

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

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FINANCIAL COMMENTARY

FINANCIAL STEWARDSHIP

The Gallery's financial soundness is an on-going key priority, which is maintained through rigorous budgetary/expenditure control, stewardship of assets, cash flow management, and revenue enhancement.

Our accounting systems enable timely and effective reporting of financial information to the Board and management. The reporting system enables us to produce reports within 6 working days of the end of the month at a cost centre and business level. These reports enable management, the Board and NSW Government, to monitor financial aspects of the Gallery and direct the resources in a timely and effective way.

FINANCIAL PERFORMANCE

The Gallery has three major business streams: Core Business (NSW Government funded), Commercial Services and Bequests & Special Funds. In addition to this the Gallery receives a NSW Government Capital Works allocation, which is considered 'Revenue' for purposes of its financial statements. The Surplus for the year was \$19.5m, higher than budget and prior year due to additional Capital Works funding for the major Building Extension Program.

CORE BUSINESS

The Core Business is the basic activity of the Gallery, which includes providing public access to the permanent collection, publications, curatorial research, library and the public programmes. The bulk of the Gallery's staff costs are covered under this activity. The NSW Government provided funds of \$18.1m (\$16.3m in cash) in 2002/03 to cover these costs. The Gallery had a minor deficit (\$0.2m) on its Core Business, due to a last minute government direction to accrue 'on costs' on long service leave, which was previously fully borne by NSW Treasury.

COMMERCIAL SERVICES

The Gallery has over the last 10–15 years built up a substantial level of activity to provide additional services for our visitors. These include an extensive Exhibition Programme, a Gallery Shop, the Restaurant, Café and Venue Hire Facilities. The earnings from these activities (\$1.5m in 2002/03 compared to \$1.2m in 2001/02) are accumulated in an 'Acquisition Fund' for the purchase of artworks.

CULTURAL BEQUESTS/TAXATION INCENTIVES

The Gallery also receives a substantial contribution each year from donors and benefactors (\$6.8 m revenue in 2002/03 compared to \$7.7m in 2001/02). Many of these are in the form of gifts of artworks or cash to purchase artworks. Some donations support various initiatives such as scholarships, prizes or research. The Taxation Incentives for the Arts (TIAS) has provided a major incentive for artists and donors to provide gifts of artworks to the Gallery. These contributions have provided a significant resource for acquisitions of artworks and special projects, which would not otherwise have been feasible.

FINANCIAL STATUS

NET ASSETS/NET WORTH

The Gallery has over \$736.3m of net assets, comprising \$596.0m of art works, \$120.4m in Land and Building, \$11.1m Cash & Cash Equivalents, \$6.7m Investments and \$2m other minor assets. Equity (Net Worth) comprises \$139.9m Revaluation Reserve, \$14.0m Bequest & Special Funds, and \$582.4m General Equity.

INVESTMENTS

The Gallery invests its funds (\$6.7m) in a portfolio of investments comprising T.Corp's medium growth facility, managed funds and listed securities.

In July, 2003 the NSW Treasury after lengthy deliberation advised that amendments to the Public Authorities (Financial Arrangements) Act 1987 require the Gallery, as a NSW Government Statutory Authority, to confine its investments to only those approved by the NSW Treasury, namely deposits with banks and T.Corp, the government investment facility. Accordingly the Gallery will divest itself of the managed funds and listed securities over the next few months.

The investment returns during 200/03 were of 4.9% p.a. on bank deposits, 4.8% on T.Corp and 8.3% on Listed Securities and -4.3% on Managed Funds. Some of these have been adversely impacted by the decline in equity markets particularly the international component.

The Gallery also manages investments on behalf of its related entities, primarily the Art Gallery of New South Wales Foundation (\$18.1m) with smaller amounts for the Brett Whiteley Foundation (\$0.1m) and VisAsia entity (\$0.3m). The Foundation funds have also been impacted by the downturn in the investment markets. During 2002/03, the Foundation redeemed some of its investment portfolio with a view to maintaining 50% in cash based investments.

AUDITS

Internal audit reviews were conducted during the year on Plant & Equipment, Collections, and Banking. Favourable reports were received on all audits with no significant matters arising. All recommendations are carefully considered and recommendations implemented as appropriate. The audit reviews are conducted by the NSW Government's Internal Audit Review (IAB) teams and the cost of these audits are borne by the Ministry for Arts from a central allocation of funds for the Arts Portfolio.

The NSW Audit Office, external auditors, in addition to its normal financial audit also undertook compliance reviews of a selection of various public sector agencies, including the Gallery, on Records Management, Bequests & Donations and Corporate Governance. The Auditor-General does not issue individual reports to the agencies on these compliance audits but uses the findings to provide a 'general report to NSW Parliament. We are pleased to report in the Gallery's case there was satisfactory if not substantial compliance in all the above areas.

RISK MANAGEMENT

INSURANCE

The Gallery, as a NSW Government agency, continues to be insured by the Treasury Managed Fund, a government self-insurance scheme. There were no significant claims on this scheme during the financial year. Over the last 10 years, the Gallery has had few public liability claims, less than 30 (mostly minor), from a visitation population of over one million visitors each year. The Gallery's workers compensation and other claims have also been consistently less than industry averages.

The annual insurance premium amounted to over \$2 million (excl.GST) reflecting the value of the asset holdings of the Gallery's permanent art collection, the heritage building plus art works on temporary on loans for major exhibitions. The Fine Arts premium was the major contributor to the increase in the insurance costs, which more than doubled over the prior year. The cost of the Fine Arts Premium is directly funded by NSW Treasury.

