entitlements		
Recreation leave	716	807
Accrued salaries and wages	279	312
	<u>995</u>	<u>1,119</u>

14 CHANGES IN EQUITY

(a)	General Fund 2002	Bequests and Special Funds 2002	Accumulated Funds 2002	Asset Revaluation Reserve 2002	Total Equity 2002
Balance as at 1 July 2001	552,840	10,957	563,797	216,993	780,790
Changes in Equity-other than transactions with owners as owners					
Surplus/Deficit for the year	5,957	7,006	12,963	-	12,963
Decrement on revaluation of					
Land and Buildings	-	-	-	(73,294)	(73,294)
Collection Assets	-	-	-	(3,810)	(3,810)
Other Increases/(Decreases)					
Art Acquisitions	3,699	(3,699)	-	-	-
Other Capital Expenditure	1,655	(1,655)	-	-	-
Total	<u>11,311</u>	<u>1,652</u>	<u>12,963</u>	<u>(77,104)</u>	<u>(64,141)</u>
Balance as at 30 June 2002	<u>564,151</u>	<u>12,609</u>	<u>576,760</u>	<u>139,889</u>	<u>716,649</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

	General Fund 2001	Bequests and Special Funds 2001	Accumulated Funds 2001	Asset Revaluation Reserve 2001	Total Equity 2001
Balance as at 1 July 2000	541,385	10,079	551,464	161,311	712,775
Changes in Equity-other than transactions with owners as owners					
Surplus/Deficit for the year	3,420	8,913	12,333	-	12,333
Increment on revaluation of Collection Assets	-	-	-	55,682	55,682
Other Increases/(Decreases)					
Transfer to/(from) General Fund	61	(61)	-	-	-
Art Acquisitions	7,454	(7,454)	-	-	-
Other Capital Expenditure	520	(520)	-	-	-
Total	<u>11,455</u>	<u>878</u>	<u>12,333</u>	<u>55,682</u>	<u>68,015</u>
Balance as at 30 June 2001	<u>552,840</u>	<u>10,957</u>	<u>563,797</u>	<u>216,993</u>	<u>780,790</u>

Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the Gallery's policy on the revaluation of Physical Non-Current Assets and Investments as discussed in Note 1.

(b)	2002 \$'000	2001 \$'000
Bequests and Special Purpose Funds Revenue		
Donations of works of art	2,823	6,171
Capital bequests/donations	1,509	253
Expendable bequests	3,343	2,720
	<u>7,675</u>	<u>9,144</u>
Expenditure		
Prizes and Scholarships	37	29
Diminution of Investments	223	-
Other	409	202
	<u>669</u>	<u>231</u>
Surplus for the year	<u>7,006</u>	<u>8,913</u>

15 BUDGET REVIEW

Net Cost of Services

The actual net cost of services before Bequests and Special Funds was higher than budget by \$.8M. This was due largely due to a revaluation decrement on Land and Buildings.

Assets and Liabilities

Net Assets decreased by \$71.3M against budget due to decrements upon revaluation of the Gallery's Buildings and Collections assets.

Cash Flows

(a) Operating

Operating cash outflows were higher than budget by \$4.7M due largely to an increase in revenues.

(b) Investing

Investing cash flows were higher than budget by \$5.7M due to additional purchases of property, plant and equipment and investments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

16 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET COST OF SERVICES AFTER BEQUESTS AND SPECIAL FUNDS

	2002	2001
	\$'000	\$'000
Net Cash flow from Operating activities	(13,201)	(6,821)
Net (Gain)/Loss sale of non-current assets	(120)	(26)
Depreciation	934	1,192
Diminution in Investments	223	-
Decrement-Revaluation of Land and Buildings	736	-
Gifts of Works of art	(2,823)	(6,171)
Recurrent appropriation	14,504	13,824
Capital appropriation	6,415	2,978
Acceptance by Crown Entity of employees entitlements and other liabilities	1,467	1,396
Increase(decrease) in accounts payable	1,069	(514)
(Increase)decrease in receivables	147	33
(Increase)decrease in inventories	198	(192)
Increase(decrease) in employee entitlements	(126)	166
Net cost of services after bequests and special funds	9,423	5,865

17 NON-CASH FINANCING AND INVESTING ACTIVITIES

The following non-cash transactions are included in the financial accounts for the year

Donations of works of art - brought to account by creating an asset and crediting non cash donations	2,823	6,171
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The following items are brought to account as expenses in the statement of financial performance and are credited as income in the form of non-cash sponsorships, non-cash donations or services provided free of charge

Voluntary services provided	1,073	1,123
Advertising, freight, accommodation, travel and similar expenses	443	643
Maintenance (Dept of Public Works)	250	649

18 FINANCIAL INSTRUMENTS**Cash**

Cash comprises cash on hand and bank balances. Interest is earned on daily bank balances and paid monthly at the normal commercial rate of such deposits.

Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists. The credit risk is the carrying amount (net of any provision for doubtful debts). No interest is earned on trade debtors. The carrying amount approximates net fair value. Sales are made on 30 day terms.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

Other Financial Assets

	2002	2001
	\$'000	\$'000
	Net Fair	Net Fair
	Value	Value
Listed Preference Shares	1,948	-
Listed Convertible Notes	1,032	-
	2,980	-

The Gallery holds Preference Shares and Convertible Notes (valued at \$2.980M) listed on the Australian Stock exchange. The value of the investments held can increase or decrease depending upon the market conditions. The value that best represents the maximum credit risk exposure is the net fair value. The average return for the period invested was 3.2% determined as the last sale price quoted on the Australian Stock at the end of the financial year.

Managed Funds

The Gallery has investments in TCorp's Hour-Glass Investment facilities and private sector managed funds. The Gallery's investments are represented by a number of units in the managed investments. Each fund has different investment horizons and comprises a mix of asset classes appropriate to the investment horizon. Fund managers monitor the application of appropriate investment guidelines.

The Gallery's Holdings were:

	2002	2001
	\$'000	\$'000
	Net Fair	Net Fair
	Value	Value
TCorp-Medium Term Growth Facility Trust	1,374	-
Other Private Sector Managed Funds	3,401	-
	4,775	-

These investments are generally able to be redeemed with 24 hours notice. The value of the investments held can decrease as well as increase depending upon market conditions. The value that best represents the maximum credit risk exposure is the net fair value. The value of the investments represents the Gallery's share of the value of the underlying assets of the fund and is stated at net fair value. The returns for the period ranged from -2.5% to 10.5%.

Other Securities

The Gallery has placed funds in Trustee approved Bills of Exchange, Negotiable Certificates of Deposit and bank deposits placed "at call" or for a fixed term. The interest rate is fixed for the term of the security and the securities are held to maturity.

	2002	2001
	\$'000	\$'000
	Carrying	Carrying
	Amount	Amount
At call	1,263	-
Less than one year	8,808	10,598
One to five years	-	2,996
Greater than five years	-	-
	10,071	13,594

The securities at balance date were earning an average interest rate of 5.5% (2001 5.5%) whilst over the year the weighted average interest rate was 5.5% (2001 5.9%) on a weighted average balance of \$11,055,040 (2001 \$12,722,180)

Bank Overdraft

The Gallery does not have any bank overdraft facility.

Trade Creditors and Accruals

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which the invoice or statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. No Ministerial direction was given, nor did the Gallery incur any interest expense in relation to the late payment of invoices for the financial years 2002 and 2001.

ART GALLERY OF NEW SOUTH WALES TRUST

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

19 EXPENDITURE COMMITMENTS

(a) Capital Commitments

Aggregate capital expenditure for building improvements and extension works contracted for at balance date and not provided for:

	2002 \$'000	2001 \$'000
Not Later than one year	10,800	1272
Later than one year and not later than 5 years	-	-
Later then 5 years	-	-
Total (including GST)	<u>10,800</u>	<u>1,272</u>

Contingent Assets

The total "Capital Commitments" above include input tax credits of \$982,000 that are expected to be recoverable from the Australian Taxation Office.

(b) Other Expenditure Commitments

There are no other expenditure commitments outstanding as at 30 June 2002. Commitments recognised in 2001 related to exhibition agreements and computer network outsourcing.

Not Later than one year	-	659
Later than one year and not later than 5 years	-	-
Later then 5 years	-	-
Total (including GST)	<u>-</u>	<u>659</u>

(c) Operating Lease Commitments

Future non-cancellable operating lease rentals not provided for and payable:

Not Later than one year	98	107
Later than one year and not later than 5 years	49	160
Later then 5 years	-	-
Total (including GST)	<u>147</u>	<u>267</u>

Lease rentals relating to off site storage (including GST) are payable to the lessor monthly in advance. The Gallery possesses an option to renew the lease for a further two years. A bank guarantee has been taken out re the operating lease.

Contingent Assets

The total "Operating Lease Commitments" above include input tax credits of \$13,000 that are expected to be recovered from the Australian Taxation Office.

End of audited financial statements