

ART GALLERY OF NEW SOUTH WALES FINANCIAL STATEMENTS

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FINANCIAL COMMENTARY

Financial stewardship

The Gallery continues to maintain its financial soundness through rigorous budgetary and expenditure control, stewardship of assets, cash flow management, and revenue enhancement. Our accounting and management reporting system enables us to produce timely reports on a cost centre and business activity level, so that management, the board of Trustees and the NSW government can monitor financial aspects of the Gallery and direct resources in a punctual and effective way.

Financial performance

The surplus for the year was \$20.4 million (up 45%), reflecting:

- Improved revenues (up 7% to \$29.5 million) on exhibition admissions, merchandise, books and publications sales, other commercial services, bequests and special funds. These earnings are used for the purchase of artworks and underpin core business activities.
- Increased recurrent funding from the NSW government primarily reflecting higher insurance premiums and sustainable funding, and to cover award salary increases.
- A special one capital grant of \$3.6 million from the NSW government for specific work to be undertaken on building related items over the next three years.

About 51% of our revenue was derived from non-government sources in 2006–07.

Donations & bequests/taxation incentives

A substantial contribution each year comes from donors and benefactors (\$16.0 million revenue in 2006–07 compared to \$11.3 million in 2005–06). A higher than usual contribution in 2006–07 was due to a major bequest of a real estate property from the Yvonne Buchanan May Estate. The balance is largely in the form of gifts of artworks or cash to purchase artworks. It includes contributions from the Art Gallery of New South Wales Foundation for the purchase of a Fauves painting by Maurice De Vlaminck *Les voiles blanches a Chatou* as well as other contributions from the Art Gallery Society of New South Wales and private individuals. Other donations were also received to support various initiatives such as scholarships, prizes or research.

A substantial component of the donations is preserved as a capital base for future income generation. At the end of June 2007, the total amount of bequests and special funds amounted to \$27.4 million, much of which was given to the Gallery for specific purposes (primarily art acquisitions and other projects such as art prizes and awards). These comprise over 90 bequests and special funds.

The Taxation Incentives for the Arts (TIAS) has provided a major incentive for artists and donors to provide gifts of artworks to the Gallery. These contributions have provided a significant resource for acquisitions of artworks and special projects, which would not otherwise have been feasible.

Financial status

The Gallery has over \$953.8 million worth of net assets, comprising \$781.7 million of artworks and library collection, \$133.5 million in land and building, \$42.4 other minor assets offset by \$3.8m of liabilities. During the year the collection was valued by a registered valuer resulting in an increase of \$146.9 million which was recorded in the asset revaluation reserve.

Investments

The Gallery policy is to invest its bequests and special funds in a portfolio comprising term deposits and T.Corp's Hour Glass facilities – in particular the medium and long term growth facilities. These investments are in accordance with NSW Treasury requirements under the Public Authorities (Financial Arrangements) Act 1987, which confines investments to term deposits with approved banks and financial institutions and T.Corp, the government investment facility. This year for the first time the Gallery received a bequest of a real estate property in Rose Bay (valued at \$4.9 million) which will be put up for sale in the coming year. Under the terms of the bequest, if the property is sold the Gallery is obliged to transfer the proceeds to the Art Gallery of New South Wales Foundation, which is expected to occur later in the 2007–08 year.

The investment returns during 2006–07 were 6.6% pa (weighted average) on bank deposits (compared with benchmark of 6.4%), 8.5% on T.Corp's Medium Term facility (compared with benchmark of 8.8%) and 13.8% on T.Corp's Long Term facility (compared with benchmark of 14.8%). The benchmarks quoted are sourced from T.Corp Hour Glass Facility Performance Summary for June 2007.

The Gallery also manages investments on behalf of its related entities, primarily the Art Gallery of New South Wales Foundation (\$26.0 million) with smaller amounts for the Brett Whiteley Foundation (\$154 000) and the VisAsia entity (\$1.1 million). The returns on the Art Gallery of New South Wales Foundation funds improved considerably this year with the upturn in equity markets.

Looking forward

The NSW government funding in the forthcoming year will be less than last year primarily due to a lower insurance premium. This premium is calculated on the value of artworks included in the major temporary exhibitions held during the year. The normal budget allocation escalations and the commitment made under the Service Agreement are offset by allocation reductions for savings targets. Exhibition and visitor services revenues are expected to be higher as the program for 2007–08 includes a very popular Australian icon Sidney Nolan retrospective. We anticipate another good year for bequests and special funds, which are restricted funds generally used for acquisition of artworks.

The Gallery continues to be committed to maintaining our high level of performance and will work towards improving the delivery of cultural service to the NSW community and beyond.

The budget summary is in accordance with NSW government 2007–08 budget. This differs slightly from the internal budgets which have more stringent targets.

Budget summary for 2007–08

	\$ m
REVENUE	
NSW Government funding (note 1)	22.5
Other revenue	15.2
	37.7
EXPENDITURE	
Personnel	17.9
Insurance	0.5
Depreciation	2.3
Other operating	16.0
	36.7
SURPLUS	1.0

Note:

1. Includes recurrent, capital and liabilities assumed by the NSW government
2. The figures quoted in the financial commentary have not been subject to audit.

