

FINANCIAL INFORMATION

CONTENTS

- 60 DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENTS AND RESULTS OF OPERATIONS
- 61 ECONOMIC AND OTHER FACTORS AFFECTING THE ACHIEVEMENT OF OPERATIONAL ACTIVITIES
- 61 CONSULTANTS
- 61 PAYMENT OF ACCOUNTS
- 62 BUDGETED 2005 STATEMENT OF FINANCIAL PERFORMANCE
- 63 BUDGETED 2005 STATEMENT OF FINANCIAL POSITION
- 64 UNDERSTANDING OUR FINANCIAL STATEMENTS
- 65 FINANCIAL STATEMENTS CONTENTS
- 82 FINANCIAL STATEMENTS OF CONTROLLED ENTITY – FOUNDATION FOR THE HISTORIC HOUSES TRUST OF NEW SOUTH WALES

DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENTS AND RESULTS OF OPERATIONS

The Historic Houses Trust's (HHT's) net cost of services increased by \$1.835 million to \$17.671 million over the previous financial year. Our net asset position has increased by \$8.880 million to \$138.925 million, due to revaluations of certain collections and the continuing redevelopment of the new head office at The Mint. Below is a summary of the HHT's income and expenditure for the current year and four previous years. The numbered notes discuss the significant movements.

	NOTES	2004 \$'000	%	% INCREASE	2003 \$'000	%	2002 \$'000	%	2001 \$'000	%	2000 \$'000	%
INCOME												
Government	1	26,083	84.9	35.6	19,241	76.6	18,436	79.7	14,876	78.0	13,919	79.5
Sale of Goods and Services	2	3,414	11.1	0.9	3,384	13.5	2,987	12.9	3,003	15.7	2,801	16.0
Investment Income	3	289	0.9	-9.7	320	1.3	263	1.1	301	1.6	260	1.5
Grants and Contributions	4	949	3.1	-40.4	1,593	6.3	1,454	6.3	902	4.7	518	3.0
Other Revenue	5	0	0	-100.0	575	2.3	0	0	0	0	0	0
		30,735	100	22.4	25,113	100	23,140	100	19,082	100	17,498	100
Expenditure												
Employee Related	6	12,432	55.7	8.4	11,472	52.9	10,251	51.4	9,470	50.2	9,211	47.1
Other Operating Expenses		6,589	29.5	-0.3	6,609	30.5	5,692	28.5	5,450	28.8	5,381	27.5
Maintenance	7	1,774	7.9	-16.1	2,115	9.7	2,576	12.9	2,594	13.7	1,782	9.1
Depreciation and Amortisation		1,378	6.2	1.7	1,355	6.2	1,283	6.4	1,380	7.3	889	4.5
Other Expenses		156	0.7	3.3	151	0.7	167	0.8	0	0	2,300	11.8
		22,329	100	2.9	21,702	100	19,969	100	18,894	100	19,563	100

- Government sourced funding increased by 35.6%, from \$19.2 million in 2003 to \$26.1 million. This increase is made up of:
 - Recurrent funding, which increased from \$14.9 million in 2003 to \$15.7 million as a result of organisational growth over the past few years.
 - Capital funding, which increased from \$3.27 million in 2003 to \$9.21 million to fund The Mint head office development.
 - Acceptance by the Crown entity of employee benefits and other liabilities, which increased from \$1.06 million in 2003 to \$1.18 million as a result of the general public sector pay increases during 2003.
- Sale of Goods and Services increased from \$3.38 million in 2003 to \$3.41 million. This increase was due to higher income generated by Special Activities Openings and miscellaneous income areas.
- Investment Income decreased from \$320,000 in 2003 to \$289,000 as a result of a decreased rate of return on investments.
- Grants and Contributions revenue decreased from \$1.59 million in 2003 to \$949,000 as a result of decreased income generated by Sponsorship, Statutory Authorities, Donations of Collections, other Donations and services provided at no charge.
- Other Revenue occurred in 2003 as a result of the recognition of the archaeology collections located at the Museum of Sydney, Hyde Park Barracks Museum and The Mint, which were brought to account at their fair market value during June 2003.
- Employee Related expenditure increased from \$11.47 million in 2003 to \$12.43 million as a direct result of the general public sector pay increase awarded during the year 2003.
- Maintenance expenditure decreased from \$2.12 million in 2003 to \$1.77 million. This decrease was partly due to the Department of Commerce's maintenance of Government House being lower this year, and to reduced general expenditure under maintenance.

ECONOMIC AND OTHER FACTORS AFFECTING THE ACHIEVEMENT OF OPERATIONAL ACTIVITIES

There were no economic factors which had a significant effect on operational activities.

CONSULTANTS

TYPE OF CONSULTANT	SERVICE	AMOUNT \$
BUILDING > \$30,000		
CLIVE LUCAS, STAPLETON & PARTNERS	Architects	38,408
BUILDING < \$30,000		
Three projects were undertaken by various architectural consultants	Architects	41,539
GENERAL > \$30,000		
HUGHES RESEARCH & DESIGN	Research & Curatorial	50,578
GENERAL < \$30,000		
7 projects were undertaken by various consultants and in the following categories	Research Conservation Valuation	25,376

NOTE: The above list does not include consultants used in projects which are capitalised. Such costs are included in the cost of the asset acquired.

PAYMENT OF ACCOUNTS

AGED ANALYSIS AT THE END OF EACH QUARTER

QUARTER	CURRENT \$'000	LESS THAN 30 DAYS \$'000	31-60 DAYS OVERDUE \$'000	61-90 DAYS OVERDUE \$'000	MORE THAN 90 DAYS OVERDUE \$'000	TOTAL \$'000
September 2003	58	8	0	0	0	66
December 2003	21	30	4	2	0	57
March 2004	26	15	0	0	0	41
June 2004	127	247	9	5	1	389

QUARTER	TOTAL ACCOUNTS PAID ON TIME			TOTAL AMOUNT PAID \$'000
	TARGET %	ACTUAL %	\$'000	
September 2003	100%	99%	4,131	4,385
December 2003	100%	98%	6,390	6,538
March 2004	100%	97%	5,095	5,275
June 2004	100%	96%	8,751	8,813

There were no issues which affected the prompt payment of accounts.

The non-supply of documentation by suppliers resulted in a small number of invoices being processed outside the due date. These were promptly processed once the problem was recognised.

There were no instances where interest was paid on overdue accounts.

BUDGETED 2005 STATEMENT OF FINANCIAL PERFORMANCE

	BUDGET 2005 \$'000	ACTUAL 2004 \$'000
EXPENSES		
OPERATING EXPENSES		
Employee Related	11,289	12,432
Other Operating Expenses	6,151	6,589
Maintenance	3,076	1,774
Depreciation and Amortisation	1,330	1,378
Other Expenses	–	156
TOTAL EXPENSES	21,846	22,329
Less:		
RETAINED REVENUE		
Sale of Goods and Services	2,985	3,414
Investment Income	333	289
Grants and Contributions	324	949
TOTAL RETAINED REVENUE	3,642	4,652
Gain/(Loss) on Disposal of Non-Current Assets	–	6
NET COST OF SERVICES	18,204	17,671
GOVERNMENT CONTRIBUTIONS		
Recurrent Appropriation	15,897	15,688
Capital Appropriation	2,277	9,212
Acceptance by the Crown Entity of Employee Benefits and Other Liabilities	627	1,183
TOTAL GOVERNMENT CONTRIBUTIONS	18,801	26,083
SURPLUS/(DEFICIT) FOR THE YEAR	597	8,412
NON-OWNER TRANSACTION CHANGES IN EQUITY		
Net Increase (Decrease) in Asset Revaluation Reserve	–	468
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS	–	468
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS	597	8,880

BUDGETED 2005 STATEMENT OF FINANCIAL POSITION

	BUDGET 2005 \$'000	ACTUAL 2004 \$'000
ASSETS		
CURRENT ASSETS		
Cash	4,554	4,700
Receivables	586	676
Inventories	1,046	779
Other Financial Assets	950	1,098
TOTAL CURRENT ASSETS	7,136	7,253
NON-CURRENT ASSETS		
Property, Plant and Equipment:		
Land and Buildings	115,428	111,742
Plant and Equipment	2,002	1,785
Collections	20,200	20,079
Total Property, Plant and Equipment	137,630	133,606
TOTAL NON-CURRENT ASSETS	137,630	133,606
TOTAL ASSETS	144,766	140,859
LIABILITIES		
CURRENT LIABILITIES		
Payables	856	975
Provisions	869	815
TOTAL CURRENT LIABILITIES	1,725	1,790
NON-CURRENT LIABILITIES		
Provisions	-	118
Other	34	26
TOTAL NON-CURRENT LIABILITIES	34	144
TOTAL LIABILITIES	1,759	1,934
NET ASSETS	143,007	138,925
EQUITY		
Reserves	16,652	17,120
Accumulated Funds	126,355	121,805
TOTAL EQUITY	143,007	138,925

UNDERSTANDING OUR FINANCIAL STATEMENTS

This information is to assist readers to understand our financial statements, which are made up of four reports and accompanying notes:

- Statement of Financial Performance
- Statement of Financial Position
- Statement of Cash Flows
- Summary of Compliance with Financial Directives

The statements include the consolidation of all of the entities which fall under our control:

- Foundation for the Historic Houses Trust of New South Wales
- Foundation for the Historic Houses Trust of New South Wales Limited
- Rouse Hill Hamilton Collection Pty Ltd
- The Hamilton Rouse Hill Trust

The financial statements and related notes of our operational entity, the Foundation for the Historic Houses Trust of New South Wales, have also been included and follow the conclusion of the HHT's consolidated financial statement and notes.

The New South Wales Auditor-General audits New South Wales public sector agencies such as the HHT and its controlled entities. The Auditor-General's audit certificate is included with the financial statements and it states the Auditor-General's audit opinion on the HHT's consolidated entities.

