

# Independent Auditor's Report



Australian National Audit Office  
PO Box A456  
Sydney South NSW 1235  
130 Elizabeth Street  
SYDNEY NSW

Phone (02) 9367 7100  
Fax (02) 9367 7102

## To the Minister for the Environment and Water Resources

### Scope

We have audited the accompanying financial statements of the Sydney Harbour Federation Trust for the year ended 30 June 2007. The financial statements comprise: a statement by Directors, Chief Executive and Director Corporate Services; income statement; balance sheet; statement of changes in equity; statement of cash flows; schedules of commitments and contingencies; a summary of significant accounting policies, and other explanatory notes.

### The Responsibility of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* and Australian Accounting Standards (including Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on our audit. Our audit has been conducted in accordance with Australian National Audit Office Auditing Standards, which incorporate Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

#### **Independence**

In conducting the audit, we have followed the independence requirements of the Australian National Audit Office, which incorporate the ethical requirements of the Australian accounting profession.

#### **Auditor's Opinion**

In my opinion, the financial statements of the Sydney Harbour Federation Trust;

- (a) have been prepared in accordance with Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* and Australian Accounting Standards (including Australian Accounting Interpretations); and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Sydney Harbour Federation Trust's financial position as at 30 June 2007 and of its financial performance and its cash flows for the year then ended.

Australian National Audit Office



P Hinchey  
Senior Director Delegate of the Auditor-General

Sydney 18 September 2007

# Financial Statements

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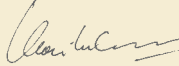
### Statement by Directors, Chief Executive and Director Corporate Services

In our opinion, the attached financial statements for the year ended 30 June 2007 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This Statement is made in accordance with a resolution of the directors.

Signed



**Kevin McCann**  
Chairperson  
18 September 2007

Signed



**Peter Lowry**  
Director  
18 September 2007

Signed



**Nick Hollo**  
Acting Executive Director  
18 September 2007

Signed



**Andrew Free**  
Acting Director Corporate Services  
18 September 2007

# Income Statement

for the year ended 30 June 2007

	Notes	2007 \$'000	2006 \$'000
<b>INCOME</b>			
<i>Revenue</i>			
Revenues from Government	3A	<b>1,619</b>	3,151
Sale of goods and rendering of services	3B	<b>206</b>	209
Interest	3C	<b>2,932</b>	1,469
Rental income	3D	<b>3,241</b>	2,420
Other	3E	<b>1,000</b>	1,286
<b>Total Revenue</b>		<b>8,998</b>	8,535
<i>Gains</i>			
Net gains from sale of property	3F	-	5,919
<b>Total Gains</b>		-	5,919
<b>TOTAL INCOME</b>		<b>8,998</b>	14,454
<b>EXPENSES</b>			
Employee benefits	4A	<b>4,555</b>	4,149
Suppliers	4B	<b>6,938</b>	7,296
Depreciation	4C	<b>268</b>	264
Write-down of assets	4D	<b>16</b>	-
<b>Total expenses</b>		<b>11,777</b>	11,709
<b>Surplus (Deficit) attributable to the Australian Government</b>		<b>(2,779)</b>	2,745

The above statement should be read in conjunction with the accompanying notes.

# Balance Sheet

as at 30 June 2007

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	Notes	2007 \$'000	2006 \$'000
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash and cash equivalents	5A	49,184	34,413
Trade and other receivables	5B	1,654	15,068
<b>Total Financial assets</b>		<b>50,838</b>	<b>49,481</b>
<b>Non-financial assets</b>			
Land and buildings	6A,D	112,226	50,831
Infrastructure, plant & equipment	6B,D	1,156	1,237
Heritage and collections	6C,D	43,186	22,849
Intangibles	6D,E	15	18
Inventories	6F	56	38
Other non-financial assets	6G	175	189
<b>Total Non-Financial assets</b>		<b>156,814</b>	<b>75,162</b>
<b>Total Assets</b>		<b>207,652</b>	<b>124,643</b>
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	7A	2,156	1,247
Other payables	7B	2,871	2,194
<b>Total payables</b>		<b>5,027</b>	<b>3,441</b>
<b>Provisions</b>			
Employees	8A	784	785
<b>Total provisions</b>		<b>784</b>	<b>785</b>
<b>Total liabilities</b>		<b>5,811</b>	<b>4,226</b>
<b>NET ASSETS</b>		<b>201,841</b>	<b>120,417</b>
<b>EQUITY</b>			
Contributed equity		186,820	109,485
Reserves		6,868	-
Retained surpluses		8,153	10,932
<b>Total equity</b>		<b>201,841</b>	<b>120,417</b>
<b>Current assets</b>		<b>50,841</b>	<b>49,486</b>
<b>Non-current assets</b>		<b>156,811</b>	<b>75,157</b>
<b>Current liabilities</b>		<b>3,736</b>	<b>3,889</b>
<b>Non-current liabilities</b>		<b>2,075</b>	<b>337</b>

The above statement should be read in conjunction with the accompanying notes.