FINANCIAL SUMMARY

		2002-03	2003-04	2004-05	2005-06	2006-07	Five year total	Average p.a.
Total Visitors – Incl Touring/Studio	million	1.13	1.51	1.35	1.69	1.30	6.98	1.40
Artworks purchased	\$ m	\$4.6	\$5.2	\$9.0	\$7.7	\$4.7	\$31.3	\$6.3
Donations of artworks	\$ m	\$3.2	\$2.8	\$2.2	\$2.2	\$2.7	\$13.1	\$2.6
Total works of art acquired	\$ m	\$7.8	\$8.1	\$11.2	\$9.9	\$7.4	\$44.4	\$8.9
Exhibition admission revenue	\$ m	\$2.6	\$2.9	\$1.6	\$3.8	\$1.9	\$12.8	\$2.6
Merchandise, books and publications sales		\$3.6	\$4.0	\$3.6	\$5.2	\$4.0	\$20.3	\$4.1
Other services/activities	\$ m	\$1.6	\$3.3	\$1.6	\$2.7	\$1.9	\$11.1	\$2.2
Bequests & special funds		\$6.8	\$7.6	\$12.4	\$11.3	\$16.0	\$54.1	\$10.8
Other grants & contributions/other misc	\$ m	\$3.1	\$3.4	\$3.2	\$4.6	\$5.7	\$20.0	\$4.0
Total revenue from exhibitions, visitor services and benefaction	\$ m	\$17.7	\$21.2	\$22.4	\$27.5	29.5	\$118.3	\$23.7
Personnel expenses		\$15.0	\$16.0	\$16.8	\$17.9	\$17.3	\$83.0	\$16.6
Depreciation		\$2.1	\$2.3	\$2.3	\$2.2	\$2.1	\$10.9	\$2.2
Insurance		\$2.1	\$2.3	\$1.1	\$1.7	\$3.3	\$10.4	\$2.1
Other operating expenses		\$11.4	\$12.7	\$10.1	\$12.5	\$14.2	\$60.9	\$12.2
Total operating expenses	\$ m	\$30.5	\$33.3	\$30.2	\$34.3	\$36.9	\$165.2	\$33.0
Recurrent appropriation	\$ m	\$16.3	\$16.9	\$15.8	\$18.3	\$21.4	\$88.6	\$17.7
Liabilities assumed by government	\$ m	\$1.9	\$1.9	\$2.1	\$0.8	\$1.1	\$7.7	\$1.5
Capital appropriation/other	\$ m	\$14.2	\$2.8	\$2.8	\$1.8	\$5.4	\$26.9	\$5.4
Total Government grants	\$ m	\$32.3	\$21.6	\$20.7	\$20.8	\$27.9	\$123.3	\$24.7
Total revenue	\$ m	\$50.0	\$42.8	\$43.1	\$48.4	\$57.4	\$241.6	48.3
Govt contribution as % of total revenue		65%	50%	48%	43%	49%	51%	51%
Net surplus	\$ m	\$19.5	\$9.5	\$12.8	\$14.1	\$20.5	\$76.4	15.3
Employees – effective full time (EFTs)	number	200	200	203	210	208		
Average salary per head (EFT)	\$ 000	\$75	\$80	\$83	\$85	\$83		
Net cash flows	\$ m	\$0.2	\$1.3	-\$0.9	\$5.5	\$4.6		
Net assets	\$ m	\$736.3	\$748.9	\$768.2	\$786.4	\$953.8		

* Data in this table has not been subject to audit



GPO BOX 11
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

ART GALLERY OF NEW SOUTH WALES TRUST

To Members of the New South Wales Parliament

Report on the Financial Report

I have audited the accompanying financial report of the Art Gallery of New South Wales Trust (the Trust), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of recognised income and expense and cash flow statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the Trustee's statement.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Trust as of 30 June 2007, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the Public Finance and Audit Act 1983 (the PFAA Act) and the Public Finance and Audit Regulation 2005
- is in accordance with the Charitable Fundraising Act 1991 (CF Act), including showing a true and fair view of the Trust's financial result of fundraising appeals for the year ended 30 June 2007

The Trustees' Responsibility for the Financial Report

The members of the Trust are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the PFAA Act and the CF Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

My opinion does not provide assurance:

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

Report on Other Aspects of the Charitable Fundraising Act 1991

I have audited the Trust's operations in order to express an opinion on the matters specified at sections 24(2)(b), 24(2)(c) and 24(2)(d) of the CF Act for the year ended 30 June 2007.

Auditor's Opinion

In my opinion:

- the ledgers and associated records of the Trust have been properly kept during the year in accordance with the CF Act and the Charitable Fundraising Regulation 2003 (the CF Regulation) [section 24(2)(b)]
- 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 [section 24(2)(c)], and
- there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they fall due [section 24(2)(d)].

The Trustees' Responsibility for Compliance

The members of the Trust are responsible for ensuring compliance with the CF Act and the CF Regulation. This responsibility includes:

- establishing and maintaining internal control relevant to compliance with the CF Act and CF Regulation
- ensuring that all assets obtained during, or as a result of, a fundraising appeal are safeguarded and properly accounted for, and
- maintaining proper books of account and records.

Auditor's Responsibility

My responsibility is to express an opinion on the matters specified at sections 24 (2)(b), 24 (2)(c), and 24 (2)(d) of the CF Act. I conducted my audit in accordance Australian Auditing Standards applicable to assurance engagements. These Auditing Standards require that I comply with relevant ethical requirements relating to assurance engagements and plan and perform the audit to obtain reasonable assurance whether there were any material breaches of compliance by the Trust.