1. STATEMENT OF FINANCIAL PERFORMANCE

The Statement of Financial Performance looks at our performance over the financial year (1 July 2003 to 30 June 2004) and is reported as a surplus/deficit in delivering our services. The statement enables readers to identify the cost of goods and services provided and the extent to which these costs were recovered as well as the source of the funding. It also allows the reader to compare the result against the previous financial year to see the change in resources as a result of operations. The statement is prepared on an accruals basis, which means it accounts income and expenditure when it is earned/incurred and not when money is received or paid. Accrual accounting also recognises non-cash items such as depreciation of assets.

2. STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position is otherwise known as the Balance Sheet. It sets out the net accumulated financial worth at a point in time, in this case, the end of the financial year. It shows the assets held as well as liabilities or claims against these assets. The statement is also prepared on an accruals basis. Assets and liabilities are expressed as current or non-current. Current assets/liabilities are assets/liabilities that will be either paid or could be converted into cash within the next financial year. Non-current assets/liabilities are those assets and liabilities that will be unlikely to be paid or converted to cash within the next 12 months. The difference between total assets and total liabilities is expressed as net assets, which equals total equity – that is, the net worth of the organisation at the end of the financial year.

3. STATEMENT OF CASH FLOWS

The Statement of Cash Flows shows the nature and amount of cash inflows/outflows. The Cash Flows Statement reflects a recording of cash (as opposed to accruals as in the Statement of Financial Position) when it is received or paid.

This Statement of Cash Flows has only two sections:

- The cash flows from operating activities: summarises those cash flows which relate to the provision of goods and services. In our statement this includes cash flows from government.
- The cash flows from investing activities: summarises those activities which relate to the acquisition and disposal of non-current assets and other productive assets and investments not falling under the definition of cash, for example the sale of plant and equipment.

A resulting net increase or decrease in cash results from the total of the cash flows from operating and investing activities. This is then added or subtracted to the opening cash position to arrive at the closing cash position for the year.

4. SUMMARY OF COMPLIANCE

The Summary of Compliance discloses the components of the total recurrent appropriation, capital appropriation and other appropriations from government. The Summary of Compliance is a cash (not accrual) statement. Therefore expenditure refers to cash payments.

The government appropriations received by the HHT are recognised as revenue in the financial statements. An exception to this is if the funding remains unspent at the end of the financial year, in which case the authority to spend the allocated funds lapses and they must then be repaid to the government's consolidated fund in the following financial year. As a result, unspent government funding is accounted for as a liability rather than income.

5. NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The Notes provide further information in relation to the rules and assumptions used to prepare the financial statements, as well as giving more specific information and detail about items within the financial statements. If there are changes to accounting standards, policy or legislation this will be disclosed in the Notes. The 'Note' column indicates which note the reader can refer to for further information.

FINANCIAL STATEMENTS CONTENTS

66	AUDITOR-GENERAL'S CERTIFICATE
67	STATEMENT BY THE MEMBERS OF HISTORIC HOUSES TRUST OF NEW SOUTH WALES
68	STATEMENT OF FINANCIAL PERFORMANCE
69	STATEMENT OF FINANCIAL POSITION
70	STATEMENT OF CASH FLOWS
71	SUMMARY OF COMPLIANCE WITH FINANCIAL DIRECTIVES
72	NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
72	Note 1: Summary of Significant Accounting Policies
75	Note 2: Expenses
76	Note 3: Revenues
76	Note 4: Gain/(Loss) on Disposal of Non-Current Assets
76	Note 5: Appropriations
76	Note 6: Acceptance by the Crown Entity of Employee Benefits and Other Liabilities
76	Note 7: Current Assets – Cash
77	Note 8: Current Assets – Other Financial Assets
77	Note 9: Current Assets – Receivables
77	Note 10: Current Assets – Inventories
77	Note 11: Non-Current Assets – Property, Plant and Equipment
78	Note 12: Non-Cash Financing and Investing Activities
79	Note 13: Current Liabilities – Payables
79	Note 14: Current/Non-Current Liabilities – Provisions
79	Note 15: Non-Current Liabilities – Other
79	Note 16: Changes in Equity
80	Note 17: Commitments for Expenditure
80	Note 18: Contingent Liabilities and Contingent Assets
80	Note 19: Reconciliation of Cash Flows from Operating Activities to Net Cost of Services
80	Note 20: Programs/Activities of the HHT
80	Note 21: Controlled Entities
81	Note 22: Budget Review

AUDITOR-GENERAL'S CERTIFICATE

HISTORIC HOUSES TRUST OF NEW SOUTH WALES



GPO BOX 12
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT HISTORIC HOUSES TRUST OF NEW SOUTH WALES

To Members of the New South Wales Parliament

Audit Opinion Pursuant to the *Public Finance and Audit Act 1983*

In my opinion, the financial report of the Historic Houses Trust of New South Wales:

- (a) presents fairly the Trust's financial position as at 30 June 2004 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).

Audit Opinion Pursuant to the *Charitable Fundraising Act 1991*

In my opinion:

- (a) the accounts of the Historic Houses Trust of New South Wales show a true and fair view of the financial result of fundraising appeals for the year ended 30 June 2004
- (b) the accounts and associated records of the Historic Houses Trust of New South Wales have been properly kept during the year in accordance with the *Charitable Fundraising Act 1991* (the CF Act) and the *Charitable Fundraising Regulation 2003* (the CF Regulation)
- (c) money received as a result of fundraising appeals conducted during the year has been properly accounted for and applied in accordance with the CF Act and the CF Regulation, and
- (d) there are reasonable grounds to believe that the Historic Houses Trust of New South Wales will be able to pay its debts as and when they fall due.

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

The Trustees' Role

The financial report is the responsibility of the Trustees of the Historic Houses Trust of New South Wales. 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 PF&A Act and the CF 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,
- examined a sample of the evidence that supports:
 - (i) the amounts and other disclosures in the financial report,
 - (ii) compliance with accounting and associated record keeping requirements pursuant to the CF Act, and
- obtained an understanding of the internal control structure for fundraising appeal activities.

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 not fulfilled their reporting obligations.

My opinions do *not* provide assurance:

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

Audit Independence

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

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

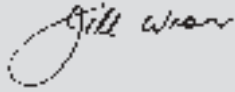
G J Gibson FCPA
Director of Audit

SYDNEY
15 October 2004

STATEMENT BY MEMBERS OF THE HISTORIC HOUSES TRUST OF NEW SOUTH WALES

Pursuant to Section 41C(1C) of the Public Finance and Audit Act 1983, we state that:

- (a) The accompanying financial statements for the year ended 30 June 2004 have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, and regulations, applicable Accounting Standards, other mandatory professional reporting requirements, the Financial Reporting Code for Budget Dependent Government Sector Agencies and Treasurer's Directions.
- (b) In our opinion, the financial statements show a true and fair view of the financial position and transactions of the HHT.
- (c) There are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.
- (d) The financial report has been properly drawn up and the associated records have been properly kept for the period from 1 July 2003 to 30 June 2004, in accordance with the Charitable Fundraising (NSW) Act 1991 and Regulations.
- (e) Money received as a result of fundraising activities conducted during the period from 1 July 2003 to 30 June 2004 has been properly accounted for and applied in accordance with the Charitable Fundraising (NSW) Act 1991 and Regulations.



Jill Wran
Chairman



Peter Watts
Director

Dated this day Thursday 14 October 2004

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004

	NOTES	ACTUAL 2004 \$'000	BUDGET 2004 \$'000	ACTUAL 2003 \$'000
EXPENSES				
OPERATING EXPENSES				
Employee Related	2(a)	12,432	10,989	11,472
Other Operating Expenses	2(b)	6,589	6,173	6,609
Maintenance		1,774	3,016	2,115
Depreciation and Amortisation	2(c)	1,378	1,330	1,355
Other Expenses	2(d)	156	–	151
TOTAL EXPENSES		22,329	21,508	21,702
Less:				
RETAINED REVENUE				
Sale of Goods and Services	3(a)	3,414	2,926	3,384
Investment Income	3(b)	289	326	320
Grants and Contributions	3(c)	949	318	1,593
Other Revenue	3(d)	–	–	575
TOTAL RETAINED REVENUE		4,652	3,570	5,872
Gain/(Loss) on Disposal of Non-Current Assets	4	6	–	(6)
NET COST OF SERVICES	19	17,671	17,938	15,836
GOVERNMENT CONTRIBUTIONS				
Recurrent Appropriation	5	15,688	15,660	14,904
Capital Appropriation	5	9,212	9,212	3,276
Acceptance by the Crown Entity of Employee Benefits and Other Liabilities	6	1,183	609	1,061
TOTAL GOVERNMENT CONTRIBUTIONS		26,083	25,481	19,241
SURPLUS FOR THE YEAR		8,412	7,543	3,405
NON-OWNER TRANSACTION CHANGES IN EQUITY				
Net Increase in Asset Revaluation Reserve		468	–	1,887
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		468	–	1,887
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS	16	8,880	7,543	5,292

The accompanying notes form part of these statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2004

	NOTES	ACTUAL 2004 \$'000	BUDGET 2004 \$'000	ACTUAL 2003 \$'000
ASSETS				
CURRENT ASSETS				
Cash	7	4,700	4,533	4,466
Receivables	9	676	610	610
Inventories	10	779	950	950
Other Financial Assets	8	1,098	1,046	1,046
TOTAL CURRENT ASSETS		7,253	7,139	7,072
NON-CURRENT ASSETS				
Property, Plant and Equipment				
- Land and Buildings	11(a)	111,742	111,512	103,106
- Plant and Equipment	11(b)	1,785	1,722	2,246
- Collections	11(c)	20,079	19,426	19,426
Total Property, Plant and Equipment		133,606	132,660	124,778
TOTAL NON-CURRENT ASSETS		133,606	132,660	124,778
TOTAL ASSETS		140,859	139,799	131,850
LIABILITIES				
CURRENT LIABILITIES				
Payables	13	975	903	903
Provisions	14	815	765	765
TOTAL CURRENT LIABILITIES		1,790	1,668	1,668
NON-CURRENT LIABILITIES				
Provisions	14	118	103	103
Other	15	26	34	34
TOTAL NON-CURRENT LIABILITIES		144	137	137
TOTAL LIABILITIES		1,934	1,805	1,805
NET ASSETS		138,925	137,994	130,045
EQUITY				
Reserves	16	17,120	16,652	16,652
Accumulated Funds	16	121,805	121,342	113,393
TOTAL EQUITY		138,925	137,994	130,045