# Cash Flow Statement

for the year ended 30 June 2007

	Notes	2007 \$'000	2006 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Goods and Services		14,318	3,224
Appropriations		1,619	3,151
Rents		3,277	2,420
Interest		2,824	1,469
GST received from ATO		1,705	1,082
Other		1,100	1,110
<b>Total cash received</b>		<b>24,843</b>	<b>12,456</b>
<b>Cash used</b>			
Employees		(4,978)	(4,426)
Suppliers		(7,393)	(7,901)
<b>Total cash used</b>		<b>(12,371)</b>	<b>(12,327)</b>
<b>Net cash from operating activities</b>	9	<b>12,472</b>	<b>129</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash used</b>			
Purchase of property, plant and equipment		(18,701)	(10,163)
<b>Total cash used</b>		<b>(18,701)</b>	<b>(10,163)</b>
<b>Net cash used by investing activities</b>		<b>(18,701)</b>	<b>(10,163)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations - Contributed equity		21,000	20,500
<b>Total cash received</b>		<b>21,000</b>	<b>20,500</b>
<b>Net cash from financing activities</b>		<b>21,000</b>	<b>20,500</b>
<b>Net increase in cash held</b>		<b>14,771</b>	<b>10,466</b>
Cash at the beginning of the reporting period		34,413	23,947
<b>Cash at the end of the reporting period</b>	5A	<b>49,184</b>	<b>34,413</b>

The above statement should be read in conjunction with the accompanying notes.

# Statement of Changes in Equity

for the year ended 30 June 2007

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	Accumulated Results		Asset Revaluation Reserve		Contributed Equity		Total Equity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Opening Balance</b>	<b>10,932</b>	7,612	-	-	<b>109,485</b>	88,985	<b>120,417</b>	96,597
Adjustment for errors							-	-
Adjustment for changes in Accounting policies							-	-
<b>Opening Balance</b>	<b>10,932</b>	7,612	-	-	<b>109,485</b>	88,985	<b>120,417</b>	96,597
<b>Income and Expense</b>								
Reclassification of assets	-	575	-	-	-	-	-	575
<b>Subtotal income and expenses recognised directly in equity</b>	-	575	-	-	-	-	-	575
Surplus (Deficit) for the period	<b>(2,779)</b>	2,745	-	-	-	-	<b>(2,779)</b>	2,745
<b>Total income and expense</b>	<b>(2,779)</b>	3,320	-	-	-	-	<b>(2,779)</b>	3,320
Asset revaluations	-	-	<b>6,868</b>	-	-	-	<b>6,868</b>	-
Contributions by owner:								
Appropriation (equity injection)	-	-	-	-	<b>21,000</b>	20,500	<b>21,000</b>	20,500
Other (assets transferred in):								
Land and buildings	-	-	-	-	<b>49,664</b>	-	<b>49,664</b>	-
Heritage & collections	-	-	-	-	<b>6,671</b>	-	<b>6,671</b>	-
<b>Sub-total Transactions with Owners</b>	-	-	<b>6,868</b>	-	<b>77,335</b>	20,500	<b>84,203</b>	20,500
<b>Closing balance at 30 June</b>	<b>8,153</b>	10,932	<b>6,868</b>	-	<b>186,820</b>	109,485	<b>201,841</b>	120,417

The above statement should be read in conjunction with the accompanying notes.

# Schedule of Commitments

as at 30 June 2007

Notes	<b>2007</b> \$'000	2006 \$'000
<b>BY TYPE</b>		
<b>Capital commitments</b>		
Buildings <sup>1</sup>	12,141	572
<b>Total capital commitments</b>	<b>12,141</b>	572
<b>Other Commitments</b>		
Operating leases <sup>2</sup>	36	54
Project commitments <sup>3</sup>	2,592	581
Other commitments <sup>4</sup>	3,463	2,533
<b>Total other commitments</b>	<b>6,091</b>	3,168
<b>Commitments receivable<sup>5</sup></b>	<b>(6,644)</b>	(5,708)
<b>Net commitments by Type</b>	<b>11,588</b>	(1,968)
<b>BY MATURITY</b>		
<b>Capital Commitments</b>		
One year or less	12,141	572
<b>Total Capital Commitments</b>	<b>12,141</b>	572
<b>Operating Lease Commitments</b>		
One year or less	32	34
From one to five years	4	20
<b>Total Operating Lease Commitments</b>	<b>36</b>	54
<b>Other Commitments</b>		
One year or less	5,725	2,708
From one to five years	330	406
<b>Total Other Commitments</b>	<b>6,055</b>	3,114
<b>Commitments receivable<sup>5</sup></b>	<b>(6,644)</b>	(5,708)
<b>Net commitments by Maturity</b>	<b>11,588</b>	(1,968)

NB: Commitments are GST inclusive where relevant.