OCCUPATIONAL HEALTH & SAFETY

During the year, the Gallery focused on reinforcing its commitment to Occupational Health & Safety (OH&S). A three-year Strategic OH&S Plan was developed, a Gallery-wide Departmental Managers training program was implemented, OH&S Committee Member training was also undertaken and the Committee reviewed and confirmed its constitution, and the Board of Trustees are now presented with a permanent agenda item which reports on all OH&S Incidents.

Next year the Gallery plans to extend its OH&S initiatives with regular staff inductions sessions, extending awareness through improved communications (noticeboards, Intranet, code of conduct) and offering OH&S awareness training to Trustee, general staff and others such as volunteers working for the Gallery.

LOOKING FORWARD

The forthcoming year will be a serious challenge for the Gallery. Budget cuts of 1.8% (of non salary operating costs) and a 5% salary increase awarded by the NSW Government will make it increasingly difficult for the Gallery to maintain a balanced budget for Core Business. The earnings from Commercial Services/private sector will be directed to funding the Core Business budget deficit, thus leaving little or no funds available for acquisitions of art works. Nevertheless the Gallery is committed to maintaining its high level of performance and will work with staff and the NSW Government in resolving these pressures.

BUDGET SUMMARY FOR 2003/04

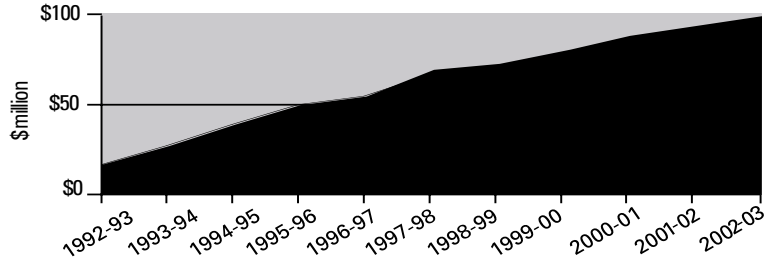
Performance	Revenue	Surplus (Deficit)
	\$m 2003	\$m 2003
Core Business	20.3	(0.7)
Commercial Services	8.3	0.8
Bequests & Special Funds	2.4	1.6
Govt. Funding – Capital	2.0	2.0
Depreciation/Decrement	–	(2.6)
VisAsia	0.4	0.2
Total	33.4	1.3

This Budget is in accordance with NSW Government budget papers. It differs slightly from the budget used for internal purposes which reflect more stringent targets.

ART GALLERY OF NEW SOUTH WALES TRUST
FINANCIAL SUMMARY
**ART GALLERY OF NEW SOUTH WALES
Financial Summary**

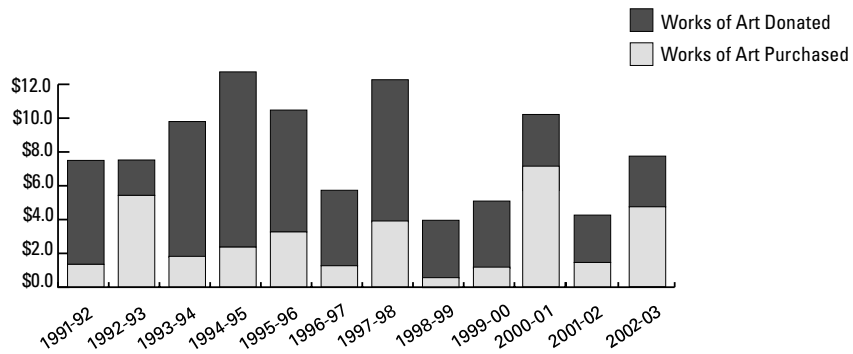
		1998-99	1999-2000	2000-01	2001-02	2002-03	Average p.a.
Total Attendances - Incl Touring/Studio	million	1.17	1.03	1.26	1.17	1.13	1.15
Attendances - Paid exhibitions	million	0.30	0.26	0.28	0.31	0.29	0.29
Attendances - Free access - Main	million	0.65	0.64	0.72	0.70	0.71	0.68
Total Attendances - Main Building	million	0.95	0.90	1.00	1.01	1.00	0.97
Artworks Purchased	\$'m	\$0.3	\$0.9	\$1.6	\$1.4	\$4.6	\$1.8
Donations of Artworks	\$'m	\$3.7	\$4.3	\$6.2	\$2.8	\$3.2	\$4.0
Total Works of Art Acquired	\$'m	\$4.1	\$5.2	\$7.8	\$4.3	\$7.8	\$5.8
Exhibition Admission revenue	\$'m	\$2.7	\$2.1	\$2.5	\$2.6	\$2.6	\$2.5
Merchandise, Books and Publications Sales		\$4.3	\$4.2	\$4.2	\$4.0	\$3.6	\$4.1
Other Commercial Activities/other misc	\$'m	\$0.8	\$1.5	\$1.8	\$1.6	\$1.6	\$1.5
Bequests & Special Funds		\$6.0	\$5.6	\$9.1	\$7.7	\$6.8	\$7.0
Other Grants & Contributions	\$'m	\$3.8	\$3.0	\$3.8	\$2.4	\$3.1	\$3.2
Total Revenue from commercial and private sources	\$'m	\$17.6	\$16.4	\$21.4	\$18.3	\$17.7	\$18.3
Employee Related Expenses		\$11.9	\$12.1	\$12.9	\$13.3	\$15.0	\$13.1
Depreciation, Decrement on Land & Building		\$2.0	\$1.7	\$1.2	\$1.6	\$2.1	\$1.7
Insurance		\$0.7	\$0.7	\$0.5	\$0.8	\$2.1	\$1.0
Other Operating Expenses		\$11.6	\$10.4	\$12.6	\$11.9	\$11.4	\$11.6
Total Operating Expenses	\$'m	\$26.2	\$25.0	\$27.1	\$27.7	\$30.5	\$27.3
Net Cost of Services (Total)	\$'m	\$8.6	\$8.6	\$5.7	\$9.4	\$12.8	\$9.0
Recurrent appropriation	\$'m	\$13.6	\$13.6	\$13.8	\$14.5	\$16.3	\$14.4
Liabilities assumed by government	\$'m	\$1.2	\$1.2	\$1.4	\$1.5	\$1.9	\$1.4
Capital appropriation/Other	\$'m	\$1.1	\$2.3	\$3.0	\$6.4	\$14.2	\$5.4
Total Govt Grants	\$'m	\$15.8	\$17.1	\$18.2	\$22.4	\$32.3	\$21.2
Operations expenditure - % government funded	%	56%	59%	56%	58%	59%	58%
Capital expenditure - % government funded		21%	31%	28%	60%	65%	48%
Total Revenue	\$'m	\$33.4	\$33.5	\$39.6	\$40.7	\$50.0	\$39.4
Net Surplus	\$'m	\$7.2	\$8.5	\$12.5	\$13.0	\$19.5	\$12.2
Employees - Effective Full time (EFT's)	Number	186	193	193	193	200	
Net cash flows	\$'m	-\$0.3	-\$1.0	\$1.2	-\$0.7	\$0.2	
Net Assets	\$'m	\$641.8	\$712.8	\$780.8	\$716.8	\$736.3	
Net Cost of Services per visitor	\$	\$9.00	\$9.50	\$5.70	\$9.30	\$12.80	