The accompanying notes form part of these statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2004

	NOTES	ACTUAL 2004 \$'000	BUDGET 2004 \$'000	ACTUAL 2003 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
PAYMENTS				
Employee Related		(11,918)	(10,583)	(10,930)
Other		(9,546)	(9,996)	(9,550)
TOTAL PAYMENTS		(21,464)	(20,579)	(20,480)
RECEIPTS				
Sale of Goods and Services		3,580	2,925	3,448
Interest Received		289	326	320
Other		1,967	1,126	1,912
TOTAL RECEIPTS		5,836	4,377	5,680
CASH FLOWS FROM GOVERNMENT				
Recurrent Appropriation		15,688	15,660	14,904
Capital Appropriation		9,212	9,212	3,276
Cash Reimbursements from the Crown Entity		734	609	673
NET CASH FLOWS FROM GOVERNMENT		25,634	25,481	18,853
NET CASH FLOWS FROM OPERATING ACTIVITIES	19	10,006	9,279	4,053
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of Land and Buildings, Plant and Equipment		15	-	16
Purchases of Land and Buildings, Plant and Equipment		(9,563)	(9,212)	(3,854)
Purchases of Collections		(172)	-	(694)
Purchases of Investments		(52)	-	(1,362)
Proceeds received from Investments		-	-	927
NET CASH FLOWS FROM INVESTING ACTIVITIES		(9,772)	(9,212)	(4,967)
NET INCREASE/(DECREASE) IN CASH		234	67	(914)
Opening Cash and Cash Equivalents		4,466	4,466	5,380
CLOSING CASH AND CASH EQUIVALENTS	7	4,700	4,533	4,466

The accompanying notes form part of these statements.

SUMMARY OF COMPLIANCE WITH FINANCIAL DIRECTIVES

	2004				2003			
	RECURRENT		CAPITAL		RECURRENT		CAPITAL	
	APPROP \$'000	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND \$'000	APPROP \$'000	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND \$'000	APPROP \$'000	EXPENDITURE \$'000	APPROP \$'000	EXPENDITURE \$'000
ORIGINAL BUDGET APPROPRIATION/ EXPENDITURE								
Appropriation Act	15,660	15,660	9,212	9,212	14,904	14,904	6,322	3,276
Additional Appropriations	28	28	-	-	-	-	-	-
Total Appropriations/ Expenditure/Net Claim on Consolidated Fund (includes transfer payments)	15,688	15,688	9,212	9,212	14,904	14,904	6,322	3,276
Amount Drawn down against Appropriation		15,688		9,212		14,904		3,276
Liability to Consolidated Fund		-		-		-		-

NOTE: 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 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Historic Houses Trust of New South Wales (HHT), as a reporting entity, comprises all the entities under its control, namely the Rouse Hill Hamilton Collections Pty Ltd, the Hamilton Rouse Hill Trust, Foundation for the Historic Houses Trust of New South Wales Limited and the Foundation for the Historic Houses Trust of New South Wales.

(i) The Rouse Hill Hamilton Collections Pty Ltd

The sole purpose of the Rouse Hill Hamilton Collections Pty Ltd is to act as the Trustee of the Hamilton Rouse Hill Trust, and it has never traded in its own right.

The Company has issued two \$1 fully paid shares. The Historic Houses Trust of New South Wales holds one share and Peter Watts in his capacity of Director of the Historic Houses Trust of New South Wales holds the other share. There were no financial transactions in this financial year.

(ii) The Hamilton Rouse Hill Trust

The Hamilton Rouse Hill Trust was established on 27 October 1994 and holds collection items in and about Rouse Hill House. The only financial transaction during the year was a revaluation of the Hamilton Rouse Hill Trust's collections.

(iii) Foundation for the Historic Houses Trust of New South Wales Limited

The Foundation for the Historic Houses Trust of New South Wales Limited was incorporated on 13 September 2001 but did not commence activities until October 2002. The sole purpose of the Foundation for the Historic Houses Trust of New South Wales Limited is to act as Trustee to the Foundation for the Historic Houses Trust of New South Wales, and it has never traded in its own right. There were no financial transactions during the year.

(iv) Foundation for the Historic Houses Trust of New South Wales

The Foundation for the Historic Houses Trust of New South Wales was established on 14 November 2001 but did not commence activities until October 2002. It was set up for the purposes of promoting, advancing and developing the museums under the care, custody and control of the Historic Houses Trust of New South Wales. A summary of the Foundation's financial statements is at Note 21.

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

(b) Basis of Accounting

The Historic Houses Trust of New South Wales 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 of the Public Finance and Audit Act and Regulations
- 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 AAS6 'Accounting Policies' is considered.

Except for certain investments, land and buildings, and collections, which are recorded at valuation, the financial statements are prepared in accordance with the historical cost convention.

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

(c) Revenue Recognition

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

(i) Parliamentary Appropriations and Contributions from Other Bodies

Parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as revenues when the HHT obtains control over the assets comprising the appropriations/contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash.

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

The HHT has spent all its appropriations in the financial year and there is nothing owing to the Consolidated Fund at year-end.

(ii) Sale of Goods and Services

Revenue from sale of goods and services comprises revenue from the provision of products or services, ie user charges. User charges are recognised as revenue when the HHT obtains control of the assets that result from them.

(iii) Investment Income

Interest revenue is recognised as it accrues. Rent revenue is recognised in accordance with AAS 17 'Accounting for Leases'.

(d) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2004

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in 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) Long Service Leave and Superannuation

The HHT's liabilities for long service leave and superannuation are assumed by the Crown Entity. The HHT accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of Employee Benefits and Other Liabilities'.

Long service leave is measured at the present value of the estimated future cash outflows (including on-costs) to be made by the HHT in respect of services provided by employees up to year-end. The present value methodology was adopted for the year ended 30 June 2003 and opening balances were adjusted to reflect this adoption as at 1 July 2002. The calculation of present value has taken into account future increases in remuneration rates, as they will increase the amount that the employer is required to pay to settle the liability. In financial years prior to the year ended 30 June 2003 the short hand method was used. This is based on the remuneration rates at year-end for all employees with five or more years of service. The change in methodology occurred as a result of calculations by the Government Actuary that have indicated that for budget dependent agencies this approach results in liabilities that are lower than those that would be calculated using the present value method. As a result, the HHT as a budget dependent agency whose long service leave is assumed by the Crown is required to adopt the present value methodology.

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

(e) Insurance

The HHT'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.

(f) Acquisition of Assets

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

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arms-length transaction.

(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 HHT 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) Plant and Equipment

Plant and equipment costing over \$5,000 and all computer hardware and major software are individually capitalised.

(i) 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' (TPP 03-02). 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 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, ie the replacement cost of the asset's remaining future economic benefits. The agency 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. Details of the last valuation for each class of physical non-current assets is disclosed in Note 11.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value. The Plant and Equipment class of physical non-current assets is measured by this methodology.

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 is separately restated.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2004

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

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.

(j) 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 HHT.

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 artworks, collections and heritage buildings. Depreciation for these items can not be reliably measured because the useful life and the net amount to be recovered at the end of the useful life can not be reliably measured. In these cases, depreciation is not recognised. The decision not to recognise depreciation for these assets is reviewed annually.

The estimated useful life of items are as follows:

• Non-Heritage buildings	40 years
• Computer Equipment & Major Software	4 years
• Mechanical & Electronic Office Equipment	7 years
• Electronic Equipment	7 years
• Radio Communication Equipment	7 years
• Telephone Installations	10 years
• Office Fittings	10 years
• Miscellaneous Tools & Equipment	7 years
• Mobile Plant	10 years

(k) 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.

(l) Leased Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits. The HHT has no finance leases.

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred.

(m) Other Financial Assets

'Other financial assets' are generally recognised at cost, with the exception of TCorp Hour-Glass Facilities, which are measured at market value.

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

(n) Receivables

Receivables are recognised and carried at cost, based on the original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when the collection of the full amount is no longer probable. Bad debts are written off as incurred.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is calculated using the weighted average cost method.

(p) Payables

These amounts represent liabilities for goods and services provided to the agency and other amounts, including interest. Interest is accrued over the period it becomes due.

(q) Budgeted Amounts

The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year and with any adjustments for the effects of additional appropriations, s 21A, s 24 and/or s 26 of the Public Finance and Audit Act 1983.

The budgeted amounts in the 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 because the opening balances of the budgeted amounts are based on the carried forward actual amounts, ie per the audited financial statements (rather than carried forward estimates).

(r) Adoption of Australian Equivalents to International Financial Reporting Standards

The HHT will apply the Australian Equivalents to International Financial Reporting Standards (AIFRS) from the reporting period beginning 1 July 2005.

The HHT is managing the transition to the new standards by allocating internal resources and/or engaging consultants to analyse the pending standards and Urgent Issues Group Abstracts to identify key areas regarding policies, procedures, systems and financial impacts affected by the transition.

As a result of this exercise, the agency has taken the following steps to manage the transition to the new standards:

The HHT's Audit Committee is overseeing the transition. The Chief Financial Officer is responsible for the project and reports regularly to the committee on progress against the plan.

The following phases that need to be undertaken have been identified:

- HHT's strategy for adoption of AIFRS was submitted to Treasury on 30 June 2004.
- Draft opening balance sheet for 1 July 2004 to be prepared in order to adopt AIFRS. This will be submitted to

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2004

Treasury by 15 December 2004.

- Final opening balance sheet for 1 July 2004 to be prepared in order to adopt AIFRS. This will be submitted to Treasury by 31 March 2005 and will allow the audit of the opening trial balance before 30 June 2005.

NSW Treasury is assisting agencies to manage the transition by developing policies, including mandates of options; presenting training seminars to all agencies; providing a website with up-to-date information to keep agencies informed of any new developments; and establishing an IAS Agency Reference Panel to facilitate a collaborative approach to manage the change.

The HHT has identified a number of significant differences in accounting policies that will arise from adopting AIFRS. Some differences arise because AIFRS requirements are different from existing Australian Accounting Standards Board (AASB) requirements. Other differences could arise from options in AIFRS. To ensure consistency at the whole of government level, NSW Treasury has advised the HHT of options it is likely to mandate, and will confirm these during 2004–2005. This disclosure reflects these likely mandates.