<sup>1</sup> Outstanding contractual payments for remediation of buildings.

<sup>2</sup> Operating leases included are effectively non-cancellable and comprise:

<i>Nature of lease</i>	<i>General description of leasing arrangement</i>
motor vehicles	<ul style="list-style-type: none"> <li>• no contingent rentals exist;</li> <li>• there are no renewal or purchase options available to the Trust.</li> </ul>

<sup>3</sup> Project commitments comprise contracts for rehabilitation and conservation works at Trust sites.

<sup>4</sup> Other commitments are amounts payable under supply contracts.

<sup>5</sup> Commitments receivable consists of tenant lease payments due from the leasing of Trust buildings, plus GST receivable.

The above statement should be read in conjunction with the accompanying notes.

## Schedule of Contingencies as at 30 June 2007

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There were no contingencies required to be disclosed for the year ended 30 June 2007 (2005/06 - Nil).

Details of contingent liabilities not disclosed because they cannot be quantified or are considered remote, are shown in Note 10: Contingent Liabilities and Assets.

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2007

<b>Note</b>	<b>Description</b>
Note 1:	Summary of Significant Accounting Policies
Note 2:	Events after the Balance Sheet Date
Note 3:	Income
Note 4:	Operating Expenses
Note 5:	Financial Assets
Note 6:	Non-financial Assets
Note 7:	Payables
Note 8:	Provisions
Note 9:	Cash Flow Reconciliation
Note 10:	Contingent Liabilities and Assets
Note 11:	Director Remuneration
Note 12:	Executive Remuneration
Note 13:	Remuneration of Auditors
Note 14:	Average Staffing Levels
Note 15:	Financial Instruments
Note 16:	Appropriations
Note 17:	Reporting of Outcomes

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2007

## Note 1: Summary of Significant Accounting Policies

### 1.1 Basis of Preparation of the Financial Statements

The financial statements are required by clause 1(b) of Schedule 1 to the *Commonwealth Authorities and Companies Act 1997* and are a general purpose financial report.

The continued existence of the Sydney Harbour Federation Trust (the Trust) in its present form and with its present programs is dependent on Government policy and on continuing appropriations by Parliament for the Trust's administration and programs.

The statements have been prepared in accordance with:

- Finance Minister's Orders (or FMOs, being the *Commonwealth Authorities and Companies Orders (Financial Statements for reporting periods ending on or after 1 July 2006)*);
- Australian Accounting Standards issued by the Australian Accounting Standards Board that apply for the reporting period; and
- Interpretations issued by the AASB and UIG that apply for the reporting period.

The Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets and liabilities, which as noted, are at fair value. Except where stated, no allowance is made for the effect of changing prices on the result or the financial position.

The financial report is presented in Australian dollars and values are rounded to the nearest thousand dollars unless disclosure of the full amount is specifically required.

Unless alternative treatment is specifically required by an accounting standard, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard. Liabilities and assets that are unrealised are reported in the Schedule of Commitments and the Schedule of Contingencies

other than unquantifiable or remote contingencies, which are reported at Note 10.

Unless alternative treatment is specifically required by an accounting standard, revenues and expenses are recognised in the Income Statement when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

### 1.2 Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, there are no significant impacts on the amounts recorded in the financial statements.

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

### 1.3 Statement of Compliance

Australian Accounting Standards require a statement of compliance with International Financial Reporting Standards (IFRSs) to be made where the financial report complies with these standards. Some Australian equivalents to IFRSs and other Australian Accounting Standards contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements.

The Trust is a not-for-profit entity and has applied these requirements, so while this financial report complies with Australian Accounting Standards including Australian Equivalents to International Financial Reporting Standards (AEIFRSs) it cannot make this statement.

The AASB has issued amendments to existing standards, which are not effective at the reporting date. The Trust intends to adopt all standards upon their application date. As at the reporting date, there is no expected affect from application of these standards.

### 1.4 Revenue

Revenue from the sale of goods is recognised when:

- The risks and rewards of ownership have been transferred to the buyer;
- The seller retains no managerial involvement nor effective control over the goods;

- The revenue and transaction costs incurred can be reliably measured; and
- It is probable that the economic benefits associated with the transaction will flow to the entity.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- The amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- The probable economic benefits with the transaction will flow to the entity.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any allowance for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collectability of the debt is no longer probable.

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

#### *Revenues from Government*

Amounts appropriated for outputs appropriations for the year (adjusted for any formal additions and reductions) are recognised as revenue.