An audit involves performing procedures to obtain audit evidence about the entity's compliance with the CF Act and CF Regulation and about its solvency. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material breaches of compliance. In making these risk assessments, the auditor considers internal control relevant to the entity's compliance in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

My procedures included examination, on a test basis, of evidence supporting the entity's solvency and its compliance with the CF Act and CF Regulation. These tests have not been performed continuously throughout the period, were not designed to detect all instances of non-compliance, and have not covered any other provisions of the CF Act and CF Regulation apart from those specified.

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

Independence

In conducting these audits, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The FF&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.



Peter Carr, FCPA
Director, Financial Audit Services

18 October 2007
SYDNEY

STATUTORY FINANCIAL STATEMENTS

For the year ended 30 June 2007

STATEMENT IN ACCORDANCE WITH SECTION 41C(1C) OF THE PUBLIC FINANCE AND AUDIT ACT, 1983 AND THE CHARITABLE FUNDRAISING ACT 1991

Pursuant to Section 41C(1C) of the *Public Finance and Audit Act, 1983*, and the *Charitable Fundraising Act 1991*, and in accordance with a resolution of the Board of Trustees of the Art Gallery of New South Wales Trust, we state that:

- (a) The accompanying financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulations 2004*, applicable Australian Accounting Standards and the Trustee's Directions.
- (b) In our opinion, the financial statements and notes thereto present a true and fair view of the financial position as at 30 June 2007 and the financial performance for the year then ended.
- (c) The provisions of the *Charitable Fundraising Act 1991*, the regulations under the Act and the conditions attached to the Trust have been complied with.
- (d) In our opinion, the financial statements gives a true and fair view of all income and expenditure with respect to fundraising reports.
- (e) The balance sheet gives a true and fair view of the state of affairs of the Trust with respect to fundraising appeals and
- (f) The internal controls exercised by the Trust are appropriate and effective in accounting for all income received and applied by the Trust from any of its fundraising appeals.

Further we are not aware of any circumstances which would render any particulars included in the financial statements misleading or inaccurate.



S. LOWY
PRESIDENT



E. G. CARON
DIRECTOR



P. YOUNG
CHAIRMAN
FINANCE AND AUDIT COMMITTEE



R. GRIFFIN
GENERAL MANAGER
FINANCIAL & MANAGEMENT SERVICES

DATE: 17 OCTOBER 2007

INCOME STATEMENT

For the year ended 30 June 2007

	Notes	Actual 2007 \$'000 Group	Actual 2006 \$'000 Group
Income			
Sale of goods and services	2(a)	7,819	11,652
Investment income	2(b)	2,147	1,748
Grants and contributions	2(c)	47,164	14,865
Consolidated fund appropriations	2(d)	-	20,069
Other income	2(e)	285	57
Total Income		57,415	48,391
Expenses			
Operating expenses			
Personnel services costs	3(a)	17,293	16,509
Other operating expenses	3(b)	17,493	15,598
Depreciation and amortisation	3(c)	2,148	2,151
Total Expenses		36,934	34,258
SURPLUS FOR THE YEAR		20,481	14,133

STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 30 June 2007

Net increase in property, plant and equipment asset revaluation reserve	12	146,982	4,100
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		146,982	4,100
Surplus for the year		20,481	14,133
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR	12	167,463	18,233

The accompanying notes form part of these statements

BALANCE SHEET

As at 30 June 2007

	Notes	Actual 2007 \$'000 Group	Actual 2006 \$'000 Group
ASSETS			
Current Assets			
Cash and cash equivalents	4	21,547	16,988
Trade and other receivables	5	2,843	1,031
Inventories	6	1,492	1,170
Land and buildings held for sale	7	4,932	-
Total Current Assets		30,814	19,189
Non-Current Assets			
Financial assets at fair value through profit and loss	8	10,242	7,781
Property plant and equipment	11		
- Land and buildings		133,458	133,447
- Plant and equipment		1,354	1,522
- Collection assets		781,740	628,742
Total Property, plant and equipment		916,552	763,711
Total Non-Current Assets		926,794	771,492
Total Assets		957,608	790,681
LIABILITIES			
Current Liabilities			
Trade and other payables	10	3,749	4,287
Total Current Liabilities		3,749	4,287
Non-Current Liabilities			
Trade and other payables	10	15	13
Total Non-Current Liabilities		15	13
Total Liabilities		3,764	4,300
Net Assets		953,844	786,381
EQUITY			
Reserves	12	299,715	153,471
Accumulated funds	12	654,129	632,910
Total Equity		953,844	786,381

The accompanying notes form part of these statements

CASH FLOW STATEMENT

For the year ended 30 June 2007

	Notes	Actual 2007 \$'000 Group	Actual 2006 \$'000 Group
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Personnel services		(16,211)	(15,551)
Other		(18,648)	(14,265)
Total Payments		<u>(34,859)</u>	<u>(29,816)</u>
Receipts			
Sale of goods and services		7,940	11,578
Interest received		2,264	1,362
Grants and contributions		36,307	11,706
Consolidated fund appropriations		-	20,069
Other		3,094	1,506
Total Receipts		<u>49,605</u>	<u>46,221</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	14	<u>14,746</u>	16,405
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of Property, Plant and Equipment		83	50
Purchases of Property, Plant and Equipment		(7,515)	(10,563)
Purchases of investments		(2,755)	(422)
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(10,187)</u>	<u>(10,935)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4,559	5,470
Opening cash and cash equivalents		<u>16,988</u>	<u>11,518</u>
CLOSING CASH AND CASH EQUIVALENTS	4	<u>21,547</u>	16,988

The accompanying notes form part of these statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

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

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

In the process of preparing the consolidated financial statements for the economic entity consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated. The presentation adopted does not include a separate column for the parent entity in view of the immateriality of the controlled entity. The financial statements of VisAsia are disclosed separately under Note 13.