The HHT's accounting policies may also be affected by a proposed standard designed to harmonise accounting standards with Government Finance Statistics (GFS). This standard is likely to change the impact of AIFRS and significantly affect the presentation of the income statement. However, the impact is uncertain, because it depends on when this standard is finalised and whether it can be adopted in the 2005–2006 financial year.

Based on current information, the following key differences in accounting policies are expected to arise from adopting AIFRS:

- AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' requires retrospective application of the new AIFRS from 1 July 2004, with limited exemptions. Similarly, AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance of accumulated funds. This differs from current Australian requirements, because such changes must be recognised in the current period through profit or loss, unless a new standard mandates otherwise.
- AASB 102 'Inventories for not-for-profit entities' requires inventory 'held for distribution' at no or nominal cost to be valued at the lower of cost and current replacement cost rather than the lower of cost and net realisable value. This may increase the amount of inventories recognised.
- AASB 116 'Property, Plant and Equipment' requires the cost and fair value of property, plant and equipment to be increased to include restoration costs, where restoration provisions are recognised under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'. Major inspection costs must be capitalised and this will require the fair value and depreciation of the related asset to be re-allocated.

- AASB 117 'Leases' requires operating lease contingent rentals to be recognised as an expense on a straight-line basis over the lease term rather than expensing in the financial year incurred.
- AASB 1004 'Contributions' applies to not-for-profit entities only. Entities will either continue to apply the current requirements in AASB 1004 where grants are normally recognised on receipt, or alternatively apply the proposals on grants included in ED 125 'Financial Reporting by Local Governments'. If the ED 125 approach is applied, revenue and/or expense recognition will be delayed until the agency supplies the related goods and services (where grants are in-substance agreements for the provision of goods and services) or until conditions are satisfied.
- AASB 136 'Impairment of Assets' requires an entity to assess at each reporting date whether there is any indication that an asset (or cash generating unit) is impaired, and, if such indication exists, estimate the recoverable amount. However, the effect of this standard should be minimal because all the substantive principles in AASB 136 are already incorporated in Treasury's policy 'Valuation of Physical Non-Current Assets at Fair Value'.
- AASB 139 'Financial Instrument Recognition and Measurement' results in the recognition of financial instruments that were previously off balance sheet, including derivatives. The standard adopts a mixed measurement model and requires financial instruments held for trading and available for sale to be measured at fair value and valuation changes to be recognised in profit or loss or equity, respectively. Previously they were recognised at cost. This may increase the volatility of the operating result and balance sheet.

To achieve full harmonisation with GFS, entities would need to designate all financial instruments at fair value through profit or loss. However, at this stage it is unclear whether this option will be available under the standard and, if available, whether Treasury will mandate this option for all agencies.

	2004 \$'000	2003 \$'000
2. EXPENSES		
(a) Employee Related Expenses		
Salaries and Wages (including recreation leave)	10,327	9,531
Superannuation	854	784
Long Service Leave	296	343
Workers Compensation Insurance	263	177
Payroll Tax and Fringe Benefits Tax	692	637
	12,432	11,472

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2004

	2004 \$'000	2003 \$'000
(b) Other Operating Expenses		
Advertising and Publicity	942	1,018
Auditor's Remuneration – Audit of the Financial Reports	53	34
Bad Debts	3	7
Books, Publications and Subscriptions	67	59
Contract Cleaning	386	376
Cost of Sales	496	521
Entertainment and Catering	39	42
Exhibitions	477	590
Fees for Services Rendered	535	555
Freight	41	42
Gas and Electricity	233	241
Insurance	161	195
Maintenance Contracts	39	47
Marketing	320	297
Motor Vehicle running costs	113	105
Other Expenses	496	433
Post and Telephone	309	295
Printing	292	217
Public Programs	601	466
Rates	45	43
Operating Lease Rental Expense – minimum lease payments	150	142
Security	192	173
Stores	463	569
Travel	136	142
	6,589	6,609
(c) Depreciation and Amortisation Expense		
Depreciation:		
Buildings	525	524
Plant and Equipment	853	831
	1,378	1,355
(d) Other Expenses		
Obsolete stock write-off	156	151
<p>This represents stock that was either written off or written down to net realisable value due to it being stock that was no longer able to be sold or sold at existing prices. The stock that has been written off has been or will be donated to schools and councils or destroyed where it could not be donated.</p>		
3. REVENUES		
(a) Sale of Goods and Services		
Sale of Goods:		
• Merchandise, Book and Publication sales	843	834
Rendering of Services:		
• Admissions and Functions	1,588	1,609
• Rentals	376	416
• Special Activities and Openings	452	410
• Filming and Photography	32	64
• Miscellaneous	123	51
	2,571	2,550
	3,414	3,384

	2004 \$'000	2003 \$'000
(b) Investment Income		
Interest	289	320
(c) Grants and Contributions		
Sponsorships	252	290
Statutory Authorities	50	99
Donation of Collections	20	250
Other Donations	274	491
Services Provided at no Charge (see Note 12)	353	463
	949	1,593
(d) Other Revenue		
Recognition of Collection Assets	–	575
<p>The archaeology collections located at the Museum of Sydney, Hyde Park Barracks Museum and The Mint were brought to account at their fair market value during June 2003.</p>		
4. GAIN/(LOSS) ON DISPOSAL OF NON-CURRENT ASSETS		
Proceeds from Disposal of Plant and Equipment	15	16
Written Down Value of Assets Disposed	(9)	(22)
Net Gain/(Loss) on Disposal of Non-Current Assets	6	(6)
5. APPROPRIATIONS		
Recurrent Appropriations		
Total Recurrent Drawdowns from Treasury (per Summary of Compliance)	15,688	14,904
Capital Appropriations		
Total Capital Drawdowns from Treasury (per Summary of Compliance)	9,212	3,276
<p>The HHT had no transfer payments during the year.</p>		
6. ACCEPTANCE BY THE CROWN ENTITY OF EMPLOYEE BENEFITS AND OTHER LIABILITIES		
<p>The following liabilities and/or expenses have been assumed by the Crown Entity:</p>		
Superannuation	852	786
Long Service Leave	280	228
Payroll Tax on Superannuation	51	47
	1,183	1,061
7. CURRENT ASSETS – CASH		
Cash On Hand and At Bank	409	463
TCorp HourGlass Cash Facility	3,255	3,000
TCorp HourGlass Bond		
Market Facility	1,036	1,003
	4,700	4,466

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2004

	2004 \$'000	2003 \$'000
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Cash comprises cash on hand and bank balances within the Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate adjusted for a management fee to Treasury.

The HHT does not have any bank overdraft facility.

The HHT has investments in TCorp's Hour-Glass Investment facilities. The HHT's investments are represented by a number of units in managed investments within the facilities. Each facility has different investment horizons and comprises a mix of asset classes appropriate to that investment horizon. TCorp appoints and monitors fund managers and establishes and monitors the application of appropriate investment guidelines. These investments are generally able to be redeemed on a daily basis. The value of the investment 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 above investments represents the HHT's share of the value of the underlying assets of the facility and those assets are stated at net fair value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash at bank and TCorp Hour-Glass facilities. Cash assets recognised in the Statement of Financial Position are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:

Cash (per Statement of Financial Position)	4,700	4,466
Closing Cash and Cash Equivalents (per Statement of Cash Flows)	4,700	4,466

8. CURRENT ASSETS – OTHER FINANCIAL ASSETS

TCorp Term Deposit	382	364
Other Term Deposits	716	682
	1,098	1,046

The HHT has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard & Poors. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. The interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit. The HHT has other funds placed in term deposits with Westpac, St George and Macquarie Bank. The interest rate is fixed for the term of the security and the securities are held to maturity.

All of the above deposits have terms of less than one year. All deposits above have been recorded at their carrying amount which equates to their net fair value. The deposits at balance date were earning an average interest rate of 5.36% (2003 – 4.56%), while over the year the weighted average balance was \$1,068,381 (2003 – \$721,756).

	2004 \$'000	2003 \$'000
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9. CURRENT ASSETS – RECEIVABLES

Sale of Goods and Services	637	586
Prepayments	37	24
Accrued Interest on Deposit	2	–
	676	610
Less: Provision for Doubtful Debts	–	–
	676	610

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. 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.

10. CURRENT ASSETS – INVENTORIES

At Cost		
Publications in Progress	23	30
Merchandise in Progress	–	1
Merchandise	411	507
Publications	308	367
	742	905
At Net Realisable Value		
Publications	37	45
	37	45
Total Inventories	779	950

11. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

(a) Land and Buildings		
At Fair Value	117,065	107,905
Less Accumulated Depreciation	(5,323)	(4,799)
	111,742	103,106
(b) Plant and Equipment		
At Fair Value	8,757	8,669
Less Accumulated Depreciation	(6,972)	(6,423)
	1,785	2,246
(c) Collections		
At Fair Value	20,079	19,426
	20,079	19,426
Total Property, Plant and Equipment at Net Book Value	133,606	124,778

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2004

Reconciliations – Non Current Assets

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below:

2004	LAND AND BUILDINGS \$'000	PLANT AND EQUIPMENT \$'000	COLLECTIONS \$'000	TOTAL \$'000
Carrying amount at start of year	103,106	2,246	19,426	124,778
Additions	9,161	402	192	9,755
Disposals	–	(314)	(7)	(321)
Net Revaluation Increment less Revaluation Decrements	–	–	468	468
Depreciation Expense	(525)	(853)	–	(1,378)
Depreciation Written Back on Disposals	–	304	–	304
Carrying Amount at End of Year	111,742	1,785	20,079	133,606

(i) All controlled properties have been valued in accordance with guidelines for Valuation of Land and Heritage assets in the NSW Public Sector, and as such reflect the current market value of the properties having regard to heritage and development restrictions. Accredited valuers from the State Valuation Office have valued the Land and Buildings at June 2000. During the year costs incurred on the conservation of those properties have been expensed.