Appropriations receivable are recognised at their nominal amounts.

#### **1.5 Transactions with the Government as Owner**

##### *Equity injections*

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) are recognised directly in Contributed Equity in that year.

##### *Restructuring of Administrative Arrangements*

Net assets received from or relinquished to another Commonwealth agency or authority under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

#### **1.6 Employee Benefits**

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for 'short-term employee benefits' (as defined in AASB 119) and termination benefits due within twelve months of balance date are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

##### *Leave*

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Trust is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration, including the Trust's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

##### *Separation and Redundancy*

Provision is made for separation and redundancy benefit payments. The Trust recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

##### *Superannuation*

Certain employees of the Trust are members of the Commonwealth Superannuation Scheme (CSS) or the Public Sector Superannuation Scheme (PSS). The CSS and PSS are defined benefit schemes for the Australian Government.

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2007

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course.

The Trust makes employer contributions to the Employer Superannuation Scheme at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of the Trust's employees.

Employer superannuation contributions for employees who are not members of the CSS or PSS are expensed in the financial statements. There is no residual liability in respect of these contributions. The Trust accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

## 1.7 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased non-current assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

The Trust has no finance leases, and operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

## 1.8 Cash

Cash means notes and coins held and any deposits held at call with a bank or financial institution. Cash is recognised at its nominal amount.

## 1.9 Financial Risk Management

The Trust's activities expose it to normal commercial financial risk. As a result of the nature of the Trust's business and internal and Australian Government policies, dealing with the management of financial risk, the Trust's exposure to market, credit, liquidity and cash flow and interest rate risk is considered to be low.

## 1.10 Impairment of Financial Assets

The Trust's financial assets consist of cash and cash equivalents, and receivables, and are held at their fair value. Financial assets are assessed for impairment at each balance date. Provisions are made where indications of impairment exist.

### *Comparative Year*

The above policies are consistent with the comparative year. For receivables, amounts were recognised and carried at original invoice amount less a provision for doubtful debts based on an analysis of receivables at year end.

## 1.11 Supplier and other payables

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

## 1.12 Contingent Liabilities and Contingent Assets

Contingent Liabilities and Contingent Assets are not recognised in the Balance Sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an existing liability or asset in respect of which settlement is not probable or the amount cannot be reliably measured. Remote contingencies are part of this disclosure. Contingent assets are reported when settlement is probable, and contingent liabilities are recognised when settlement is greater than remote.

## 1.13 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Trust land sites that vest in the Trust are contributions by owners and are initially recognised at their fair value at the date of vesting, except for sites in Schedule 2 to the Sydney Harbour Federation Trust Act 2001, which were classed as inventory and recognised at the costs they were carried at in the transferor entity's accounts immediately prior to vesting.

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, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor authority's accounts immediately prior to the restructuring.

#### 1.14 Property, Plant and Equipment (PP&E)

##### *Asset Recognition Threshold*

Purchases of property, plant and equipment are recognised initially at cost in the Balance Sheet, except for purchases costing less than \$2,000, which are expensed in the year of acquisition, other than where they form part of a group of similar items which are significant in total.

##### *Revaluations*

Fair values for each class of asset are determined as shown below:

Asset class	Fair value measured at:
Land	Market selling price
Buildings	Depreciated replacement cost
Infrastructure, Plant & equipment	Depreciated replacement cost
Heritage and cultural assets	Market selling price

Following initial recognition at cost, property plant & equipment are carried at fair value less accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through profit and loss. Revaluation decrements for a class of assets are recognised directly through profit and loss except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

##### *Depreciation*

Depreciable property plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Trust using, in all cases, the straight-line method of depreciation. Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2007	2006
Buildings	10 to 100 years	10 to 100 years
Infrastructure	3 to 100 years	3 to 100 years
Plant & equipment	3 to 20 years	3 to 20 years

Certain buildings held by the Trust have been classified as Heritage assets. As there is no foreseeable limit to the period over which these assets will be held or used they are not depreciated. The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 4C.

#### 1.15 Intangibles

The Trust's intangibles comprise software purchased externally for internal use. These assets are carried at cost.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Trust's software is 7 to 10 years (2005-06: 7 to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2007.

#### 1.16 Inventories

Inventories held for sale are valued at the lower of cost and net realisable value, and consist of externally produced merchandise and publications. Inventories held for distribution are measured at the lower of cost and current replacement cost. This consists of various brochures and publications.

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2007

## 1.17 Taxation

The Trust is exempt from all forms of taxation except fringe benefits tax (FBT) and the goods and services tax (GST).

Revenues, expenses and assets are recognised net of GST:

- except where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- except for receivables and payables.