The Art Gallery of NSW Trust is a statutory body of the NSW State government. The Gallery is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The Group is consolidated as part of the NSW Total State Sector Accounts.

These consolidated financial statements have been authorised for issue by the Board of Trustees on 17 October 2007.

(b) Basis of Preparation

The Gallery's financial statements is a general purpose financial report, which have been prepared in accordance with:

- applicable Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AEIFRS);
- the requirements for the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2005; and
- the Treasurer's Directions.

Property, plant and equipment, collection assets, and financial assets at 'fair value through profit or loss' are measured at fair value. Other financial statements items are prepared on an accrual basis and based on historical costs.

Judgements, key assumptions and estimates that management have made are disclosed in the relevant notes to the financial statements.

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

(c) Changes to Accounting Policy

The previous financial statements were prepared in accordance with the Financial Reporting Code for Budget Dependent General Government Sector Agencies. The Gallery is no longer required to do so and comparative amounts have been amended where required.

(d) Statement of Compliance

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

The Group has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective from the current annual reporting period.

(e) Income Recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below:

(i) Sale of Goods

Revenue from the sale of goods is recognised as revenue when the Gallery transfers the significant risks and rewards of ownership of the assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

- (ii) **Rendering of Services**
Revenue is recognised when the service is provided. Royalty revenue is recognised in accordance with AASB 118 *Revenue* on an accrual basis in accordance with the substance of the relevant agreement.
 - (iii) **Investment Income**
Interest income is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*. Tcorp Hour Glass distributions are recognised in accordance with AASB 118 when the Gallery's right to receive payment is established.
 - (iv) **Grants and Contributions**
Grants and contributions include donations and grants from Department of Arts, Sports and Recreation. They are generally recognised as income when the Gallery obtains control over the assets comprising the grants and contributions. Control over grants and contributions is normally obtained when the obligations relating to the receipt have been met and, in the case of donations, upon receipt of cash.
 - (v) **Consolidated Fund Appropriations**
Parliamentary appropriations, received in 2006, were recognised when the Gallery obtained control over the assets comprising the appropriations. Control over appropriations is normally obtained upon the receipt of cash.
- (f) **Personnel Services and Other Provisions**
- (i) **Personnel Services Arrangements**
The Gallery and Department of Arts, Sports and Recreation (DASR) entered into a Memorandum of Understanding effective from 1 July 2006 which sets out the arrangements for employment and payment of staff working at the Art Gallery of NSW which are considered employees of the DASR. All payments to personnel and related obligations are done in the DASR name and ABN and are classified as "Personnel Services" costs in these financial statements.
 - (ii) **Personnel Services - Salaries and Wages, Annual Leave, Sick Leave and On-costs**
Based on the memorandum of understanding with DASR, liabilities for personnel services are stated as liabilities to the service provider DASR. Salaries and wages (including non-monetary benefits), annual leave and paid sick leave that fall due wholly within 12 months of the reporting date are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

If applicable, long-term annual leave that is not expected to be taken within twelve months is measured at present value in accordance with AASB 119 *Employee Benefits*. Market yields on government bonds are used to discount long-term annual leave.

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

The outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to the provision of personnel services by DASR, are recognised as liabilities and expenses where the personnel services to which they relate have been recognised.
 - (iii) **Long Service Leave and Superannuation**
In the financial statements of DASR, the liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity. Consequently the Gallery accounts the equivalent expense and income in its financial statements to reflect this provision of personnel services.

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors, specified by NSW Treasury, to employees with 5 or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasury circular TC 07-6. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super), is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

- (g) **Insurance**
The Gallery's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past claim experience.
- (h) **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 Gallery 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.
- GST are included on a gross basis in the cash flow statement as operating cash flows. The GST component of cash flows arising from investing and financing activities are also classified as operating cash flows.
- (i) **Acquisitions of Assets**
The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Gallery. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or where applicable the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards.
- Gifts of artworks or works acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition and brought to account as assets and revenues for the period.
- Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.
- Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted at an asset-specific rate.
- (j) **Capitalisation Thresholds**
Property, plant and equipment, and intangible assets costing \$5,000 and above individually (or forming part of a network costing more than \$5,000) are capitalised.
- (k) **Revaluation of Property, Plant and Equipment**
Physical non-current assets are valued in accordance with the "Valuation of Physical Non-Current Assets at Fair Value" Policy and Guidelines Paper (TPP07-1). This policy adopts fair value in accordance with AASB 116 *Property, Plant and Equipment* and AASB 140 *Investment Property*.
- Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.
- Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.
- The Gallery revalues each class of property, plant and equipment at least every five years or with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. Details of the last revaluations are shown at Note 11 and were based on independent assessments.
- Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.
- When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.
- For other assets, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

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.