\$91.8m WORKS OF ART ACQUIRED (ACCUMULATIVE)
over 11 years

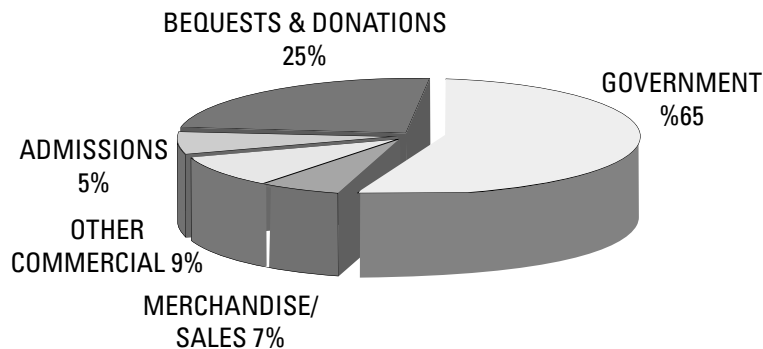


Over ninety one million dollars worth of art has been acquired thanks to the generosity of our donors/patrons and our commercial earnings. This amounts to an average of \$8.35m per annum.

WORKS OF ART ACQUIRED (PER YEAR)



REVENUE 2002/03
\$50 Million



The Government contribution was higher this year due to the Building Program.



GPO BOX 12
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

ART GALLERY OF NEW SOUTH WALES TRUST

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the Art Gallery of New South Wales Trust:

- (a) presents fairly the Trust's financial position as at 30 June 2003 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with sections 41B and 41BA of the *Public Finance and Audit Act 1983* (the Act).

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

The Trustees' Role

The financial report is the responsibility of the Trustees of the Art Gallery of New South Wales Trust. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows, the summary of compliance with financial directives and the accompanying notes.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Trustees in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that Trustees had failed in their reporting obligations.

My opinion does *not* provide assurance:

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

Audit Independence

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

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



G J Gibson FCPA
Director of Audit

SYDNEY
9 October 2003

ART GALLERY OF NEW SOUTH WALES TRUST

STATUTORY FINANCIAL STATEMENTS

For the year ended 30 June 2003

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 2003 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 2003

	Notes	Actual 2003 \$'000 Group	Budget 2003 \$'000 Group	Actual 2002 \$'000 Group
Expenses				
Operating expenses				
Employee related	2(a)	14,973	13,917	13,336
Other operating expenses	2(b)	12,367	13,923	11,763
Maintenance	2(c)	763	879	961
Depreciation and amortisation	2(d)	2,081	944	934
Other Expenses	2(e)	340	-	959
Total Expenses		<u>30,524</u>	<u>29,663</u>	<u>27,953</u>
Less:				
Retained Revenue				
Sale of goods and services	3(a)	7,423	8,054	7,954
Investment Income	3(b)	1,118	703	963
Grants and contributions	3(c)	8,925	3,871	9,537
Other revenue	3(d)	6	-	65
Total Retained Revenue		<u>17,472</u>	<u>12,628</u>	<u>18,519</u>
Gain on disposal of non current assets	4	<u>166</u>	<u>-</u>	<u>118</u>
Net Cost of Services	17	<u>12,886</u>	<u>17,035</u>	<u>9,316</u>
Government Contributions				
Recurrent appropriation	22	16,267	16,267	14,504
Capital appropriation	22	14,181	11,686	6,415
Acceptance by the Crown Entity of employee benefits and other liabilities	5	<u>1,870</u>	<u>569</u>	<u>1,467</u>
Total Government Contributions		<u>32,318</u>	<u>28,522</u>	<u>22,386</u>
SURPLUS FOR THE YEAR FROM ORDINARY ACTIVITIES		<u>19,432</u>	<u>11,487</u>	<u>13,070</u>
NON-OWNER TRANSACTION CHANGES IN EQUITY				
Net increase(decrease) in asset revaluation reserve	14	<u>50</u>	<u>-</u>	<u>(77,104)</u>
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		<u>50</u>	<u>-</u>	<u>(77,104)</u>
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS	14	<u>19,482</u>	<u>11,487</u>	<u>(64,034)</u>

The 2002 published figures have been revised here to include the VisAsia figures.