### **Note 2: Events after the Balance Sheet Date**

Section 21 of the *Sydney Harbour Federation Trust Act 2001* provides for the Minister for the Environment and Water Resources to specify that other harbour land that is a Commonwealth place is to vest in the Trust. As at the reporting date the Minister was proposing that the Macquarie Lightstation at Vaucluse, Snapper Island and HMAS *Platypus* vest in the Trust.

At the time of this report, vesting of these lands had not occurred.

There are no other events that have occurred after the balance date that would have an effect on the Trust's 2006-2007 financial statements other than those that are already reflected in the financial statements.

	<u>2007</u>	<u>2006</u>
	\$'000	\$'000
<b>Note 3: Income</b>		
<i>Revenues</i>		
<b>Note 3A - Revenues from Government</b>		
Appropriation: Departmental outputs	<u>1,619</u>	<u>3,151</u>
Total revenues from government	<u>1,619</u>	<u>3,151</u>
<b>Note 3B - Sale of goods and rendering of services</b>		
Events	<u>138</u>	<u>165</u>
Other	<u>68</u>	<u>44</u>
	<u>206</u>	<u>209</u>
Provision of goods to:		
Related entities	-	-
External entities	<u>4</u>	<u>11</u>
	<u>4</u>	<u>11</u>
Rendering of services to:		
Related entities	-	-
External entities	<u>202</u>	<u>198</u>
	<u>202</u>	<u>198</u>
Total sales of goods and rendering of services	<u>206</u>	<u>209</u>
<p>In accordance with the <i>Sydney Harbour Federation Trust Act 2001</i>, certain land sites in Schedule 2 to the Act were sold in 2005 and 2006. The cost of the sites includes their value at vesting and remediation and services costs (Note 1.13). The Trust may be required to return \$23.0 million from the sale proceeds to the Official Public Account, but as at 30 June 2007 no arrangements had been made to enable this to occur.</p>		
<b>Note 3C - Interest</b>		
Deposits	<u>2,932</u>	<u>1,469</u>
<b>Note 3D - Rental Income</b>		
Property rentals and short-term hire	<u>3,241</u>	<u>2,420</u>
Total Rental Income	<u>3,241</u>	<u>2,420</u>
<b>Note 3E - Other</b>		
Grant from related entity	<u>1,000</u>	<u>1,000</u>
Other revenue from related entity	<u>-</u>	<u>286</u>
Total other revenue	<u>1,000</u>	<u>1,286</u>
<b>Gains</b>		
<b>Note 3F - Net Gains from sale of property</b>		
Proceeds from sale	-	<u>13,850</u>
Carrying value of property held for sale	-	<u>(7,931)</u>
Net gain from disposal of property	<u>-</u>	<u>5,919</u>
Total net gain from disposal of property	<u>-</u>	<u>5,919</u>

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2007

	2007 \$'000	2006 \$'000
<b>Note 4: Operating Expenses</b>		
<b>Note 4A - Employee Expenses</b>		
Wages and salaries	3,717	3,384
Superannuation	451	422
Leave and other entitlements	346	203
Separation and redundancies	-	140
Other employee costs	41	-
<b>Total employee expenses</b>	<b>4,555</b>	<b>4,149</b>
<b>Note 4B - Suppliers</b>		
Goods from external entities	1,856	276
Services from related entities	666	698
Services from external entities	4,315	6,211
Operating lease rentals	47	49
Workers compensation premiums	54	62
<b>Total supplier expenses</b>	<b>6,938</b>	<b>7,296</b>
<b>Note 4C - Depreciation &amp; Amortisation</b>		
<b>Depreciation</b>		
Buildings	66	110
Plant and equipment	132	115
<b>Total depreciation of buildings, plant and equipment</b>	<b>198</b>	<b>225</b>
<b>Amortisation</b>		
Amortisation of intangibles	6	-
Amortisation of lease incentives	64	39
<b>Total amortisation</b>	<b>70</b>	<b>39</b>
<b>Total depreciation &amp; amortisation</b>	<b>268</b>	<b>264</b>
<b>Note 4D - Write-down and impairment of assets</b>		
Write-down of financial assets	16	-
<b>Total write-down and impairment of assets</b>	<b>16</b>	<b>-</b>

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
<b>Note 5: Financial Assets</b>		
<b>Note 5A - Cash and cash equivalents</b>		
Cash at bank	<b>49,183</b>	34,409
Cash on hand	<b>1</b>	4
<b>Total cash</b>	<b>49,184</b>	34,413
<b>Note 5B - Receivables</b>		
Goods and services	<b>1,095</b>	930
Interest receivable	<b>261</b>	153
GST receivable	<b>296</b>	133
Property sales	<b>-</b>	13,850
Other receivables	<b>2</b>	2
<b>Total receivables</b>	<b>1,654</b>	15,068
All receivables are current.		
Receivables (gross) are aged as follows:		
Not overdue	<b>777</b>	14,506
Overdue by:		
Less than 90 days	<b>5</b>	-
More than 90 days	<b>872</b>	562
	<b>877</b>	562
<b>Total trade and other receivables (gross)</b>	<b>1,654</b>	15,068

**Receivables for Goods & Services**

Credit terms are net 30 days (2006: 30 days) except for sales of property which are due on settlement.

