

Financial statements



GPO BOX 12
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

New South Wales Government Telecommunications Authority

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the New South Wales Government Telecommunications Authority

- (a) presents fairly the Authority's and the consolidated entity's financial position as at 30 June 2003 and their 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 Act).

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

The Acting Managing Director's Role

The financial report is the responsibility of the Acting Managing Director. It consists of the statements of financial position, the statements of financial performance, the statements of cash flows and the accompanying notes for the Authority and the consolidated entity. The consolidated entity comprises the Authority and the entities controlled at the year's end or during the financial year.

Auditor's Role and the Audit Scope

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

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

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

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

My opinion does *not* provide assurance:

- about the future viability of the Authority or its controlled entities,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.



Audit Independence

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

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

A handwritten signature in black ink, appearing to read 'G J Gibson', located below the text of the Director of Audit.

G J Gibson FCPA
Director of Audit

SYDNEY
20 October 2003



NSW GOVERNMENT TELECOMMUNICATIONS AUTHORITY (TELCO)

Consolidated Financial Statements for the year ended 30th June, 2003

Pursuant to the requirements of the Public Finance and Audit Act, 1983, I declare that in my opinion:

1. the accompanying consolidated financial statements exhibit a true and fair view of the financial position of the NSW Government Telecommunications Authority and its subsidiaries as at 30 June 2003 and transactions for the year then ended;
2. the statements have been prepared in accordance with the provisions of the Public Finance and Audit Act, 1983, the Public Finance and Audit Regulation 2000 and the Treasurer's Directions.

Further, I am not aware of any circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.

R. Wheeler
A/Managing Director
NSW Government Telecommunications Authority

20 October 2003



NSW Government Telecommunications Authority

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2003

	Notes	CONSOLIDATED		TELCO	
		Actual 2003 \$'000	Actual 2002 \$'000	Actual 2003 \$'000	Actual 2002 \$'000
REVENUE FROM ORDINARY ACTIVITIES					
Sale of Goods and Services	2(a)	1,077	1,356		
Investment Income	2(b)	207	84		
Grants and Contributions	2(c)	923	5,236	287	4,388
Other Income	2(d)	63	16		
TOTAL REVENUE FROM ORDINARY ACTIVITIES		2,270	6,692	287	4,388
EXPENSES FROM ORDINARY ACTIVITIES					
Operating Expenses					
Employee Related	3(a)	1,128	984		
Other Operating Expenses	3(b)	3,513	3,452	7	7
Maintenance		500	466		
Depreciation and Amortisation		943	862		
Other Expenses	3(c)			10,800	
TOTAL EXPENSES FROM ORDINARY ACTIVITIES		6,084	5,764	10,807	7
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES		(3,814)	928	(10,520)	4,381
NET LOSS ATTRIBUTABLE TO OUTSIDE EQUITY INTEREST		(1,760)	(1,484)		
NET GAIN (LOSS) ATTRIBUTABLE TO MEMBERS OF TELCO	13	(2,054)	2,412	(10,520)	4,381
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		(3,814)	928	(10,520)	4,381

The accompanying notes form part of these statements.


CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2003

	Notes	CONSOLIDATED		TELCO	
		Actual	Actual	Actual	Actual
		2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Current Assets					
Cash	4	2,852	4,976		
Receivables	5	344	359	2	
Other	8	35	35		
Total Current Assets		3,231	5,370	2	
Non-Current Assets					
Property, Plant and Equipment					
– Plant and Equipment	7	1,682	2,313		
Total Property, Plant and Equipment		1,682	2,313		
Other Financial Assets	6	455	175	1,655	12,175
Other	8	13	38		
Total Non-Current Assets		2,150	2,526	1,655	12,175
Total Assets		5,381	7,896	1,657	12,175
LIABILITIES					
Current Liabilities					
Payables	9	492	713	40	38
Provisions	10	85	39		
Other	11	574	70		
Total Current Liabilities		1,151	822	40	38
Non Current Liabilities					
Other	12	29	99		
Total Non Current Liabilities		29	99		
Total Liabilities		1,180	921	40	38
Net Assets/(Liabilities)		4,201	6,975	1,617	12,137
EQUITY					
Retained Profits		6,068	8,122	1,617	12,137
Total Parent Interest		6,068	8,122	1,617	12,137
Outside Equity Interest		(1,867)	(1,147)		
Total Equity		4,201	6,975	1,617	12,137

The accompanying notes form part of these statements.


CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2003

	Notes	CONSOLIDATED		TELCO	
		Actual 2003 \$'000	Actual 2002 \$'000	Actual 2003 \$'000	Actual 2002 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments					
Payments to suppliers and employees		(5,472)	(5,806)	(413)	
Total Payments		(5,472)	(5,806)	(413)	
Receipts					
Receipts from operations		2,413	2,839	413	
Interest Received		207	84		
Grants and Subsidies		210	4,703	210	4,703
Total Receipts		2,830	7,626	623	4,703
NET CASH FLOWS (USED IN) / FROM OPERATING ACTIVITIES	15	(2,642)	1,820	210	4,703
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of Property, Plant and Equipment		(312)	(243)		
Purchase of Investments		(210)	(490)	(210)	(4,490)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(522)	(733)	(210)	(4,490)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from Issue of Ordinary Shares		1,040	940		
Repayment of Treasury Loan			(213)		(213)
NET CASH FLOWS FROM FINANCING ACTIVITIES		1,040	727		(213)
NET INCREASE IN CASH HELD		(2,124)	1,814		
Add Opening Cash		4,976	3,162		
CLOSING CASH	4	2,852	4,976	0	0

The accompanying notes form part of these statements.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

The NSW Government Telecommunications Authority (Telco), as a reporting entity, comprises Telco in its own right and the Australian Centre for Advanced Computing and Communications Pty Ltd (ac3) in which Telco has a controlling interest.

The mission of the Authority (Telco), which is a wholly owned subsidiary of the Department of Commerce (DC) following an administrative restructure on 2nd April 2003 (formerly of the Department of Information Technology and Management) is to enable the use of telecommunication infrastructure networks of government agencies for the common carriage of government communications and to enable the best commercial advantage to be obtained from any excess network capacity, infrastructure or facilities of government agencies.

The Australian Centre for Advanced Computing and Communications Pty Ltd (ac3) was registered as a proprietary company limited by shares under the Corporations Act 2001 on 10 November 2000. Telco holds 57% of the shares on behalf of the NSW Government and the remaining 43% are held by eight NSW based Universities.

Telco holds a five percent share of Cooperative Research Centre for Smart Internet Technology Pty Ltd (CRCSIT) which was established to bring together Government and commerce to capitalise for Australia the outcomes of fundamental research and development of future internet and global connectivity.

The financial statements of the consolidated entity are general purpose financial reports which have been prepared, except where stated, on an accrual basis at historical cost and in accordance with applicable Australian Accounting Standards; other authoritative pronouncements of the Australian Accounting Standards Board (AASB); Urgent Issues Group (UIG) Consensus Views and the requirements of the Public Finance and Audit Act and Regulation.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative pronouncement of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS 6 "Accounting Policies" is considered.

All amounts are rounded to the nearest one thousand dollars.

b) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and money market investments readily convertible to cash.

c) Receivables

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

d) Property, plant and equipment

All classes of property, plant and equipment are measured at fair value or at cost as a surrogate for fair value where appropriate. Depreciation is provided on a straight-line basis on all property, plant and equipment.

Plant & equipment costing \$5,000 and above is capitalised. Individual items of computer equipment costing \$1,000 and above are capitalised when they form part of the network.

Major depreciation periods are:-

Plant and equipment	4 years
Furniture and Fittings	5 years

e) Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

f) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

**g) Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Rendering of Services

Where the contract outcome can be reliably measured, control of the right to be compensated for the services and the stage of completion can be reliably measured. Where the contract outcome cannot be reliably measured, revenue is recognized only to the extent that costs have been incurred.

Interest

Control of the right to receive the interest payment.

h) Income tax

Telco is a tax-exempt entity. Telco's controlled entity is not tax exempt and applies tax effect accounting.

i) Employee Benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and sick leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits are measured at their nominal amounts.

j) Administrative and managerial support

Department of Commerce continues to provide expertise, assistance and administrative support to Telco. No fee was paid for the services during 2002/03 because Telco's operations have been minimal. ac3 manages its own affairs.

(k) Revaluation of Investment Assets

Revaluation decrements are recognised immediately as expenses in the surplus/deficit.



	CONSOLIDATED		TELCO	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
2. REVENUES				
(a) Sale of Goods and Services				
– Fees and charges	1,077	1,356		
	1,077	1,356		
(b) Investment Income				
– Interest	207	84		
	207	84		
(c) Grants and Contributions				
– Department of Commerce	287	4,388	287	4,388
– Australian Partnership for Advanced Computing Grant (APAC)	636	848		
	923	5,236	287	4,388
(d) Other Revenue				
– Rental Income		16		
– Other Income	63			
	63	16		
3. EXPENSES				
(a) Employee Related Expenses				
Employee-Related Expenses comprise the following specific items:				
– Salaries and Wages (including Recreation Leave)	962	822		
– Superannuation	90	117		
– Payroll Tax	22	10		
– Provision for Annual Leave & Recruitment Costs	54	35		
	1,128	984		
(b) Other Operating Expenses				
– Operating Lease Rental Expense-minimum lease payments	865	1,099		
– Information Management & Technology	276	882		
– APAC Membership Fee	300	400		
– Grants	356	416		
– Telecommunications	192	195		
– Auditor's Remuneration – audit or review of financial reports	28	35	7	7
– Director's Remuneration	74	70		
– Rent	173	238		
– Other	1,249	117		
	3,513	3,452	7	7



No payment was made to the directors of Telco in the current financial year.

Fees paid to the directors of ac3 totalled \$74,000. (1 in the band \$0 – \$9,999; 3 between \$10,000 – \$19,999 and 1 in the band \$20,000 – \$29,000).