The accompanying notes form part of these statements

ART GALLERY OF NEW SOUTH WALES TRUST

STATEMENT OF FINANCIAL POSITION

As at 30 June 2003

	Notes	Actual 2003 \$'000 Group	Budget 2003 \$'000 Group	Actual 2002 \$'000 Group
ASSETS				
Current Assets				
Cash	6	961	1,496	811
Receivables	7(a)	757	851	855
Inventories	8	1,327	1,379	1,379
Other Financial Assets	9	10,158	11,748	10,071
Other Assets	7(b)	286	521	521
Total Current Assets		<u>13,489</u>	<u>15,995</u>	<u>13,637</u>
Non-Current Assets				
Other financial assets	9	6,715	6,078	7,755
Property Plant and Equipment	10			
- Land and Buildings		120,447	113,097	107,603
- Plant and Equipment		3,070	9,969	3,721
- Collection Assets		595,959	588,094	588,094
Total Property, Plant and Equipment		<u>719,476</u>	<u>711,160</u>	<u>699,418</u>
Total Non-Current Assets		<u>726,191</u>	<u>717,238</u>	<u>707,173</u>
Total Assets		<u>739,680</u>	<u>733,233</u>	<u>720,810</u>
LIABILITIES				
Current Liabilities				
Payables	12	2,294	3,295	3,295
Provisions	13	1,105	716	716
Total Current Liabilities		<u>3,399</u>	<u>4,011</u>	<u>4,011</u>
Net Assets		<u>736,281</u>	<u>729,222</u>	<u>716,799</u>
EQUITY				
Reserves	14	139,939	139,889	139,889
Accumulated funds	14	596,342	589,333	576,910
Total Equity		<u>736,281</u>	<u>729,222</u>	<u>716,799</u>

The 2002 published figures have been revised here to include the VisAsia figures.

The accompanying notes form part of these statements

ART GALLERY OF NEW SOUTH WALES TRUST

STATEMENT OF CASH FLOWS

For the year ended 30 June 2003

	Notes	Actual 2003 \$'000 Group	Budget 2003 \$'000 Group	Actual 2002 \$'000 Group
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(12,024)	(11,591)	(11,358)
Other		(17,623)	(16,980)	(13,588)
Total Payments		<u>(29,647)</u>	<u>(28,571)</u>	<u>(24,946)</u>
Receipts				
Sale of goods and services		9,693	8,054	9,790
Interest received		1,118	703	962
Other		6,027	4,663	5,996
Total Receipts		<u>16,838</u>	<u>13,420</u>	<u>16,748</u>
Cash Flows from Government				
Recurrent appropriation		16,267	16,267	14,504
Capital appropriation		14,181	11,686	6,415
Cash reimbursements from the Crown Entity		667	569	561
Net Cash Flows from Government		<u>31,115</u>	<u>28,522</u>	<u>21,480</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	17	<u>18,306</u>	<u>13,371</u>	<u>13,282</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of Property, Plant and Equipment		212	-	170
Proceeds from sale of investments		1,250	1,677	-
Purchases of Property, Plant and Equipment		(19,031)	(12,686)	(9,603)
Purchases of investments		(500)	-	(7,978)
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(18,069)</u>	<u>(11,009)</u>	<u>(17,411)</u>
NET INCREASE/(DECREASE) IN CASH				
Opening cash and cash equivalents		10,882	10,882	15,011
CLOSING CASH AND CASH EQUIVALENTS	6	<u>11,119</u>	<u>13,244</u>	<u>10,882</u>

The accompanying notes form part of these statements

SUMMARY OF COMPLIANCE WITH FINANCIAL DIRECTIVES

	2003				2002			
	RECURRENT APPROPRIATION \$'000	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND \$'000	CAPITAL APPROPRIATION \$'000	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND \$'000	RECURRENT APPROPRIATION \$'000	EXPENDITURE \$'000	CAPITAL APPROPRIATION \$'000	EXPENDITURE \$'000
ORIGINAL BUDGET APPROPRIATION/ EXPENDITURE								
* Appropriation Act	16,267	16,267	11,686	11,686	14,482	14,482	7,173	5,473
* Additional Appropriations	-	-	-	-	-	-	-	-
* s21A PF&AA - special appropriations	-	-	-	-	-	-	-	-
* s24 PF&AA - transfers of functions between departments	-	-	-	-	-	-	-	-
* s26 PF&AA - Commonwealth specific purpose payments	-	-	-	-	-	-	-	-
	16,267	16,267	11,686	11,686	14,482	14,482	7,173	5,473
OTHER APPROPRIATIONS / EXPENDITURE								
* Treasurer's Advance	-	-	2,495	2,495	22	22	942	942
* Section 22 - expenditure for certain works and services	-	-	-	-	-	-	-	-
* Transfers to/from other agency (section 25 of the Appropriation Act)	-	-	-	-	-	-	-	-
	-	-	2,495	2,495	22	22	942	942
Total Appropriations [subtotal 2] Expenditure/Net Claim on Consolidated Fund [Total 1] (includes transfer payments)	16,267	16,267	14,181	14,181	14,504	14,504	8,115	6,415
Amount drawdown against appropriation [Total 3]		16,267		14,181		14,504		6,415
Liability to Consolidated Fund* [Total 4]		-		-		-		-

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) **Reporting Entity**

The Entity ("Group") comprises the Art Gallery of NSW Trust and all the activities under its control including the Gallery's commercial activities of exhibitions, merchandising, venue hire, and catering as well as its controlled entity, the Australian Institute of Asian Culture and Visual Arts (VisAsia).