(ii) The major collection items at each property have been valued by accredited valuers, at their fair market value. The remaining collection items were valued internally by curatorial staff. Except where otherwise stated, the Collections have been brought to account at those valuations. Any acquisitions since the last valuation date have been brought to account at cost. Costs incurred on conservation and restoration of objects in the HHT's collection have been expensed during the year.

(iii) The Meroogal collection was revalued in June 2003 by Anthony Palmer, Valuer, and brought to account at its fair market value.

(iv) The Government House collection was revalued in June 2003 by Anthony Palmer, Valuer, and brought to account at its fair market value.

(v) The collections from Elizabeth Bay House, Elizabeth Farm and Vaucluse House were brought to account at their fair market value, as valued by accredited valuers during the period May to June 2002:

Category	Valuer
Ceramics and silver	Anthony Palmer
Decorative arts, paintings and textiles	Anthony Palmer
Furniture and decorative arts	Anthony Palmer
Rare books	Anthony Palmer

(vi) The collections from the following properties were brought to account at their fair market value, as valued by accredited valuers during June 2000:

Category	Valuer
Rose Seidler House collection	Andrew Shapiro
Museum of Sydney silver collection	Alan Landis

Museum of Sydney rare books and photographs collection Tim McCormick
 Justice & Police Museum collection Simon Storey

(vii) The Library & Research Collection was brought to account at its fair market value, as valued by accredited valuers during June 2001:

Category	Valuer
Decorative arts, paintings and textiles	Anthony Palmer

(viii) The Rouse Hill estate collection was revalued in March 2004 by Anthony Palmer, Valuer, and brought to account at its fair market value.

(ix) The Susannah Place Museum collection was revalued in March 2004 by Anthony Palmer, Valuer, and brought to account at its fair market value.

(x) The archaeology collections located at the the Museum of Sydney, Hyde Park Barracks Museum and The Mint were brought to account at their fair market value, as valued by Simon Storey, Valuer, during June 2003.

	2004 \$'000	2003 \$'000

12. NON-CASH FINANCING AND INVESTING ACTIVITIES

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

Donations of collections – brought to account by creating an asset and crediting non-cash donations

	20	250
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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:

Advertising	145	135
Maintenance (Department of Commerce)	353	463

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2004

	2004 \$'000	2003 \$'000
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The HHT received maintenance services free of charge for the maintenance of Government House as shown from the Heritage Buildings Program of the Department of Commerce.

The HHT received advertising free of charge as shown from SBS as sponsorship for several exhibitions.

The HHT's work was also assisted by the Friends of the Historic Houses Trust and volunteers. These services were provided free of charge and it is considered not possible to estimate their value.

13. CURRENT LIABILITIES – PAYABLES

Accrued Salaries, Wages and On-Costs	124	303
Creditors	465	391
Revenue Received in Advance	184	36
Accrued Expenses	202	173
	975	903

The liabilities are recognised for amounts due to be paid in future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or 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 HHT incur any interest expense in relation to the late payment of invoices for the financial years 2004 and 2003.

14. CURRENT/NON-CURRENT LIABILITIES – PROVISIONS

Current Employee Benefits and related On-Costs		
Recreation Leave	802	754
Long Service Leave On-Costs (not assumed by Crown)	5	4
Payroll Tax on Long Service Leave (not assumed by Crown)	8	7
Total Current Provisions	815	765

16. CHANGES IN EQUITY

	ACCUMULATED FUNDS		ASSET REVALUATION RESERVE		TOTAL EQUITY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Balance at the Beginning of the Financial Year	113,393	109,988	16,652	14,765	130,045	124,753
Changes in Equity – Other Than Transactions with Owners as Owners						
Surplus for the Year	8,412	3,405	–	–	8,412	3,405
Increment on Revaluation of:						
Collections	–	–	468	1,887	468	1,887
Total	8,412	3,405	468	1,887	8,880	5,292
Balance at the end of the financial year	121,805	113,393	17,120	16,652	138,925	130,045

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

	2004 \$'000	2003 \$'000
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Non-Current Employee Benefits and related On-Costs

Long Service Leave On-Costs (not assumed by Crown)	43	37
Payroll Tax on Long Service Leave (not assumed by Crown)	75	66
Total Non-Current Provisions	118	103
Total Provisions	933	868
Aggregate Employee Benefits and Related On-Costs		
Provisions – Current	815	765
Provisions – Non-Current	118	103
Accrued Salaries, Wages and On-Costs (Note 13)	410	303
	1,343	1,171

15. NON-CURRENT LIABILITIES – OTHER

Security Deposits	26	34
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2004

	2004 \$'000	2003 \$'000
--	----------------	----------------

17. COMMITMENTS FOR EXPENDITURE

(a) Capital Commitments

Aggregate capital expenditure for the acquisition of The Mint head office project contracted for at balance date and not provided for:

Not later than one year	2,251	8,277
Later than one year and not later than five years	-	-
Later than five years	-	-
Total (including GST)	2,251	8,277

(b) Other Expenditure Commitments

Aggregate other expenditure for the acquisition of goods and services contracted for at balance date and not provided for:

Not later than one year	254	-
Later than one year and not later than five years	-	-
Later than five years	-	-
Total (including GST)	254	-

(c) Operating Lease Commitments

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

Not later than one year	223	74
Later than one year and not later than five years	46	31
Later than five years	-	-
Total (including GST)	269	105

Commitments include input tax credits of \$252,119 (2003 – \$761,498), that are expected to be recoverable from the Australian Taxation Office.

18. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Trustees are not aware of any contingent liabilities or contingent assets.

19. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET COST OF SERVICES

Total Net Cash Flow from Operating Activities	10,006	4,053
Depreciation	(1,378)	(1,355)
Decrease/(Increase) in Provisions	(65)	(154)
Net (Loss)/Gain on Sale of Plant and Equipment	6	(6)
Donations of Collections	20	250
Deaccession of Collections	(8)	-
Initial recognition of Archaeological Collection	-	575
(Increase)/Decrease in Other Liabilities	8	(29)
Increase/(Decrease) in Receivables	66	185
Increase/(Decrease) in Inventories	(171)	(150)
(Increase)/Decrease in Payables	(72)	36
Recurrent Appropriation	(15,688)	(14,904)
Capital Appropriation	(9,212)	(3,276)
Acceptance by Crown Entity of Employee Benefits & Other Liabilities	(1,183)	(1,061)
Net Cost of Services	(17,671)	(15,836)

20. PROGRAMS/ACTIVITIES OF THE HHT

The HHT operates under one program which is to develop, conserve and manage the museums in its care, and to provide facilities for the visiting public, including exhibitions, educational programs and specialist advice.

The objectives of the program are to conserve, interpret and manage places of cultural significance in the care of the HHT with integrity and imagination, and in doing so to inspire an understanding of New South Wales histories and diverse cultural heritage for present and future audiences.

All revenues, expenses, assets and liabilities of the HHT are directly attributable to this program.

21. CONTROLLED ENTITIES

The Foundation for the Historic Houses Trust of New South Wales and the Hamilton Rouse Hill Trust were the only controlled entities with financial transactions this financial year.

The following is a summary of the Foundation for the Historic Houses Trust of New South Wales financial statements for the financial year.

A separate financial report is prepared for the Foundation for the Historic Houses Trust of New South Wales and is published further in this report (see pages 86–92).

Revenues	389	419
Expenses	171	145
Surplus for the Year	218	274
Total Assets	2,154	1,950
Total Liabilities	143	157
Net Assets	2,011	1,793
Accumulated Funds	2,011	1,793
Distributions to Beneficiary; the Historic Houses Trust of New South Wales amounted to:	-	203

The following is a summary of the Hamilton Rouse Hill Trust financial statements for the financial year.

A separate financial report is prepared for the Hamilton Rouse Hill Trust.

Revenues	-	-
Expenses	-	-
Surplus for the Year	-	-
Total Assets	733	686
Total Liabilities	-	-
Net Assets	733	686
Accumulated Funds and Reserves	733	686

The balances for the controlled entities reported above are included in the consolidated financial report prepared by the Historic Houses Trust of New South Wales within the relevant line items.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2004

	2004 \$'000	2003 \$'000
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22. BUDGET REVIEW

(a) Net Cost of Services

The actual net cost of services for the 2003–2004 financial year was lower than budgeted by \$267,000.

This was primarily due to the following:

• An Increase in Sale of Goods and Services	488
• An Increase in Sponsorships and Donations (see Note 3(c))	631

(b) Assets and Liabilities

Net Assets were higher than the budget by \$931,000 primarily due to the following:

• An Increase in the Value of Collections due to Scheduled Revaluations (see Note 11)	468
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(c) Cash Flows

The overall cash position increased by \$234,000 principally as a result of increased other revenue.

23. CHARITABLE FUNDRAISING ACTIVITIES CONDUCTED BY THE CONTROLLED ENTITY FOUNDATION FOR THE HISTORIC HOUSES TRUST OF NEW SOUTH WALES

Results of fundraising activities

(a) Gross proceeds from fundraising appeals	75,325	86,589
Less: Costs of fundraising appeals	22,239	55,265
Net surplus obtained from fundraising appeals	53,086	31,324
(b) Contributions to the Historic Houses Trust of New South Wales Transferred to/ (from) accumulated funds	53,086	(171,415)
	53,086	31,324

List of all forms of appeals

Events

How appeal monies are applied

As at 30 June 2004 the Foundation had not paid a distribution to the Historic Houses Trust of New South Wales. This has been done at the request of the Historic Houses Trust of New South Wales and funds raised will be made available in future years to fund future acquisitions by the Historic Houses Trust of New South Wales.

	2004		2003	
	\$	%	\$	%

Comparative figures and ratios

Total costs of fundraising /	22,239 /		55,265 /	
Gross income from fundraising	75,325	30	86,589	64
Net surplus from fundraising /	53,086 /		31,324 /	
Gross income from fundraising	75,325	70	86,589	36
Total costs of services /	– /		202,739 /	
Total expenditure	170,558	–	145,038	140
Total costs of services provided /	– /		202,739 /	
Total income received.	388,800	–	418,704	48

24. AFTER BALANCE DAY EVENTS

The four children of the late Caroline Simpson OAM have indicated an intention to gift their mother's collection, housed at Clyde Bank, The Rocks, to the HHT. The collection is valued at \$12.3 million. It is expected that a small part of the collection will be sold by the family to provide a \$1.5 million endowment for the Library and Research Collection.