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2007

	2007 \$'000	2006 \$'000
<b>Note 6: Non-Financial Assets</b>		
<b>Note 6A - Land and Buildings</b>		
<b>Freehold land</b>		
- at cost	1,118	18,951
- at fair value	105,010	26,326
<b>Total freehold land</b>	<b>106,128</b>	<b>45,277</b>
<b>Buildings</b>		
- at cost	173	3,106
- Accumulated depreciation	-	(116)
	173	2,990
- at fair value	5,925	2,622
- Accumulated depreciation	-	(58)
	5,925	2,564
<b>Total buildings</b>	<b>6,098</b>	<b>5,554</b>
<b>Total Land &amp; Buildings</b>	<b>112,226</b>	<b>50,831</b>
<b>Note 6B - Infrastructure, Plant and Equipment</b>		
<b>Plant and equipment</b>		
- at cost	1,602	1,551
- Accumulated depreciation	(446)	(314)
	1,156	1,237
<b>Total Infrastructure, Plant and Equipment</b>	<b>1,156</b>	<b>1,237</b>
<b>Note 6C - Heritage and Collections</b>		
<b>Heritage assets</b>		
- at fair value	43,186	22,849
<b>Total heritage assets</b>	<b>43,186</b>	<b>22,849</b>

Section 21 of the Sydney Harbour Federation Trust Act 2001 (the Act) provides for the Minister for Defence to specify that certain former defence land sites vest in the Trust. The sites are specified in Schedules 1 and 2 to the Act and are at Middle Head, Georges Heights, Woolwich and Cockatoo Island. The sites vested in the Trust on 1st April 2003.

Most of the sites are contaminated to some extent and Cockatoo Island is severely contaminated. The estimated future costs of decontamination and remediation have been taken into account in arriving at the fair values.

Valuations were conducted by an independent valuer (Colliers International Consultancy and Valuation Pty Ltd) in 2007.

Note 6D - Analysis of Property, Plant, Equipment and Intangibles

Reconciliation of the opening and closing balances of property, plant, equipment and intangibles (2006-07)

Item	Land \$'000	Buildings on Freehold Land \$'000	Total Land & Buildings \$'000	Plant & Equipment \$'000	Heritage & Collections \$'000	Intangibles \$'000	TOTAL \$'000
<b>As at 1 July 2006</b>							
Gross book value	45,277	5,728	51,005	1,551	22,849	18	75,423
Accumulated depreciation/amortisation	-	(174)	(174)	(314)	-	-	(488)
<b>Net book value</b>	<b>45,277</b>	<b>5,554</b>	<b>50,831</b>	<b>1,237</b>	<b>22,849</b>	<b>18</b>	<b>74,935</b>
Additions							
By purchase	8,851	9,744	18,595	51	-	3	18,649
<sup>1</sup> Assets transferred in	48,918	746	49,664	-	6,671	-	56,335
Revaluations	2,183	1,578	3,761	-	3,107	-	6,868
Reclassification	899	(11,458)	(10,559)	-	10,559	-	-
Depreciation expense	-	(66)	(66)	(132)	-	(6)	(204)
Disposals							
From disposal of operations	-	-	-	-	-	-	-
Other disposals	-	-	-	-	-	-	-
<b>As at 30 June 2007</b>							
Gross book value	106,128	6,098	112,226	1,602	43,186	21	157,035
<sup>2</sup> Accumulated depreciation/amortisation	-	-	-	(446)	-	(6)	(452)
<b>Closing Net book value</b>	<b>106,128</b>	<b>6,098</b>	<b>112,226</b>	<b>1,156</b>	<b>43,186</b>	<b>15</b>	<b>156,583</b>

<sup>1</sup>Transfer of North Head land & buildings.

<sup>2</sup>Accumulated depreciation is written back against the gross asset value before revaluation entries.