Other entities associated with the Gallery but not controlled by the Gallery and hence not consolidated, include the Art Gallery of NSW Foundation and the Brett Whiteley Foundation.

In the process of preparing the consolidated financial statements for the economic entity consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

The Group is consolidated as part of the NSW Total State Sector.

(b) **Basis of Accounting**

The agency's financial statements are a general purpose financial report, which has been prepared on an accruals 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 pronouncements of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS 6 "Accounting Policies" is considered.

Except for certain investments, Land and Buildings and the majority of Collection assets, which are recorded at valuation, 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) **Changes to Accounting Policy**

The changes to Accounting Policy include the consolidation of the VisAsia entity (refer Note 1(a) above) and the inclusion of Bequests and Special Funds as part of Operating expenses and revenue (note 14b), previously shown as a separate item. The Financial Statements and accompanying Notes reflect these changes and the figures for 2002 now vary from those shown in the published statements last year.

The financial impacts of these changes on revenues, expenses, assets and liabilities are shown in the accompanying Notes at Bequests and Special Funds (Note 14b) and The Australian Institute of Asian Culture and Visual Arts (Note 15).

(d) **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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

- (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.

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

(e) **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 vesting sick leave are recognised and measured in respect of employees' services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled. This year certain 'on costs' on long services leave have been accrued as a result of a change in method of calculation of the liability as shown at Item (iii) below.

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

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

- (ii) **Accrued salaries and wages-reclassification**
As a result of the adoption of Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets", accrued salaries and wages and on-costs has been reclassified to "payables" instead of "provisions" in the Statement of Financial Position and the related note disclosures, for the current and comparative period. On the face of the Statement of Financial Position and in the notes, reference is now made to "provisions" in place of "employee entitlements and other provisions". Total employee benefits (including accrued salaries and wages) are reconciled in Note 13 "Provisions".

- (iii) **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 Benefits and other Liabilities".

Long service leave is measured on the present value method. The present value method (which was introduced in the current financial year and was changed from the short-hand method) requires that long service liabilities that are expected to be settled more than 12 months after reporting date, must be measured at the present value of the estimated future cash out flows. This method also takes into account future increases in remuneration rates.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

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

(f) **Insurance**

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

(g) **Accounting for the Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where:

- the amount of GST incurred by the agency as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- receivables and payables are stated with the amount of GST included.

(h) **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.

Gifts of artworks or works acquired at nominal consideration are attributed a fair value at the date of acquisition and brought to account as assets and revenues for the period.

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.

(i) **Plant and Equipment**

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

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

Physical non-current assets are valued in accordance with the "Guidelines for the Valuation of Physical Non-Current Assets at Fair Value" (TPP03-02). This policy adopts fair value in accordance with AASB 1041 from financial years beginning on or after 1 July 2002. There is no substantive difference between the fair value valuation methodology and the previous valuation methodology adopted in the NSW public sector.

Where available, fair value is determined having regard to the highest and best use of the asset on the basis of current market selling prices for the same or similar assets. Where market-selling price is not available, the asset's fair value is measured as its market buying price i.e. the replacement cost of the asset's remaining future economic benefits. The Art Gallery of New South Wales is a not for profit entity with some cash generating operations.

Each class of physical non-current assets is revalued every five years and 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. The last revaluation for each class of asset was based on an independent assessment as detailed in Note 10.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

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 then increased or decreased by the revaluation increments or decrements.

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.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

(k) **Assets Not Able to be Reliably Measured**

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

(l) **Depreciation of Non-Current Physical Assets**

Except for a limited number of heritage assets 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.

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.

Land is not a depreciable asset. Certain heritage assets have an extremely long useful life, including original art works and collections and heritage buildings. Depreciation for those items cannot be reliably measured because the useful life and the net amount to be recovered at the end of the useful life cannot be reliably measured. In these cases, depreciation is not recognised. The decision not to recognise depreciation for these assets is reviewed annually.

Those items comprising the integral internal structure of the building i.e. escalators, lifts and air conditioning etc are depreciated based on the remaining useful life as determined by the valuer.

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 2003

- (m) **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.
- (n) **Leased Assets**
The Gallery does not have any assets subject to finance leases. Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred.
- (o) **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.
- (p) **Inventories**
Inventories are stated at the lower of cost and net realisable value. The cost is calculated using the "weighted average" cost method.
- (q) **Other Financial Assets**
"Other financial assets" are generally recognised at cost, with the exception of TCorp Hour-Glass Facilities, Listed Interest Rate Securities and Managed Fund Investments, which are measured at market value.

For non-current "other financial assets" revaluation increments and decrements are recognised in the same manner as physical non-current assets. (see note 1(j)).

For current "other financial assets" revaluation increments and decrements are recognised in the Statement of Financial Performance.

The Board of Trustees are currently in the process of redeeming these investments in line with recent changes to the Public Authorities (Financial Arrangements) Act 1987.
- (r) **Bequests and Special Funds**
This note is considered to cover conditions of contributions and restricted assets.

The agency receives monies and gifts in specie in a trustee capacity for various trusts as set out in note 14(b). The aggregate of contributions received for the year has been stated 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.
- (s) **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.
- (t) **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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

- (u) **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 note 18. These include:
- (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) Advertising, freight, accommodation, travel and related expenses provided through sponsorships.
 - (iii) Maintenance (Dept of Public Works) undertaken on the Gallery's sandstone building.
- (v) **Other Assets**
Other assets including prepayments are recognised on a cost basis.
- (w) **Payables**
These amounts represent liabilities for goods and services provided to the Gallery and other amounts, including interest. Interest is accrued over the period it becomes due.
- (x) **Budgeted Amounts**
The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year and with any adjustments for the effects of 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).
- (y) **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.