END OF AUDITED FINANCIAL STATEMENTS

AUDITOR-GENERAL'S CERTIFICATE

FOUNDATION FOR THE HISTORIC HOUSES TRUST OF NEW SOUTH WALES



GPO BOX 12
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT FOUNDATION FOR THE HISTORIC HOUSES TRUST OF NEW SOUTH WALES

To Members of the New South Wales Parliament

Audit Opinion Pursuant to the *Public Finance and Audit Act 1983*

In my opinion, the financial report of the Foundation for the Historic Houses Trust of New South Wales:

- (a) presents fairly the Foundation's financial position as at 30 June 2004 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 section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act).

Audit Opinion Pursuant to the *Charitable Fundraising Act 1991*

In my opinion:

- (a) the accounts of the Foundation for the Historic Houses Trust of New South Wales show a true and fair view of the financial result of fundraising appeals for the year ended 30 June 2004
- (b) the accounts and associated records of the Foundation have been properly kept during the year in accordance with the *Charitable Fundraising Act 1991* (the CF Act) and the *Charitable Fundraising Regulation 2003* (the CF Regulation)
- (c) money received as a result of fundraising appeals conducted during the year has been properly accounted for and applied in accordance with the CF Act and the CF Regulation, and
- (d) there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they fall due.

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

The Trustees' Role

The financial report is the responsibility of the Directors of the Foundation for the Historic Houses Trust of New South Wales Limited as Trustees of the Trust. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows and the accompanying notes.

The Auditor's Role and the Audit Scope

As required by the PF&A Act and the CF 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 Trustee's directors in preparing the financial report,
- examined a sample of the evidence that supports:
 - (i) the amounts and other disclosures in the financial report,
 - (ii) compliance with accounting and associated record keeping requirements pursuant to the CF Act, and
- obtained an understanding of the internal control structure for fundraising appeal activities.

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 Trustee's directors had not fulfilled their reporting obligations.

My opinions do *not* provide assurance:

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

Audit Independence

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

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

G J Gibson FCPA
Director of Audit
SYDNEY
15 October 2004

DIRECTORS' REPORT

FOUNDATION FOR THE HISTORIC HOUSES TRUST OF NEW SOUTH WALES

The directors of the Foundation for the Historic Houses Trust of New South Wales Limited, the Trustee of the Foundation for the Historic Houses Trust of New South Wales, submit herewith the financial report of the Foundation for the Historic Houses Trust of New South Wales for the year ended 30 June 2004. The directors report as follows:

The names and particulars of the directors of the Foundation for the Historic Houses Trust of New South Wales Limited during or since the end of the financial period are:

NAME	PARTICULARS
Marylyn Abbott	Company Director
Neville Allen	Solicitor, Property Partner, Holding Redlich
Zeny Edwards	Architectural historian and author
Lynette Fern	Author
David Hall	Chartered Accountant, Company Director
Michael Heraghty	Solicitor, Corporate Division Manager & Senior Partner, Tress Cocks & Maddox
John Kehoe	Special Counsel, Gadens Solicitors and Company Director
Beat Knoblauch	Company Director, Beat Knoblauch & Associates
Rodney Leaver	Managing Director, Ronin Property Limited. President of the NSW Division of the Property Council of Australia
Clive Lucas OBE	Heritage Architect and Director, Clive Lucas Stapleton & Partners
William McLaughlin	Former Group Manager Corporate Affairs AGL
Susan Rothwell	Architect, Principal Partner, Susan Rothwell & Associates
Stephen Wall	Co-founder and Chairman, HWW Limited
Peter Watts	Director, Historic Houses Trust of New South Wales
Lesley Wild	Corporate Communications Director, FDC Courier
Jill Wran	Chairman, Historic Houses Trust. Chairman, Foundation for the Historic Houses Trust

The above named directors held office during the financial period.

PRINCIPAL ACTIVITIES

The principal activity of the Foundation during the financial period was the raising of funds to support the management, maintenance, promotion, and development of museums under the care of the Historic Houses Trust of New South Wales.

There was no change in the principal activity of the Foundation during the period.

REVIEW OF OPERATIONS

The net surplus of the Foundation for the financial year ended 30 June 2004 was \$218,242.

The Foundation is a not-for-profit organisation and is exempt from the payment of income tax under Subdivision 50-5 of the Income Tax Assessment Act 1997.

CHANGES IN STATE OF AFFAIRS

During the financial period there was no significant change in the state of affairs of the Foundation other than that referred to in the financial statements or notes thereto.

SUBSEQUENT EVENTS

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the Foundation, or the state of affairs of the Foundation in future financial years.

FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the operations of the Foundation in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Foundation. Accordingly this information has not been disclosed in this report.

DISTRIBUTIONS

There were no distributions paid during the financial period.

INDEMNIFICATION OF OFFICERS

The Historic Houses Trust of New South Wales (the controlling entity) has included the Foundation within its Treasury Managed Fund Indemnity Coverage. The Treasury Managed Fund is a self-insurance scheme owned and underwritten by the New South Wales Government. Such inclusion of the Foundation confers upon it 'protected entity' status within the Treasury Managed Fund. The contract of coverage is an indemnification for any and all actions leading to a claim against the covered entity subject to the Contract of Coverage. Each Board Member, Trustee, Officer and Employee of the 'Protected Entity' is covered by the Contract of Coverage for any 'legal liability', alleged or actual, as long as the action is not based on an illegal and/or criminal act or outside the scope of their duties.

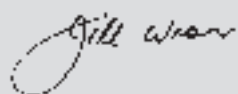
DIRECTORS' REPORT (CONTINUED)
FOUNDATION FOR THE HISTORIC HOUSES TRUST OF NEW SOUTH WALES

The following tables set out the number of directors' meetings held (including meetings of committees of directors) during the financial year and the number of meetings attended by each director (while they were a director or a committee member). During the financial year, six Board meetings, three Endangered Houses Fund Committee meetings, four Events Committee meetings, four Donors and Ongoing Relationships Committee meetings, five Finance, Legal and Bequests Committee meetings, and one Communications Committee meeting were held.

Directors	BOARD OF DIRECTORS		ENDANGERED HOUSES FUND COMMITTEE		EVENTS COMMITTEE	
	Held	Attended	Held	Attended	Held	Attended
Jill Wran (Chairman)	6	6	3	2	4	3
Marylyn Abbott	6	2	-	-	-	-
Neville Allen	6	5	3	2	-	-
Zeny Edwards	2	2	-	-	1	1
Lynette Fern	6	3	-	-	4	3
David Hall	6	2	-	-	-	-
Michael Heraghty	6	6	-	-	-	-
John Kehoe	6	5	-	-	-	-
Beat Knoblauch	6	4	-	-	-	-
Rodney Leaver	6	4	3	3	-	-
Clive Lucas OBE	6	5	3	3	4	2
William McLaughlin	6	5	3	2	-	-
Susan Rothwell	6	5	3	3	4	3
Stephen Wall	6	5	-	-	-	-
Peter Watts	6	6	3	2	-	-
Lesley Wild	6	1	-	-	-	-

Directors	DONORS AND ONGOING RELATIONSHIPS COMMITTEE		FINANCE LEGAL AND BEQUESTS COMMITTEE		COMMUNICATIONS COMMITTEE	
	Held	Attended	Held	Attended	Held	Attended
Jill Wran (Chair)	4	2	-	-	-	-
Marylyn Abbott	-	-	-	-	-	-
Neville Allen	4	1	-	-	-	-
Zeny Edwards	1	1	-	-	-	-
Lynette Fern	4	3	-	-	1	1
David Hall	-	-	5	1	-	-
Michael Heraghty	-	-	5	2	-	-
John Kehoe	-	-	5	4	-	-
Beat Knoblauch	-	-	5	5	-	-
Rodney Leaver	-	-	-	-	-	-
Clive Lucas OBE	-	-	-	-	1	1
William McLaughlin	4	4	-	-	-	-
Susan Rothwell	-	-	-	-	1	1
Stephen Wall	4	3	5	3	-	-
Peter Watts	-	-	-	-	-	-
Lesley Wild	-	-	-	-	-	-

Signed in accordance with a resolution of the Directors.
 On behalf of the Directors



Jill Wran
 Chairman



Beat Knoblauch
 Director

Sydney, 12 October 2004

DIRECTORS' DECLARATION

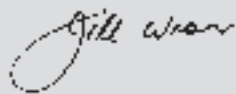
FOUNDATION FOR THE HISTORIC HOUSES TRUST OF NEW SOUTH WALES

The directors of the Foundation for the Historic Houses Trust of New South Wales Limited, the Trustee of the Foundation for the Historic Houses Trust of New South Wales, declare that:

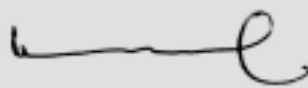
- (a) The attached financial statements and notes thereto comply with Australian Accounting Standards, Public Finance and Audit Act 1983 and regulations, Urgent Issues Group Consensus Views and other authoritative pronouncements.
- (b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Trust.
- (c) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Trust Deed.
- (d) In the directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.
- (e) The directors are not aware of any circumstances which would render any particulars included in the financial report to be misleading or inaccurate.
- (f) The financial report has been properly drawn up and the associated records have been properly kept for the period from 1 July 2003 to 30 June 2004, in accordance with the Charitable Fundraising (NSW) Act 1991 and Regulations.
- (g) Money received as a result of fundraising activities conducted during the period from 1 July 2003 to 30 June 2004 has been properly accounted for and applied in accordance with the Charitable Fundraising (NSW) Act 1991 and Regulations.

Signed in accordance with a resolution of the directors.