As a not-for-profit entity, 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.

(l) **Impairment of Property, Plant and Equipment**

As a not-for-profit entity with no cash generating units, the Gallery is effectively exempted from AASB 136 *Impairment of Assets* and impairment testing. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

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

The Gallery does not hold any assets other than those recognised in the Balance Sheet.

(n) **Depreciation of Property, Plant and Equipment**

Except for certain 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 Gallery.

All material separately identifiable component assets are depreciated over their shorter useful lives.

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

Depreciation rates for each category of depreciable assets are as follows:

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

These rates are reviewed annually to ensure they reflect the assets' current useful life and residual values.

(o) **Maintenance**

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

(p) **Leased Assets**

The Gallery does not have any assets subject to finance leases. Operating lease payments are charged to the Income Statement in the periods in which they are incurred.

(q) **Financial Instruments**

The Gallery's principal financial instruments policies are outlined below. These financial instruments arise directly from the Gallery's operations or are required to finance its operations. The Gallery does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives.

(i) **Cash**

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

(ii) **Trade and Other Receivables**

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. Any changes are accounted for in the income statement when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. The credit risk is the carrying amount (net of any allowance for impairment). No interest is earned on trade debtors. The carrying amount approximates fair value. Sales are made on 30 day terms.

(iii) **Term Deposits**

The Gallery has placed funds in bank deposits "at call" or for a fixed term. The interest rate payable is negotiated initially and is fixed for the term of the deposits. The deposits are usually held to maturity. The fair value includes the interest accrued as at 30 June each year.

(iv) **Investments**

Investments are initially recognised at fair value and in the case of investments not at fair value through profit and loss, this includes transaction costs. The Gallery determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

The Gallery investments in TCorp Hour-Glass medium and long term facilities are classified as "at fair value through profit or loss" and measured at fair value. This is determined by reference to current bid prices at the close of business on balance date.

(v) **Trade and Other Payables**

These amounts represent liabilities for goods and services provided to the Gallery and other amounts, including interest. Trade and other payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Inventories

The Gallery's inventories are held for sale and are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost or "first in first out" method.

The Gallery does not have any inventories acquired at no cost or for nominal consideration. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Bequests and Special Funds

The Gallery receives monies and gifts of works of art. The aggregate of these contributions received for the year has been stated as revenue in the 'Bequest and Special Funds' Revenue and Expenditure Statement in Note 12(b). These revenues provide for expenditure in the current year and in future years. Any revenues unspent in the current year have been carried forward for appropriate expenditure in future years.

Trustee benefits

No Trustee of the Gallery has entered into a material contract with the gallery or the consolidated entity since the end of the previous financial period and there are not material contracts involving Trustees' interests existing at the end of the period.

Taxation status

The activities of the Gallery are exempt of income tax. The Gallery is registered for GST purposes and has gift deductible recipient status.

Services provided at no cost

Where material contributions are made to the Gallery at no charge an expense is recorded in the accounts to reflect activities at the Gallery and is offset by an equivalent revenue entry. Services provided by volunteers are calculated using the actual hours worked at an average museum guide salary rate. Refer to note 15.

Non-Current Assets held for sale

Non-current assets held for sale are recognised at lower of carrying amount and fair value less costs to sell. These assets are not depreciated while they are held for sale.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

	2007 \$'000 Group	2006 \$'000 Group
2 INCOME		
(a) Sale of goods and services		
Sale of goods		
Merchandise, book and publication sales	<u>3,989</u>	5,178
Rendering of services		
Admission fees	1,944	3,790
Venue hire and catering	1,021	1,077
Other	865	1,607
	<u>3,830</u>	6,474
	<u>7,819</u>	11,652
(b) Investment income		
Tcorp Hour-Glass investment facilities	1,094	955
Interest	1,045	793
Rental income	8	-
	<u>2,147</u>	1,748
(c) Grants and contributions		
From DASR :		
Recurrent grants - Note 2(d)	21,440	-
Capital grants - Note 2(d)	5,370	-
Personnel services benefits and liabilities provided free of charge by DASR	1,102	764
	<u>27,912</u>	764
From other institutions and individuals :		
Donations - cash	7,446	8,378
Sponsorship - cash	1,666	980
Grants - other	385	461
Sponsorship - in kind	539	432
Donations works of art	2,706	2,187
Other donations - in kind *	4,932	260
Value of services provided by volunteers - Note 3(b)	1,578	1,403
	<u>19,252</u>	14,101
	<u>47,164</u>	14,865
* Included in other donations is the value of a block of units, bequeathed to the Gallery by the late Ms Yvonne Diana Buchanan May on 14 June 2007 - Refer also note 7.		
(d) Consolidated fund appropriations		
Recurrent appropriation	-	18,299
Capital appropriation	-	1,770
	<u>-</u>	<u>20,069</u>
In 2006, the Gallery received Consolidated Fund recurrent and capital appropriations directly from NSW Treasury. From 2007, funding for the Gallery's operations is by means of grants from DASR. This is shown at note 2(c).		
(e) Other income		
Insurance Recoveries *	1,647	-
Workers compensation recovery	45	48
Gain/(loss) on disposal of non-current Assets		
Proceeds from disposal	41	50
Written down value of assets disposed *	(1,448)	(41)
	<u>(1,407)</u>	9
	<u>285</u>	57