ART GALLERY OF NEW SOUTH WALES TRUST

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

	2003	2002
	\$'000	\$'000
	Group	Group
2 EXPENSES		
(a) Employee related expenses		
Salaries and wages (including Recreation Leave)	10,749	9,699
Superannuation	1,157	1,273
Long Service Leave	651	362
Workers' Compensation Insurance	198	201
Payroll tax and fringe benefit tax	861	705
Value of volunteer services (refer also Note 3c)	1,357	1,073
Other	-	23
	<u>14,973</u>	<u>13,336</u>
(b) Other operating expenses		
Auditor's remuneration		
-audit or review of the financial reports	40	35
Cost of sales	1,726	2,085
Travel and Accommodation	695	556
Operating lease rental expense		
- minimum lease payments	125	119
Insurance	2,054	832
Consumables	609	668
Exhibition fees and related costs	516	698
Fees- General professional	515	729
Freight, packing and storage	1,054	746
Marketing and promotion	967	1,097
Printing/Graphics	153	235
Property Expenses	1,230	1,143
Other	2,683	2,820
	<u>12,367</u>	<u>11,763</u>
(c) Maintenance		
Routine maintenance	753	711
Maintenance undertaken free of charge (Refer Note 3c)	10	250
	<u>763</u>	<u>961</u>
(d) Depreciation and Amortisation expense		
Buildings	908	-
Plant and Equipment	1,173	934
	<u>2,081</u>	<u>934</u>
(e) Other Expenses		
Decrement on Non Current Assets:		
Other Financial Assets - Managed Funds	340	223
Buildings	-	736
	<u>340</u>	<u>959</u>

ART GALLERY OF NEW SOUTH WALES TRUST

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

	2003	2002
	\$'000	\$'000
	Group	Group
3 REVENUES		
(a) Sales of goods and services		
Sale of goods		
Merchandise, Book and Publication Sales	<u>3,642</u>	<u>4,001</u>
Rendering of Services		
Admission fees	2,551	2,571
Venue hire and catering	616	642
Other	<u>614</u>	<u>740</u>
	3,781	3,953
Total Revenue	<u><u>7,423</u></u>	<u><u>7,954</u></u>
(b) Investment Income		
Dividends & Distributions	524	360
Interest	<u>594</u>	<u>603</u>
	<u>1,118</u>	<u>963</u>
(c) Grants and contributions		
Sponsorship - cash	869	639
Sponsorship - in kind	406	608
Donations Works of Art	3,154	2,823
Donations - cash	2,973	3,868
Grants - Other	156	276
Value of Voluntary Services-Note 2(a)	1,357	1,073
Services provided at no charge-Note 2(c)	<u>10</u>	<u>250</u>
	<u>8,925</u>	<u>9,537</u>
(d) Other revenue		
Workers compensation recovery	<u>6</u>	<u>65</u>
	<u>6</u>	<u>65</u>
4 GAIN ON DISPOSAL OF NON-CURRENT ASSETS		
<u>Property, Plant and Equipment:</u>		
Proceeds from Disposal	212	167
Written down value of assets disposed	(46)	(49)
GAIN ON DISPOSAL OF NON CURRENT ASSETS	<u><u>166</u></u>	<u><u>118</u></u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

5 ACCEPTANCE BY THE CROWN ENTITY OF EMPLOYEE BENEFITS AND OTHER LIABILITIES

The following liabilities and/or expenses have been assumed by the Crown Entity or other government agencies

	2003	2002
	\$'000	\$'000
	Group	Group
Superannuation	1,150	1,040
Long service leave	651	362
Payroll Tax (on Superannuation)	69	65
	<u>1,870</u>	<u>1,467</u>

6 CURRENT ASSETS - CASH

Cash at bank and on hand	<u>961</u>	<u>811</u>
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For the purpose of the Statement of Cash Flows, cash includes cash on hand, cash at bank and term deposits.

Cash assets recognised in the Statement of Financial Position are reconciled to the cash at end of the financial year as shown in the Statement of Cash Flows as follows:

Cash	961	811
Current - Other Financial Assets	<u>10,158</u>	<u>10,071</u>
Cash and Cash Equivalents	<u>11,119</u>	<u>10,882</u>

7 CURRENT ASSETS

(a) RECEIVABLES		
Sale of goods and services	250	232
Accrued Income	358	348
Other debtors	<u>162</u>	<u>290</u>
Total	770	870

Less: Provision for doubtful debts	<u>13</u>	<u>15</u>
Total Receivables	<u>757</u>	<u>855</u>

(b) OTHER ASSETS		
Prepayments	<u>286</u>	<u>521</u>

8 CURRENT ASSETS- INVENTORIES

Stock on hand-at cost	<u>1,327</u>	<u>1,379</u>
	<u>1,327</u>	<u>1,379</u>

9 CURRENT/NON-CURRENT ASSETS- OTHER FINANCIAL ASSETS**Current**

Bills of Exchange	-	2,996
Negotiable Certificates of Deposit	1,822	1,000
Term Deposits	<u>8,336</u>	<u>6,075</u>
	<u>10,158</u>	<u>10,071</u>

Non-Current

TCorp-Hour-Glass investment facilities	1,248	1,374
Listed Shares	3,529	2,980
Managed Funds	<u>1,938</u>	<u>3,401</u>
	<u>6,715</u>	<u>7,755</u>
	<u>16,873</u>	<u>17,826</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