The audit fee for the audit of ac3 financial report was \$21,000. The auditor received no other benefit.

	CONSOLIDATED		TELCO	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
(c) Other Expenses				
– Revaluation decrement – Investment in ac3			10,800	
			10,800	

4. CURRENT ASSETS – CASH

Cash at bank and on hand	2,852	4,976		
	2,852	4,976		

For the purposes of the Statement of Cash Flows, cash includes cash on hand and cash at bank.

Cash assets recognised in the Statement of Financial Position are 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)	2,852	4,976		
Closing Cash and Cash Equivalents (per Statement of Cash Flows)	2,852	4,976		

5. CURRENT/NON-CURRENT ASSETS – RECEIVABLES

CURRENT RECEIVABLES

– Sale of goods and services	310	165		
– GST recoverable	32	194	2	
	342	359	2	

6. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

Shares in CRCSIT	455	175	455	175
Shares in ac3 Ltd			1,200	12,000
	455	175	1,655	12,175



	CONSOLIDATED		TELCO	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
7. NON CURRENT ASSETS – PROPERTY, PLANT & EQUIPMENT				
Plant and Equipment				
At Fair Value	4,074	3,762		
	4,074	3,762		
Accumulated Depreciation	2,392	1,449		
	2,392	1,449		
Net Book Value	1,682	2,313		
Reconciliations				
<i>Plant & Equipment</i>				
Carrying amount at start of year	2,313	2,932		
Additions	312	246		
Disposals		(3)		
Depreciation expense	(943)	(862)		
Carrying amount at end of year	1,682	2,313		
Management considers that the written down value of all other assets as at 30 June 2003 approximates the fair value.				
8. CURRENT/NON CURRENT ASSETS – OTHER				
CURRENT ASSETS – OTHER				
– Prepayments	35	35		
	35	35		
NON CURRENT ASSETS – OTHER				
– Prepayments	13	38		
	13	38		
9. CURRENT LIABILITIES – PAYABLES				
– Creditors	194	713	40	38
– Other	298			
	492	713	40	38
10. CURRENT / NON-CURRENT LIABILITIES – PROVISIONS				
Current Employee benefits and related on-costs				
– Recreation Leave	85	39		
Total Current Employee benefits and related on-costs	85	39		



	CONSOLIDATED		TELCO	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
11. CURRENT LIABILITIES – OTHER				
Prepaid Revenue	574	70		
	574	70		
12. NON CURRENT LIABILITIES – OTHER				
Prepaid Revenue	29	99		
	29	99		
13. CHANGES IN EQUITY				
<i>Contributed Equity</i>				
Retained Profits				
Balance at the beginning of the financial year	8,122	5,710	12,137	7,756
Net Profit / (Loss) Attributable to Members of Telco	(2,054)	2,412	(10,520)	4,381
Balance at the end of the financial year	6,068	8,122	1,617	12,137
<i>Outside Equity Interest</i>				
Outside equity interest in controlled entity comprises:				
Australian Centre for Advanced Computing and Communications Pty Limited	(1,867)	(1,147)		
Represented by:				
Interest in accumulated losses at end of financial year	(4,787)	(3,027)		
Interest in contributed equity	2,920	1,880		
Total outside equity interest	(1,867)	(1,147)		
14. COMMITMENTS FOR EXPENDITURE				
(a) Other Expenditure Commitments				
Aggregate other expenditure for the acquisition of items as detailed below contracted for at balance date and not provided for:				
– Agreements with various communication suppliers				
Not later than 1 year	69	278		
Later than 1 and not later than 5 years		70		
Total (including GST)	69	348		

**(b) Operating Lease Commitments**

Future non-cancellable operating lease rentals not provided for and payable for accommodation and equipment for varying contract periods/suppliers.

	CONSOLIDATED		TELCO	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Not later than 1 year	57	1,271		
Later than 1 and not later than 5 years	194	261		
Total (including GST)	251	1,532		

15. RECONCILIATION OF NET PROFIT TO NET CASH FLOWS FROM OPERATIONS

Net Profit	(3,814)	928	(10,520)	4,381
Loss on revaluation			10,800	
Non-Cash Items				
– Depreciation	943	862		
– Non-cash operating grant	(70)	(85)	(70)	(85)
Changes in Assets and Liabilities				
– (Increase)/Decrease in Receivables	12	(237)	(2)	
– (Increase)/Decrease in Other Assets	25	(41)		
– (Decrease)/Increase in Payables/Provisions	(16)	(176)		7
– (Decrease)/Increase in GST Payable	2	400	2	400
– (Decrease)/Increase in Liabilities	276	169		
Net Cash Flow from / (used in) Operating Activities	(2,642)	1,820	210	4,703

16. INDIVIDUALLY SIGNIFICANT ITEMS

The Authority revalued its investment in ac3 and reduced the carrying amount to \$1.2 million to reflect the current position. The decrement has been charged to expenses.

17. AFTER BALANCE DATE EVENTS

There were no after balance date events.

END OF AUDITED FINANCIAL STATEMENTS