* Includes a claim accepted by the Gallery's insurers following the theft of a painting by Dutch master F. Van Mieris I. The amount of this claim (\$1.647m) has also been included as accrued income within trade and other receivables (refer note 5).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

	2007 \$'000 Group	2006 \$'000 Group
3 EXPENSES		
(a) Personnel services costs		
Salaries and wages (including recreation leave)	13,969	13,536
Superannuation - defined benefit plans *	531	508
Superannuation - defined contribution plans	990	920
Long service leave *	539	231
Workers' compensation insurance	298	417
Payroll tax on superannuation *	32	25
Other payroll tax and fringe benefit tax	934	872
	<u>17,293</u>	<u>16,509</u>
* These are provided free of charge by DASR and a corresponding amount is also shown as grants and contributions.		
There were no personnel services costs capitalised and excluded from above.		
(b) Other operating expenses		
Auditor's remuneration - audit or review of the financial statements	61	54
Cost of sales	2,278	2,801
Travel and accommodation	769	1,014
Operating lease rental expense - minimum lease payments	178	181
Maintenance (refer reconciliation below)	524	636
Insurance	3,305	1,654
Consumables	662	615
Exhibition fees and related costs	1,570	781
Fees- general professional	597	727
Freight, packing and storage	1,577	1,418
Marketing and promotion	1,262	953
Printing/graphics	295	583
Property expenses	1,532	1,517
Value of services provided by volunteers - Note 2(c)	1,578	1,403
Other	1,305	1,261
	<u>17,493</u>	<u>15,598</u>
<i>Reconciliation - total maintenance</i>		
Maintenance expense as above	524	636
Employee related maintenance expense included in Note 3(a)	354	325
Total maintenance expenses included in Note 3(a) & 3(b)	<u>878</u>	<u>961</u>
(c) Depreciation and amortisation expense		
Buildings	1,568	1,463
Plant and equipment	580	688
	<u>2,148</u>	<u>2,151</u>

4 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Cash at bank and on hand	3,656	2,422
Short term deposits	17,891	14,566
	<u>21,547</u>	<u>16,988</u>

For the purpose of the cash flow statement, cash includes cash at bank, cash on hand and short term deposits. Cash and cash equivalent assets recognised in the balance sheet are reconciled at end of the financial year to the cash flow statement as follows:

Cash and cash equivalents (per balance sheet)	21,547	16,988
Closing cash and cash equivalents (per cash flow statement)	<u>21,547</u>	<u>16,988</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

	2007 \$'000 Group	2006 \$'000 Group
5 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES		
Sale of goods and services	373	503
Less: Allowance for impairment	(10)	(11)
Accrued income	2,025	235
Other debtors	207	70
Prepayments	248	234
Total trade and other receivables	<u>2,843</u>	<u>1,031</u>
6 CURRENT ASSETS- INVENTORIES		
Held for resale		
Stock on hand-at cost	<u>1,492</u>	<u>1,170</u>
7 CURRENT ASSETS - LAND AND BUILDINGS HELD FOR SALE		
Land and buildings at valuation	<u>4,932</u>	-
A block of units was bequeathed to the Gallery by the late Ms Yvonne Diana Buchanan May on 14 June 2007. This property will be sold in the next financial year.		
8 NON-CURRENT ASSETS- FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS		
Tcorp Hour-Glass investment - medium term and long term facilities	<u>10,242</u>	<u>7,781</u>
9 RESTRICTED ASSETS		
Investments in the following are restricted use assets to the extent that they represent bequests and donations held by the Gallery to be used in accordance with the deed of trust or other documents governing these funds (refer also note 12b):		
Bequest and Special Fund		
Land and buildings at valuation	4,932	-
Short term deposits	12,249	10,104
Tcorp Hour-Glass investment - medium term and long term facilities	10,242	7,781
	<u>27,423</u>	<u>17,885</u>
10 CURRENT / NON-CURRENT LIABILITIES - TRADE AND OTHER PAYABLES		
Creditors *	2,040	2,565
Payable to personnel service provider :		
Accrued personnel services costs	127	122
Recreation leave	1,306	1,355
Long service leave on-costs	291	258
	<u>3,764</u>	<u>4,300</u>
Current	3,749	4,287
Non-current	15	13
	<u>3,764</u>	<u>4,300</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

11 NON CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings \$'000	Plant and Equipment \$'000	Collection Assets \$'000	Total \$'000
At 1 July 2005				
Gross carrying amount	153,279	11,121	614,807	779,207
Accumulated depreciation and impairment	19,744	9,289	-	29,033
At fair value	<u>133,535</u>	<u>1,832</u>	<u>614,807</u>	<u>750,174</u>
At 30 June 2006				
Gross carrying amount	154,654	9,211	628,742	792,607
Accumulated depreciation and impairment	21,207	7,689	-	28,896
At fair value	<u>133,447</u>	<u>1,522</u>	<u>628,742</u>	<u>763,711</u>
At 30 June 2007				
Gross carrying amount	156,233	8,408	781,740	946,381
Accumulated depreciation and impairment	22,775	7,054	-	29,829
At fair value	<u>133,458</u>	<u>1,354</u>	<u>781,740</u>	<u>916,552</u>

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the each reporting period are set out below:

Year ended 30 June 2006

Fair value at 1 July 2005	133,535	1,832	614,807	750,174
Additions	1,375	395	9,859	11,629
Disposals	-	(17)	(24)	(41)
Depreciation expense	(1,463)	(688)	-	(2,151)
Net revaluation increments less revaluation decrements	-	-	4,100	4,100
Fair value at 30 June 2006	<u>133,447</u>	<u>1,522</u>	<u>628,742</u>	<u>763,711</u>

Year ended 30 June 2007

Fair value at 1 July 2006	133,447	1,522	628,742	763,711
Additions	1,579	433	7,443	9,455
Disposals	-	(21)	(1,427)	(1,448)
Depreciation expense	(1,568)	(580)	-	(2,148)
Net revaluation increments less revaluation decrements	-	-	146,982	146,982
Fair value at 30 June 2007	<u>133,458</u>	<u>1,354</u>	<u>781,740</u>	<u>916,552</u>

Land was revalued in 2005 at fair value by a registered valuer from the NSW Department of Commerce.

The Gallery's building was revalued in 2004 at fair value by a senior quantity surveyor from the NSW Department of Commerce.

Library collection was valued in 2006 by Mr Simon Taaffe, accredited valuer for the Taxation Incentives for the Arts Scheme for Australian books, including artists' books, manuscripts etc after 1900 at fair value.

Other art works in the collection were valued in 2007 by Mr Simon Storey MAVA, at fair value. The increase in value is recorded in the asset revaluation reserve.

These values do not differ materially from their fair values at reporting date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

12 CHANGES IN EQUITY

	Accumulated Funds Total \$'000	Asset Revaluation Reserve \$'000	Total Equity \$'000
(a)			
Balance as at 1 July 2005	618,777	149,371	768,148
Changes in equity - other than transactions with owners as owners			
Surplus for the year	14,133	-	14,133
Increment on revaluation of non-current assets	-	4,100	4,100
Total	<u>14,133</u>	<u>4,100</u>	<u>18,233</u>
Transfers within equity	-	-	-
Balance as at 30 June 2006	632,910	153,471	786,381
Changes in equity - other than transactions with owners as owners			
Surplus for the year	20,481	-	20,481
Increment on revaluation of non-current assets	-	146,982	146,982
Total	<u>20,481</u>	<u>146,982</u>	<u>167,463</u>
Transfers within equity	738	(738)	-
Balance as at 30 June 2007	654,129	299,715	953,844

Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the Gallery's policy on the 'Revaluation of Property, Plant and Equipment' as discussed in Note 1.

	2007 \$'000 Trust	2006 \$'000 Trust
(b) Bequests and Special Purpose Funds		
Included in the total accumulated funds is an amount attributed to the bequests and special purpose funds as follows:		
Revenue		
Sale of goods and services	7	36
Investment income	1,706	1,398
Grants and contributions	14,305	10,358
Other income	-	33
	<u>16,018</u>	<u>11,825</u>
Expenditure		
Personnel services costs	241	249
Other	392	292
	<u>633</u>	<u>541</u>
Surplus for the year	<u>15,385</u>	<u>11,284</u>
Equity		
Opening balance	17,885	14,783
Transfers	749	(86)
Art acquisitions	(6,596)	(8,096)
Surplus for the year	15,385	11,284
Closing balance	<u>27,423</u>	<u>17,885</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

	2007 \$'000	2006 \$'000
13 CONTROLLED ENTITIES		
The Australian Institute of Asian Culture and Visual Arts Ltd (VisAsia)		
The principal activities of VisAsia is the raising of funds for the promotion of an understanding and appreciation of Asian Culture through the arts. As a controlled entity of the Art Gallery of New South Wales Trust, the operating result, assets and liabilities have been incorporated into the Trust's financial statements. During 2006/07 a major contribution was made to the Gallery for its Asian program and it has been included in other expenses.		
	VisAsia	VisAsia
Income Statement		
Income		
Interest income	68	47
Donations	295	241
	<u>363</u>	<u>288</u>
Expenses		
Other	206	5
	<u>206</u>	<u>5</u>
SURPLUS FOR THE YEAR	<u>157</u>	<u>283</u>
Balance Sheet		
Cash and cash equivalents	1,128	979
Trade and other receivables	25	19
Trade and other payables	(5)	(7)
Net Assets	<u>1,148</u>	<u>991</u>
Accumulated Funds	<u>1,148</u>	<u>991</u>
Total Equity	<u>1,148</u>	<u>991</u>

These amounts, net of inter-entity transactions and balances, have been included within the financial statements of the Group under the corresponding classifications.

	Group	Group
14 RECONCILIATION OF THE SURPLUS FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	20,481	14,133
Net (gain)/loss on sale of non-current assets	(240)	(9)
Depreciation	2,148	2,151
(Increase)/decrease - other financial assets	294	(507)
Gifts of works of art	(2,706)	(2,187)
Bequest of property	(4,932)	-
Increase/(decrease) in trade and other payables	230	298
(Increase)/decrease in trade and other receivables	(207)	2,377
(Increase)/decrease in inventories	(322)	149
Net Cash Flows From Operating Activities	<u>14,746</u>	<u>16,405</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

	2007 \$'000 Group	2006 \$'000 Group
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15 NON-CASH FINANCING AND INVESTING ACTIVITIES

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

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

Works of art	2,706	2,187
Other property	4,932	-

The following items are brought to account as expenses in the income statement and are credited as income in the form of non-cash sponsorships, non-cash donations or services provided free of charge:

Services provided by volunteers	1,578	1,403
Advertising, freight, accommodation, travel and similar expenses	539	432
Legal fees	-	260

16 FINANCIAL INSTRUMENTS

The Gallery's principal financial instruments are outlined below. These financial instruments arise directly from the Gallery's operations or are required to finance its operations. The Gallery does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives.