10 NON CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	2003 \$'000 Group	2002 \$'000 Group
Land and Buildings		
At Fair Value	135,682	121,930
Less Accumulated Depreciation	<u>15,235</u>	<u>14,327</u>
	<u>120,447</u>	<u>107,603</u>
Plant and Equipment		
At Fair Value	10,407	9,910
Less Accumulated Depreciation	<u>7,337</u>	<u>6,189</u>
	<u>3,070</u>	<u>3,721</u>
Collection Assets		
At Fair Value	<u>595,959</u>	<u>588,094</u>
	<u>595,959</u>	<u>588,094</u>
Total Property, Plant and Equipment At Net Book Value	<u>719,476</u>	<u>699,418</u>

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:

2002-03	Land and Buildings	Plant and Equipment	Collection Assets	Total
Carrying amount at start of year	107,603	3,721	588,094	699,418
Additions	13,752	568	7,865	22,185
Disposals	-	(72)	-	(72)
Depreciation Expense	(908)	(1,173)	-	(2,081)
Depreciation written back on disposal of assets	-	26	-	26
Carrying amount at end of year	<u>120,447</u>	<u>3,070</u>	<u>595,959</u>	<u>719,476</u>

Land was valued 30 June 2000 by the Department of Public Works and Services at fair value.

The building was revalued as at 30 June 2002 at fair value by Mr Martin Lomas, Senior Quantity Surveyor Department of Public Works and Services.

Collection Works were valued as at 31 March 2002 by Simon Storey MAVA, at fair value.

Library Collection was valued at 30 June 2001 by Mr Simon Taaffe, accredited valuer for the Taxation Incentives for the Arts Scheme (TIAS) for Australian Books, including artists books, manuscripts etc after 1900 at fair value.

11 RESTRICTED ASSETS

Included in the cash and other financial assets are restricted use assets (refer also note 14a)

Current Assets	7,241	4,854
Non-current Assets	<u>6,715</u>	<u>7,755</u>
	<u>13,956</u>	<u>12,609</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.

ART GALLERY OF NEW SOUTH WALES TRUST

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

	2003	2002
	\$'000	\$'000
	Group	Group
12 CURRENT LIABILITIES - PAYABLES		
Accrued salaries, wages and on-costs	379	279
Trade Creditors	1,915	3,014
Capital Creditors	-	2
	<u>2,294</u>	<u>3,295</u>

13 CURRENT LIABILITIES - PROVISIONS		
Employee benefits and related on-costs		
Recreation leave	876	716
Long Service Leave On-costs	229	-
	<u>1,105</u>	<u>716</u>

The Provisions 2003 includes a once-off adjustment to on-costs on long service leave liability of \$229,000.

Aggregate Employee Benefits and related on costs

Provisions-current	1,105	716
Accrued salaries, wages and on-costs	379	279
	<u>1,484</u>	<u>995</u>

14 CHANGES IN EQUITY	General Fund	Bequests & Special Funds	Accumulated Funds Total	Asset Revaluation Reserve	Total Equity
(a)					
Balance as at 1 July 2001	552,883	10,957	563,840	216,993	780,833
<u>Changes in Equity - Other than transactions with owners as owners</u>					
Surplus for the year	6,064	7,006	13,070	-	13,070
Decrement on Land & Buildings	-	-	-	(73,294)	(73,294)
Revaluation Collection Assets	-	-	-	(3,810)	(3,810)
Total	<u>6,064</u>	<u>7,006</u>	<u>13,070</u>	<u>(77,104)</u>	<u>(64,034)</u>
<u>Transfers within Equity</u>					
Art Acquisitions	3,699	(3,699)	-	-	-
Other Capital Expenditure	1,655	(1,655)	-	-	-
Total	<u>5,354</u>	<u>(5,354)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance as at 30 June 2002	564,301	12,609	576,910	139,889	716,799
<u>Changes in Equity - Other than transactions with owners as owners</u>					
Surplus for the year	13,549	5,883	19,432	-	19,432
Increment on Other Financial Assets	-	-	-	50	50
Total	<u>13,549</u>	<u>5,883</u>	<u>19,432</u>	<u>50</u>	<u>19,482</u>
<u>Transfers within Equity</u>					
Increment on Other Financial Assets	(50)	50	-	-	-
Art Acquisitions	4,445	(4,445)	-	-	-
Other Capital Expenditure	141	(141)	-	-	-
Total	<u>4,536</u>	<u>(4,536)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance as at 30 June 2003	582,386	13,956	596,342	139,939	736,281

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

14 CHANGES IN EQUITY

	2003 \$'000	2002 \$'000
	Group	Group
(b) Bequests and Special Purpose Funds		
Revenue		
Sale of Goods and Services	31	13
Investment Income	843	727
Grants and Contributions	5,805	6,852
Proceeds Sale of Plant and Equipment	159	83
	<u>6,838</u>	<u>7,675</u>
Expenditure		
Employee Related	186	125
Decrement on Other Financial Assets	340	223
Other	429	321
	<u>955</u>	<u>669</u>
Surplus for the year	<u>5,883</u>	<u>7,006</u>

15 CONTROLLED ENTITIES

The Australian Institute of Asian Culture and Visual Arts Ltd (VisAsia)

The principal activities of the Australian Institute of Asian Culture and Visual Arts is the promotion of an understanding and appreciation of Asian Culture through the arts. As a controlled entity of the Art Gallery of New South Wales Trust, the operating result, assets and liabilities have been incorporated into the Trust's financial report.