On behalf of the directors:



Jill Wran
Chairman



Beat Knoblauch
Director

Dated this day Tuesday 12 October 2004

STATEMENT OF FINANCIAL PERFORMANCE
FOUNDATION FOR THE HISTORIC HOUSES TRUST OF NEW SOUTH WALES
FOR THE PERIOD ENDED 30 JUNE 2004

	NOTES	ACTUAL 2004	ACTUAL 2003
REVENUE FROM ORDINARY ACTIVITIES	2	388,800	418,704
EXPENSES FROM ORDINARY ACTIVITIES			
Administration Expenses		97,034	64,792
Marketing Expenses		24,747	56,373
Occupancy Expenses		24,000	7,200
Audit Fees	3	4,200	3,000
Other Expenses from Ordinary Activities		20,577	13,673
TOTAL EXPENSES FROM ORDINARY ACTIVITIES		170,558	145,038
SURPLUS FROM ORDINARY ACTIVITIES	12	218,242	273,666
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		-	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS	10	218,242	273,666

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
FOUNDATION FOR THE HISTORIC HOUSES TRUST OF NEW SOUTH WALES
AS AT 30 JUNE 2004

	NOTES	ACTUAL 2004	ACTUAL 2003
ASSETS			
CURRENT ASSETS			
Cash Assets	4	1,078,870	927,785
Receivables	5	2,996	375
Other Financial Assets	6	1,072,113	1,021,338
TOTAL CURRENT ASSETS		2,153,979	1,949,498
TOTAL ASSETS		2,153,979	1,949,498
LIABILITIES			
CURRENT LIABILITIES			
Payables	7	142,085	156,792
Provisions	8	946	-
TOTAL CURRENT LIABILITIES		143,031	156,792
TOTAL LIABILITIES		143,031	156,792
NET ASSETS		2,010,948	1,792,706
TRUST FUNDS			
Settled Funds	9	1,721,779	1,721,779
Accumulated Surplus	10	289,169	70,927
TOTAL EQUITY		2,010,948	1,792,706

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOUNDATION FOR THE HISTORIC HOUSES TRUST OF NEW SOUTH WALES
FOR THE PERIOD ENDED 30 JUNE 2004

	NOTES	ACTUAL 2004	ACTUAL 2003
CASH FLOWS FROM OPERATING ACTIVITIES			
PAYMENTS			
Employee Related		(88,238)	(55,877)
Other		(96,695)	(37,478)
TOTAL PAYMENTS		(184,993)	(93,355)
RECEIPTS			
Interest Received		92,467	60,879
Grants and Contributions		294,325	358,089
TOTAL RECEIPTS		386,792	418,968
NET CASH FLOWS FROM OPERATING ACTIVITIES	12(c)	201,859	325,613
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of Investments		(50,774)	(1,332,788)
Proceeds from Investments		-	927,726
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(50,774)	(405,062)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Contributed Equity		-	1,209,973
Distribution Paid		-	(202,739)
NET CASH FLOWS FROM FINANCING ACTIVITIES		-	1,007,234
NET INCREASE IN CASH		151,085	927,785
Opening Cash and Cash Equivalents		927,785	-
CLOSING CASH AND CASH EQUIVALENTS	12(a)	1,078,870	927,785

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOUNDATION FOR THE HISTORIC HOUSES TRUST OF NEW SOUTH WALES

FOR THE YEAR ENDED 30 JUNE 2004

1. SUMMARY OF ACCOUNTING POLICIES

Financial Reporting Framework

The financial report is a general purpose financial report which has been prepared in accordance with the Trust Deed, Australian Accounting Standards and other authoritative pronouncements of the AASB, Urgent Issues Group Consensus Views, Public Finance and Audit Act 1983 and regulations and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Revenue Recognition

Interest revenue – interest revenue is recognised on an accruals basis.

Donations – revenue received from donations is recorded as and when it is received.

(b) Acquisition of Assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

(c) 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 Foundation 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.

(d) Receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

(e) Income Tax

The Foundation is exempt from the payment of income tax, and accordingly, no provision for income tax liability or future income tax benefit has been included in the accounts.

(f) Accounts Payable

Trade payables and other accounts payable are recognised when the Foundation becomes obliged to make future payments resulting from the purchase of goods and services.

(g) Date of Commencement of Trading

The Foundation was formed on 14 November 2001 but did not commence activities until October 2002 when all assets and liabilities of the Historic Houses Trust of New South Wales Foundation were transferred across (refer Note 9). Accordingly the comparative figures cover the period from the date of transfer, 1 October 2002 to 30 June 2003.

(h) Adoption of Australian Equivalents to International Financial Reporting Standards

The Foundation will apply the Australian Equivalents to International Financial Reporting Standards (AIFRS) from the reporting period beginning 1 July 2005.

The Foundation is managing the transition to the new standards by following the advice and strategy prescribed by the Foundation's controlling entity, the Historic Houses Trust of New South Wales (HHT). The HHT has allocated internal resources and/or engaged consultants to analyse the pending standards and Urgent Issues Group Abstracts to identify key areas regarding policies, procedures, systems and financial impacts affected by the transition.

As a result of this exercise, the HHT has taken the following steps to manage the transition to the new standards, which includes the Foundation as a controlled entity.

The HHT Audit Committee is overseeing the transition. The Chief Financial Officer of the HHT is responsible for the project and reports regularly to the Committee on progress against the plan.

The controlling entity, the HHT, has identified the following phases to be undertaken.

- The controlling entity, the HHT, strategy for adoption of AIFRS was submitted to Treasury on 30 June 2004.
- The controlling entity, the HHT, draft consolidated opening balance sheet for 1 July 2004 to be prepared in order to adopt AIFRS. This will be submitted to Treasury by 15 December 2004.
- The controlling entity, the HHT, final consolidated opening balance sheet for 1 July 2004 to be prepared in order to adopt AIFRS. This will be submitted to Treasury by 31 March 2005 and will allow the audit of the opening trial balance before 30 June 2005.

NSW Treasury is assisting the HHT to manage the transition by developing policies, including mandates of options; presenting training seminars; providing a website with up-to-date information to keep government agencies informed of any new developments; and establishing an IAS Agency Reference Panel to facilitate a collaborative approach to manage the change.

The Foundation through the advice of its controlling entity, the HHT, has identified a number of significant differences in accounting policies that will arise from adopting AIFRS. Some differences arise because AIFRS requirements are different from existing AASB requirements. Other differences could arise from options in AIFRS. To ensure consistency at the whole of government level, NSW Treasury has advised the HHT of options it is likely to mandate, and will confirm these during 2004–2005. This disclosure reflects these likely mandates.

The Foundation's accounting policies may also be affected by a proposed standard designed to harmonise accounting standards with Government Finance Statistics (GFS). This standard is likely to change the impact of AIFRS and significantly affect the presentation of the income statement. However, the impact is uncertain, because it depends on when this standard is finalised and whether it can be adopted in 2005–2006.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOUNDATION FOR THE HISTORIC HOUSES TRUST OF NEW SOUTH WALES
FOR THE YEAR ENDED 30 JUNE 2004

Based on current information, the following key differences in accounting policies are expected to arise from adopting AIFRS:

- AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' requires retrospective application of the new AIFRS from 1 July 2004, with limited exemptions. Similarly, AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance of accumulated funds. This differs from current Australian requirements, because such changes must be recognised in the current period through profit or loss, unless a new standard mandates otherwise.
- AASB 1004 'Contributions' applies to not-for-profit entities only. Entities will either continue to apply the current requirements in AASB 1004 where grants are normally recognised on receipt, or alternatively apply the proposals on grants included in ED 125 'Financial Reporting by Local Governments'. If the ED 125 approach is applied, revenue and/or expense recognition will be delayed until the agency supplies the related goods and services (where grants are in-substance agreements for the provision of goods and services) or until conditions are satisfied.
- AASB 136 'Impairment of Assets' requires an entity to assess at each reporting date whether there is any indication that an asset (or cash generating unit) is impaired and if such indication exists, the entity must estimate the recoverable amount. However, the effect of this standard should be minimal because all the substantive principles in AASB 136 are already incorporated in Treasury's policy 'Valuation of Physical Non-Current Assets at Fair Value'.
- AASB 139 'Financial Instrument Recognition and Measurement' results in the recognition of financial instruments that were previously off balance sheet, including derivatives. The Standard adopts a mixed measurement model and requires financial instruments held for trading and available for sale to be measured at fair value and valuation changes to be recognised in profit or loss or equity, respectively. Previously they were recognised at cost. This may increase the volatility of the operating result and balance sheet.

To achieve full harmonisation with GFS, entities would need to designate all financial instruments at fair value through profit or loss. However, at this stage it is unclear whether this option will be available under the standard and, if available, whether Treasury will mandate this option for all agencies.

	2004	2003
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2. SURPLUS FROM ORDINARY ACTIVITIES

Surplus from ordinary activities includes the following items of revenue:

(a) Operating Revenue	2004	2003
Donations	294,325	358,089
Interest	94,475	60,615
	388,800	418,704

Expenses of the Foundation are paid by the controlling entity and recharged.

	2004	2003
--	------	------

3. REMUNERATION OF AUDITORS

Audit of the financial report		
Foundation for the Historic Houses Trust of New South Wales	3,000	3,000
Foundation for the Historic Houses Trust of New South Wales Limited	1,200	-
	4,200	3,000

4. CASH ASSETS

Cash On Hand and At Bank	230,074	309,129
TCorp Hour-Glass Cash Facility Trust	848,796	618,656
	1,078,870	927,785

5. CURRENT RECEIVABLES

Prepayments	613	-
Accrued interest on deposit	2,383	375
	2,996	375

6. OTHER CURRENT FINANCIAL ASSETS

TCorp Term Deposit	382,197	364,076
Macquarie Bank Limited Term Deposit	689,916	657,262
	1,072,113	1,021,338

7. CURRENT PAYABLES

Trade payables – HHT (the Controlling Entity)	122,731	153,792
Accrued Salaries, Wages and On-Costs	5,029	-
Accrued Expenses	14,325	3,000
	142,085	156,792

8. CURRENT LIABILITIES – PROVISIONS

Current Employee Benefits and Related On-Costs		
Recreation Leave	946	-
Total Provisions	946	-
Aggregate Employee Benefits and Related On-Costs		
Provisions – Current	946	-
Accrued Salaries, Wages and On-Costs (Note 7)	5,029	-
	5,975	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOUNDATION FOR THE HISTORIC HOUSES TRUST OF NEW SOUTH WALES
FOR THE YEAR ENDED 30 JUNE 2004

	2004	2003
9. SETTLED FUNDS		
Opening Balance at Beginning of Financial Period	1,721,779	-
Transactions with owners as owners		
Settled funds transferred	-	1,721,779
Balance at the end of the financial period	1,721,779	1,721,779

Settled funds represent the net assets transferred in from the Historic Houses Trust of New South Wales Foundation on 1 October 2002.