	2007 \$'000 Group	2006 \$'000 Group
Financial Assets		
Cash at bank and on hand - at variable interest rate	3,656	2,422
Trade and other receivables - non-interest bearing	2,843	1,031

Term deposits

The Gallery has placed funds in bank deposits "at call" or for a fixed term. The interest rate payable is negotiated initially and is fixed for the term of the deposits. The deposits are usually held to maturity. The fair value includes the interest accrued as at 30 June.

	2007		2006	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
1 year or less	17,891	18,212	14,566	14,770
	17,891	18,212	14,566	14,770

The securities at balance date were earning an average interest rate of 6.6% (2006 5.9%) and over the year the weighted average interest rate was 6.8% (2006 6.0%) on a weighted average balance of \$15,482,000 (2006 \$13,024,000)

Hour-Glass Investment facilities

The Gallery has investments in the following TCorp's Hour-Glass Investment facilities. The Gallery'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 the investment horizon. Tcorp appoints and monitors fund managers and establishes and monitors the application of appropriate investment guidelines.

	2007 \$'000 Group	2006 \$'000 Group
Medium term and long term growth facility	10,242	7,781

These investments are generally able to be redeemed with 24 hours notice. The value of the investments held can decrease as well as increase depending upon market conditions. The value that best represents the maximum credit risk exposure is the fair value. The value of the investments represents the Gallery's share of the value of the underlying assets of the funds and is stated at fair value, based on the market value. The returns for the period were 8.48% for Medium Term Growth facility (2006 8.8%) compared with bench mark return of 8.77% and for Long Term Growth facility 13.8% (2006 16.9%) compared with benchmark of 14.76%.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

	2007 \$'000 Group	2006 \$'000 Group
Financial Liabilities		
Trade and other payables - non-interest bearing	3,764	4,300

Fair Value

Financial instruments are carried at amortised cost, with the exception of Tcorp Hour Glass facilities, which are carried at fair value.

However, the fair value of the other classes of financial instruments approximates their carrying value.

17 POST BALANCE DATE EVENTS

There are no significant post balance events that will impact the financial statements.

18 CONTINGENT LIABILITIES

The Treasury Managed Fund normally calculates hindsight premiums each year. However in regard to workers compensation the final adjustment calculations are in arrears. There are no other contingent liabilities.

19 COMMITMENTS FOR EXPENDITURE**(a) Capital commitments**

At 30 June 2007 capital commitments totalling \$5.3m for the purchase of 2 major works were outstanding (2006 - Nil).

(b) Other expenditure commitments

There are no material other expenditure commitments outstanding as at 30 June 2007.

(c) Operating lease commitments

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

Not Later than one year	161	146
Later than one year and not later than 5 years	546	688
Total (including GST)	707	834

The total operating lease commitments above include input tax credits of \$64,200 (2006 \$75,800) that are expected to be recovered from the Australian Taxation Office. There were no other contingents assets as at 30 June 2007.

The Gallery leases a number of industrial units for off site storage. Lease rentals (including GST) are payable to the lessors monthly in advance. Bank guarantees have been taken in lieu of security deposits.

20 RESULTS OF FUNDRAISING APPEALS

The Gallery receives many donations of cash and artworks as a result of its day to day activities. In addition, fundraising dinners and other special fundraising events were conducted during the year and the results are as follows:

Donation - in cash		504	467
Sponsorship - in cash		32	25
Sponsorship - in kind		3	-
Other fundraising		138	151
Gross income from fundraising	A	677	643
Cost of fundraising	B	97	108
Net surplus from fundraising	C	580	535
Cost of services provided	D	208	126
Transferred to/(from) accumulated funds		372	409
		580	535

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

		2007	2006
		\$'000	\$'000
		Group	Group
<i>In accordance with the Charitable fundraising Act 1991 (NSW), the following ratios are provided:</i>			
Cost of fundraising to gross income from fundraising	B/A	14%	17%
Net surplus from fundraising to gross income from fundraising	C/A	86%	83%
Cost of services provided to total expenditure	D/(B+D)	68%	54%
Cost of services provided to gross income from fundraising	D/A	31%	20%

21 ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Gallery did not early adopt any new accounting standards and interpretations that are not yet effective. At the date of authorisation of the financial statements, the following Standards and Interpretations were on issue and applicable to the Gallery, but not yet effective:

- AASB 7 'Financial Instruments: Disclosure' that is operative for 31 December 2007 and 30 June 2008 year ends
- AASB 8 'Operating Segments' that is operative for 31 December 2009 and 30 June 2010 year ends
- AASB 101 'Presentation of Financial Statements', that is operative for 31 December 2007 and 30 June 2008 year ends
- AASB 123 'Borrowing Costs' that is operative for 31 December 2009 and 30 June 2010 year ends
- AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and other Amendments' applicable to annual reporting periods beginning on or after 1 July 2007

The Gallery has assessed the impact of these new standards and interpretations and considers the impact to be insignificant.

END OF AUDITED FINANCIAL STATEMENTS