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2007

## Note 6D - Analysis of Property, Plant, Equipment and Intangibles

### Reconciliation of the opening and closing balances of property, plant, equipment and intangibles (2005-06)

Item	Land \$'000	Buildings on Freehold Land \$'000	Total Land & Buildings \$'000	Plant & Equipment \$'000	Heritage & Collections \$'000	Intangibles \$'000	TOTAL \$'000
<b>As at 1 July 2005</b>							
Gross book value	32,652	17,598	50,250	1,162	14,091	-	65,503
Accumulated depreciation/amortisation	-	(670)	(670)	(176)	-	-	(846)
<b>Net book value</b>	<b>32,652</b>	<b>16,928</b>	<b>49,580</b>	<b>986</b>	<b>14,091</b>	<b>-</b>	<b>64,657</b>
Additions							
By purchase	5,440	4,080	9,520	477	-	18	10,015
Assets transferred in	-	-	-	-	-	-	-
From acquisition of operations	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-
Reclassification	7,185	(15,950)	(8,765)	(81)	8,758	-	(88)
Depreciation adjustment	-	606	606	(23)	-	-	583
Depreciation expense	-	(110)	(110)	(115)	-	-	(225)
Disposals							
From disposal of operations	-	-	-	(7)	-	-	(7)
Other disposals	-	-	-	-	-	-	-
<b>As at 30 June 2006</b>							
Gross book value	45,277	5,728	51,005	1,551	22,849	18	75,423
Accumulated depreciation/amortisation	-	(174)	(174)	(314)	-	-	(488)
<b>Closing Net book value</b>	<b>45,277</b>	<b>5,554</b>	<b>50,831</b>	<b>1,237</b>	<b>22,849</b>	<b>18</b>	<b>74,935</b>

	2007 \$'000	2006 \$'000
<b>Note 6E - Intangible Assets</b>		
Computer software purchased	21	18
	<u>21</u>	<u>18</u>
Accumulated amortisation	(6)	-
<b>Total intangibles</b>	<u>15</u>	<u>18</u>
<b>Note 6F - Inventories</b>		
Finished goods (cost)	41	34
Inventories held for sale	41	34
Inventories held for distribution	15	4
<b>Total inventories</b>	<u>56</u>	<u>38</u>
All inventories are current assets.		
<b>Note 6G - Other non-financial assets</b>		
Lease incentives	172	184
Prepayments	3	5
<b>Total other non-financial current assets</b>	<u>175</u>	<u>189</u>
All prepayments are current assets.		
<b>Note 7: Payables</b>		
<b>Note 7A - Suppliers</b>		
Trade creditors	1,801	1,247
Contract retentions	355	-
<b>Total supplier payables</b>	<u>2,156</u>	<u>1,247</u>
All supplier payables are current. Settlement is usually made net 30 days.		
<b>Note 7B - Other payables</b>		
Accrued expenses	804	104
Bonds and Security deposits	105	74
Prepayments received	1,962	2,016
<b>Total other payables</b>	<u>2,871</u>	<u>2,194</u>
Other payables are represented by:		
Current	1,005	383
Non-current	1,866	1,811
<b>Total other payables</b>	<u>2,871</u>	<u>2,194</u>

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2007

	2007 \$'000	2006 \$'000
<b>Note 8: Provisions</b>		
<b>Note 8A - Employee Provisions</b>		
Salary and wages	29	117
Leave	755	667
Superannuation	-	1
<b>Total employee provisions</b>	<b>784</b>	<b>785</b>
Employee provisions are categorised as follows:		
Current	575	448
Non - current	209	337
<b>Total employee provisions</b>	<b>784</b>	<b>785</b>
<b>Note 9: Cash Flow Reconciliation</b>		
<b>Reconciliation of Cash per Balance Sheet to Cash Flow Statement</b>		
Cash at year end per Cash Flow Statement	49,184	34,413
Balance Sheet items comprising above cash:		
'Financial Asset - Cash and cash equivalents'	49,184	34,413
<b>Reconciliation of operating result to net cash from operating activities:</b>		
Operating surplus	(2,779)	2,745
Depreciation and amortisation	268	264
(Increase) / decrease in receivables	13,414	(13,898)
(Increase) / decrease in inventories	(18)	7,922
(Increase) / decrease in prepayments	2	12
Increase / (decrease) in employee provisions	(1)	(33)
Increase / (decrease) in supplier payables	909	971
Increase / (decrease) in other payables	677	2,146
<b>Net Cash from operating activities</b>	<b>12,472</b>	<b>129</b>

**Note 10: Contingent Liabilities and Assets***Unquantifiable Contingencies*

At 30 June 2007 the Trust had a number of contracts in progress, the final costs of which are dependent on latent conditions and other variables. It is not possible to estimate the amounts of any eventual payments that may be required in relation to these contracts.

	<u>2007</u> <u>Number</u>	<u>2006</u> <u>Number</u>
<b>Note 11: Members' Remuneration</b>		
The numbers of members of the Trust included in these figures are shown below in the relevant remuneration bands		
• \$15,000 - \$29,999	<u>6</u>	<u>6</u>
• \$30,000 - \$44,999	<u>2</u>	<u>2</u>
<b>Total number of members of the Trust</b>	<u>8</u>	<u>8</u>
	<u>\$</u>	<u>\$</u>
Total remuneration received or due and receivable by members of the Trust	<u>190,768</u>	<u>182,629</u>

The Members of the Trust are appointed on a part-time basis under section 12 of the *Sydney Harbour Federation Trust Act 2001*.