	2003 \$'000	2002 \$'000
	VisAsia	VisAsia
Statement of Financial Performance		
Revenue		
Sale of Goods and Services	28	18
Investment Income	11	3
Grants and Contributions	223	272
	<u>262</u>	<u>293</u>
Expenditure		
Employee Related	1	5
Other	67	181
	<u>68</u>	<u>186</u>
SURPLUS FOR THE YEAR	<u>194</u>	<u>107</u>
Statement of Financial Position		
Cash	12	150
Other Financial Assets	330	-
Receivables	4	1
Payables	(2)	(1)
Net Assets	<u>344</u>	<u>150</u>
Accumulated Funds	344	150
Total Equity	<u>344</u>	<u>150</u>

These amounts have been included within the financial report of the Trust under appropriate classifications.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

16 BUDGET REVIEW

The Budget figures reflect Trust only figures as tabled with the government. They therefore do not include VisAsia, which has had only a minor impact.

Net Cost of Services

The actual net cost of services is lower than budget by \$4.1m, primarily due to an increase in revenue from Grants & Contributions (Bequests & Special Funds).

Assets and Liabilities

Net Assets is \$7.1m higher than budget due largely to the higher than budgeted expenditure on major works.

Cash Flows**(a) Operating**

Operating cash outflows were higher than budget by \$4.9m due largely additional capital funding provided by the government during the year.

(b) Investing

Investing cash flows were higher than budget by \$7.1m reflecting the additional capital works as approved.

17 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET COST OF SERVICES

	2003 \$'000 Group	2002 \$'000 Group
Net Cash from Operating activities	(18,306)	(13,282)
Net (Gain)/Loss sale of non-current assets	(166)	(118)
Depreciation	2,081	934
Decrement - Other Financial Assets	340	223
Decrement-Revaluation of Land and Buildings	-	736
Gifts of Works of art	(3,154)	(2,823)
Recurrent appropriation	16,267	14,504
Capital appropriation	14,181	6,415
Acceptance by Crown Entity of employees benefits and other liabilities	1,870	1,467
Increase/(decrease) in creditors	(1,001)	1,041
(Increase)/decrease in receivables	98	147
(Increase)/decrease in inventories	52	198
Increase/(decrease) in provisions	389	(126)
(Increase)/decrease in Other Assets	235	-
Net cost of services	12,886	9,316

18 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	3,154	2,823
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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	1,357	1,073
Advertising, freight, accommodation, travel and similar expenses	406	608
Maintenance (Dept of Public Works)	10	250

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

19 FINANCIAL INSTRUMENTS**Cash**

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

Other Financial Assets

	2003	2002
	\$'000	\$'000
	Group	Group
	Net Fair	Net Fair
	Value	Value
Listed Preference Shares	2,447	1,948
Listed Convertible Notes	1,083	1,032
	<u>3,530</u>	<u>2,980</u>

The Preference Shares and Convertible Notes as shown above are 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 8.3% (2002 3.2%). Net fair value is determined as the last sale price quoted on the Australian Stock Exchange 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 a appropriate investment guidelines.

	2003	2002
	\$'000	\$'000
	Group	Group
	Net Fair	Net Fair
	Value	Value
TCorp-Medium Term Growth Facility Trust	1,248	1,374
Other Private Sector Managed Funds	1,937	3,401
	<u>3,185</u>	<u>4,775</u>

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 fund and is stated at net fair value. The returns for the period ranged from -10.5% to +12.5% (2002 -2.5% to 10.5%), with an overall average of -4.3% on Other Private Sector Managed Funds and 4.8% on TCorp.

Other Securities

The Gallery has placed funds in 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.

	2003	2002
	\$'000	\$'000
	Group	Group
	Carrying	Carrying
	Amount	Amount
At call	-	1,263
Less than one year	9,828	8,808
	<u>9,828</u>	<u>10,071</u>

The securities at balance date were earning an average interest rate of 4.9% (2002 5.5%) and over the year the weighted average interest rate was 5.1% (2002 5.5%) on a weighted average balance of \$10,774,202 (2002 \$11,055,040)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

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 2003 and 2002.

20 COMMITMENTS FOR EXPENDITURE

(a) Capital Commitments

The 2003 capital commitments represent residual payment on the Building Program which is now effectively completed.

	2003 \$'000	2002 \$'000
	Group	Group
Not Later than one year	112	10,800
Total (including GST)	<u>112</u>	<u>10,800</u>

The payments relating to the building program include input tax credits of \$10,200 (2002 \$982,000) that are expected to be recovered from the Australian Taxation Office.

(b) Other Expenditure Commitments

There are no other expenditure commitments outstanding as at 30 June 2003, other than those noted above at Note 20(a).

(c) Operating Lease Commitments

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

Not Later than one year	51	98
Later than one year and not later than 5 years	-	49
Total (including GST)	<u>51</u>	<u>147</u>

The total "Operating Lease Commitments" above include input tax credits of \$4,600 (2002 \$13,000) that are expected to be recovered from the Australian Taxation Office. There were no other contingents assets as at 30 June 2003.

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.

21 CONTINGENT ASSETS & LIABILITIES

Contingent Assets/Liabilities

The Treasury Managed Fund have advised that the 1999/2000 hindsight adjustment is currently under review and will not be available till next year. The value of the potential surplus(deficit) is unknown but is expected to be immaterial based on past reviews.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

22 APPROPRIATIONS	2003 \$'000 Group	2002 \$'000 Group
Recurrent appropriations		
Total recurrent drawdowns from Treasury (per summary of compliance)	<u>16,267</u>	<u>14,504</u>
Comprising:		
Recurrent appropriations (per Statement of Financial Performance)	<u>16,267</u>	<u>14,504</u>
Capital appropriations		
Total capital drawdowns from Treasury (per summary of compliance)	<u>14,181</u>	<u>6,415</u>
Comprising:		
Capital appropriations (per Statement of Financial Performance)	<u>14,181</u>	<u>6,415</u>

End of audited financial statements