These represented the following assets and liabilities:

Cash	-	1,209,973
Receivables	-	640
Other Financial Assets	-	616,274
TOTAL ASSETS	-	1,826,887
Payables	-	105,108
TOTAL LIABILITIES	-	105,108
Net Assets Transferred In	-	1,721,779

10. ACCUMULATED SURPLUS

Balance at the Beginning of the Financial Period	70,927	-
Net Profit from Ordinary Activities	218,242	273,666
Transactions with owners as owners		
Less: Distribution Paid to the Historic Houses Trust of New South Wales	-	(202,739)
Balance at the End of the Financial Period	289,169	70,927

11. RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(a) Transactions with Related Entities

During the financial period the Trustee of the Foundation for the Historic Houses Trust of New South Wales was the Foundation for the Historic Houses Trust of New South Wales Limited. This company's ultimate parent entity is the HHT. Transactions with the HHT for services provided are fully reimbursed by the Foundation.

Aggregate amounts receivable from and payable to related entities at balance date are as follows.

Current Receivables Controlling Entity	-	-
Current Payables Controlling Entity	122,731	153,792

(b) Transactions with Directors

There were no transactions between the directors of the Trustee and the Foundation.

No director of the Trustee receives remuneration for his/her duties as a director.

One of the directors is an employee of the HHT and as such received the following income.

170,122	155,664
The number of directors of the Trustee whose income from related bodies corporate was within the following specified bands:	
\$150,000 – \$159,999	-
\$170,000 – \$179,999	1

12. NOTES TO THE STATEMENT OF CASHFLOWS

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and TCorp Hour-Glass deposits. Cash at the end of the financial period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash and Cash Equivalents	1,078,870	927,785
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(b) Non-Cash Financing and Investing Activities

The Foundation receives administration assistance from the HHT at no charge.

The value of these services is unable to be estimated.

(c) Reconciliation of Surplus from Ordinary Activities to Net Cash Flows from Operating Activities

Surplus from Ordinary Activities	218,242	273,666
(Increase)/Decrease in Assets:		
Current Receivables	(2,621)	265
Increase/(Decrease) in Liabilities:		
Current Payables	(14,708)	51,682
Provisions	946	-
Net Cash from Operating Activities	201,859	325,613

13. SEGMENT REPORTING

The Foundation operates in one geographical sector, being New South Wales, and one business sector, being the raising of funds for the provision of conservation and heritage services in relation to historic houses in New South Wales.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOUNDATION FOR THE HISTORIC HOUSES TRUST OF NEW SOUTH WALES
FOR THE YEAR ENDED 30 JUNE 2004

14. FINANCIAL INSTRUMENTS

(a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the Financial Statements.

(b) Interest Rate Risk

The table below details the Foundation's exposure to interest rate risk as at 30 June 2004.

INTEREST RATE RISK	AVERAGE INTEREST RATE %	VARIABLE INTEREST RATE \$	FIXED INTEREST RATE MATURITY < 1 YEAR \$	NON INTEREST BEARING \$	TOTAL \$
Financial Assets					
Cash	4.5	1,078,670	-	200	1,078,870
Receivables	-	-	-	2,996	2,996
Other Financial Assets	5.4	-	1,072,113	-	1,072,113
Financial Liabilities					
Payables	-	-	-	142,085	142,085

(c) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Foundation. The Foundation has adopted the point of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Foundation measures credit risk on a fair value basis.

The Foundation does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

(d) Net Fair Value

The carrying value of financial assets and liabilities recorded in the financial statements approximates their net fair values.

	2004	2003
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15 CHARITABLE FUND RAISING ACTIVITIES

Results of fundraising activities

(a) Gross proceeds from fundraising appeals	75,325	86,589
Less: Costs of fundraising appeals	22,239	55,265
Net surplus obtained from fundraising appeals	53,086	31,324
(b) Contributions to the Historic Houses Trust of New South Wales	-	202,739
Transferred to/ (from) accumulated funds	53,086	(171,415)
	53,086	31,324

List of all forms of appeals

Events

How appeal monies are applied

As at 30 June 2004 the Foundation had not paid a distribution to the Historic Houses Trust of New South Wales. This has been done at the request of the Historic Houses Trust of New South Wales and funds raised will be made available in future years to fund acquisitions by the Historic Houses Trust of New South Wales.

	2004		2003	
	\$	%	\$	%

Comparative figures and ratios

Total costs of fundraising /	22,239 /		55,265 /	
Gross income from fundraising	75,325	30	86,589	64
Net surplus from fundraising /	53,086 /		31,324 /	
Gross income from fundraising	75,325	70	86,589	36
Total costs of services /	- /		202,739 /	
Total expenditure	170,558	-	145,038	140
Total costs of services provided /	- /		202,739 /	
Total income received.	388,800	-	418,704	48

END OF AUDITED FINANCIAL STATEMENTS

Page numbers in **bold type**, e.g. **12–14**, refer to the most detailed report on the topic.

A

Accounting, 72–75
 Acquisitions, 1, 7
 Action Plan for Women, 48
 Admission charges, 8
 Annual report costs, 55
 Associated organisations, **24–25**, 48
 Audience, 1, 10, **12–14**
 Audit reviews, 8, 9, 19
 Awards, 1, 6–7

B

Board of Trustees, **22–23**

C

Chairman's overview, 5
 Code of Conduct, 49
 Collections acquisitions, 1, 7
 Committees, 8, 49
 Communication, 10, **15–18**
 Complaints, 49
 Compliments, 49
 Conservation, 1, 6, 27, 31
 Consultants, 61
 Consumer response, 49
 Corporate governance, **8–9**
 Corporate planning, 8

D

Delegations, 8
 Director, 24
 Director's overview, **6–7**
 Disability Action Plan, **50–51**

E

Education, 17, 18
 Education Unit, 51, 53
 Elizabeth Bay House, 15, **26–27**, 48, 50, 57
 Elizabeth Farm, **28–29**, 48, 50, 57
 Employees, 1, 9, 24, 25, **54–55**
 Endangered Houses Fund, 19
 Energy Management Plan, 52
 Environmental management, 9
 Equal Employment Opportunity (EEO), **54–55**
 Ethnic Affairs Priorities Statement, **52–53**
 Executive staff, 24
 Exhibitions, 14, 15
 Exhibitions Advisory Committee (EAC), 8, 49

F

Finance & Audit Committee, 8, 49
 Finance Committee, 8, 49
 Financial analysis, 4
 Financial information, **59–92**
 Financial management, 1, 7
 Foundation for the Historic Houses Trust of New South Wales, 24, 48, 58, **82–95**
 Free entry, 17
 Freedom of information, 53
 Fundraising, 56

G

Government House, **30–31**, 50, 52, 57
 Grants given, 54
 Guarantee of Service, 54

H

Hay district, 17
 Head Office, 1, 6, 19
 Highlights, 1
 Hill End, 18
 Human resources, **54–55**
 Hyde Park Barracks Museum, 9, 15, **32–33**, 48, 52, 57

I

Information technology (IT), 55
 Insurance, **8–9**
 International visitors, 1. See also the sections on individual properties
 Interpretation, 7, 12–18
 Inverell district, 17–18, 19

J

Justice & Police Museum, 15, **34–35**, 50, 57

L

Land disposal, 55

M

Major projects, 6
 Major works in progress, 55
 Management, 11, **20**
 Mechanical services, 7
 Media sponsors, 56
 Members of the Historic Houses Trust of New South Wales, 15, **24–25**, 48, 58
 Meroogal, 9, **36–37**, 48, 50, 57–58
 Mint, The, 1, 6, 15, 19, 58
 Mission, inside front cover, 8
 Museum of Sydney, 9, 15, **38–39**, 52–53, 58
 Museums, 21

INDEX

N

Non-English-speaking background (NESB) staff, 25, 54

O

Occupational Health & Safety (OH&S), 55
Occupational Health & Safety (OH&S) Committee, 8, 49
Operational reviews, 9, 19
Organisation chart, 21
Overseas travel, 55

P

Paid admission, 1. See also the sections on individual properties
Patrick White's house, 19
Payment of accounts, 61
Portfolio, 11, **19**
Priorities. See Strategic priorities
Privacy Management Plan, 55
Programs, 1, 16
Properties. See Elizabeth Bay House; Elizabeth Farm; Government House; Hyde Park Barracks Museum; Justice & Police Museum; Meroogal; Museum of Sydney; Rose Seidler House; Rouse Hill estate; Susannah Place; The Mint; Vacluse House
Public programs, 1, 16, 57
Public Programs Committee, 8, 49
Public responsibility, 11, **20**
Publications, 17
Publications Committee, 8, 49

R

Regional policy, 17–19
Risk management, 8
Rose Seidler House, 9, **40–41**, 58
Rouse Hill estate, **42–43**, 50, 58
Rouse Hill Hamilton Collection Pty Ltd, 25, 48

S

Security, 7
Security Committee, 8, 49
Senior staff, 24
Shoalhaven district, 18. See also Meroogal
Sponsorship, 56
Staff, 1, 9, 24, 25, 54–55
Staff and Management Participatory Advisory Committee (SAMPAC), 8, 49
Staff list, **56–58**
Staff reviews, 9
Staff training, 25
Statutory amendments, 58
Strategic priorities, **10–11**, 12–20
See also the sections on individual properties
Structure, 21
Susannah Place Museum, 9, **44–45**, 50, 58

T

Technology, 1
The Mint, 1, 6, 15, 19, 58
Touring exhibitions, 14
Trustees, **22–23**

V

Vacluse House, **46–47**, 48, 49, 50, 51, 53, 58
Visitor information, 1, 12, 15, 16, 17. See also the sections on individual properties
Volunteers Forum, 25, 48

W

Website, 13
White, Patrick, 19
Wide Area Network (WAN), 9
Women. See Action Plan for Women; Meroogal

Y

Year in brief, **2–3**