The Members during the year were:

- Mr H K McCann AM (Chair) (re-appointed 27 September 2004)
- Mr R Conroy (re-appointed 5 July 2005)
- Ms D Talty (appointed 5 July 2005)
- Clr S Hoopmann JP (re-appointed 27 September 2004)
- Mr P Lowry OAM (re-appointed 27 September 2004)
- Dr J Moriarty AM (re-appointed 27 September 2004)
- Brigadier K O'Brien CSC, (Retd) (re-appointed 27 September 2004)
- The Hon Barry O'Keefe AM QC (re-appointed 27 September 2004)

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2007

	<u>2007</u> <u>Number</u>	<u>2006</u> <u>Number</u>
<b>Note 12: Remuneration of Senior Executives</b>		
The number of senior executives who received or were due to receive total remuneration of \$130,000 or more:		
• \$130,000 to \$144,999	2	-
• \$145,000 to \$159,999	1	2
• \$175,000 to \$189,999	2	2
• \$235,000 to \$249,999	-	1
• \$265,000 to \$279,999	1	-
	<u>6</u>	<u>5</u>
	<u>\$</u>	<u>\$</u>
The aggregate amount of total remuneration of senior executives shown above.	<u>1,085,373</u>	<u>895,336</u>
The senior executives' remuneration includes all executives concerned with or taking part in the management of the Trust during 2006-07.		
<b>Note 13: Remuneration of Auditors</b>		
Remuneration to the Auditor-General for auditing the financial statements for the reporting period.		
The fair value of services provided was;	<u>43,000</u>	<u>40,000</u>
No other services were provided by the Auditor-General during the reporting period.		
	<u>Number</u>	<u>Number</u>
<b>Note 14: Average Staffing Levels</b>		
The average staffing level for the Trust during the year was	<u>47.8</u>	<u>44.8</u>

**Note 15: Financial Instruments**

Note 15A - Interest Rate Risk

**Financial Instrument**

Notes	Floating Interest Rate – maturing in one year or less		Non-Interest Bearing		Total		Weighted Average Effective Interest Rate	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 %	2006 %
<b>Financial Assets</b>								
Cash at bank	49,183	34,409	-	-	49,183	34,409	6.3	5.2
Cash on hand	-	-	1	4	1	4	-	-
Receivables	-	-	1,654	15,068	1,654	15,068	-	-
<b>Total</b>	<b>49,183</b>	<b>34,409</b>	<b>1,655</b>	<b>15,072</b>	<b>50,838</b>	<b>49,481</b>		
<b>Total Assets</b>					<b>207,652</b>	<b>124,643</b>		
<b>Financial Liabilities</b>								
Trade creditors	-	-	1,801	1,247	1,801	1,247	-	-
Other Payables	-	-	909	178	909	178	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>2,710</b>	<b>1,425</b>	<b>2,710</b>	<b>1,425</b>		
<b>Total Liabilities</b>					<b>5,811</b>	<b>4,226</b>		

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2007

## **Note 15B - Net Fair values of Financial Assets and Liabilities**

### *Financial assets*

The net fair values of cash and non-interest bearing monetary financial assets approximate their carrying amounts.

### *Financial liabilities*

The net fair values for trade creditors, accrued expenses and other payables being short-term in nature, approximate their carrying amounts.

## **Note 15C - Credit Risk Exposures**

The Trust's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Balance Sheet.

The Trust has no significant exposures to any concentrations of credit risk.

All figures for credit risk referred to do not take into account the value of any collateral or other security.

**Note 16: Appropriations**

Particulars	Departmental Outputs		Equity		Total	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Year ended 30 June</b>						
Balance carried forward from previous year	-	-	-	-	-	-
Appropriation Acts 1 and 3	1,619	3,151	-	-	1,619	3,151
Appropriation Acts 2 and 4	-	-	21,000	20,500	21,000	20,500
Available for payment of CRF	1,619	3,151	21,000	20,500	22,619	23,651
Payment made out of CRF	1,619	3,151	21,000	20,500	22,619	23,651
<b>Balance carried forward to next year</b>	-	-	-	-	-	-
<i>Represented by:</i>						
<i>Appropriations Receivable</i>	-	-	-	-	-	-

This table reports on appropriations made by the Parliament of the Consolidated Revenue Fund (CRF) for payment to the Trust. When received by the Trust, the payments made are legally the money of the Trust and do not represent any balance remaining in the CRF.