



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 2004 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).

My 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 not fulfilled 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.



M P Abood CPA
Director of Audit

SYDNEY
25 October 2004

NSW GOVERNMENT TELECOMMUNICATIONS AUTHORITY (TELCO)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

STATEMENT BY THE A/MANAGING DIRECTOR

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

- (a) The accompanying consolidated financial statements exhibit a true and fair view of the financial position and transactions of the NSW Government Telecommunications Authority and its subsidiaries as at 30 June 2004 and transactions for the year then ended;
- (b) 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.



Robert Wheeler
A/Managing Director
NSW Government Telecommunications Authority

NSW GOVERNMENT TELECOMMUNICATIONS AUTHORITY					
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004					
	Notes	Consolidated		Telco	
		Actual 2004 \$'000	Actual 2003 \$'000	Actual 2004 \$'000	Actual 2003 \$'000
Revenue from Ordinary Activities					
Sale of goods and services	2(a)	2,532	1,077	-	-
Investment income	2(b)	107	207	-	-
Grants and contributions	2(c)	769	923	180	287
Other income	2(d)	145	63	31	-
Total Revenue from Ordinary Activities		3,553	2,270	211	287
Expenses from Ordinary Activities					
Operating expenses					
Employee related	3(a)	1,277	1,128	-	-
Other operating expenses	3(b)	2,007	3,513	7	7
Maintenance		265	500	-	-
Depreciation and amortisation		803	943	-	-
Other expenses	3(c)	628	-	628	10,800
Loss on disposal of assets		31	-	-	-
TOTAL EXPENSES FROM ORDINARY ACTIVITIES		5,011	6,084	635	10,807
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES		(1,458)	(3,814)	(424)	(10,520)
NET LOSS ATTRIBUTABLE TO OUTSIDE EQUITY INTEREST		(445)	(1,760)	-	-
NET (LOSS) ATTRIBUTABLE TO MEMBERS OF TELCO	13	(1,013)	(2,054)	(424)	(10,520)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		(1,458)	(3,814)	(424)	(10,520)

The accompanying notes form part of these statements.

NSW GOVERNMENT TELECOMMUNICATIONS AUTHORITY					
STATEMENT OF FINANCIAL POSITION					
FOR THE YEAR ENDED 30 JUNE 2004					
	Notes	Consolidated		Telco	
		Actual 2004 \$'000	Actual 2003 \$'000	Actual 2004 \$'000	Actual 2003 \$'000
ASSETS					
Current Assets					
Cash	4	2,195	2,852	-	-
Receivables	5	518	344	-	2
Other	8	57	35	-	-
Total Current Assets		2,770	3,231	-	2
Non-Current Assets					
Property, plant and equipment					
Plant and equipment	7	1,657	1,682	-	-
Total property, plant and equipment		1,657	1,682	-	-
Other financial assets	6	-	455	1,200	1,655
Other	8	-	13	-	-
Total Non-Current Assets		1,657	2,150	1,200	1,655
Total Assets		4,427	5,381	1,200	1,657
LIABILITIES					
Current Liabilities					
Payables	9	454	492	7	40
Provisions	10	72	85	-	-
Other	11	890	574	-	-
Total Current Liabilities		1,416	1,151	7	40
Non-Current Liabilities					
Other	12	268	29	-	-
Total Non-Current Liabilities		268	29	-	-
Total Liabilities		1,684	1,180	7	40
Net Assets/(Liabilities)		2,743	4,201	1,193	1,617
EQUITY					
Retained profits	13	5,055	6,068	1,193	1,617
Total parent interest		5,055	6,068	1,193	1,617
Outside equity interest		(2,312)	(1,867)	-	-
Total Equity		2,743	4,201	1,193	1,617

The accompanying notes form part of these statements.

NSW GOVERNMENT TELECOMMUNICATIONS AUTHORITY					
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2004					
	Notes	Consolidated		Telco	
		Actual 2004 \$'000	Actual 2003 \$'000	Actual 2004 \$'000	Actual 2003 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments					
Payments to suppliers and employees		(3,604)	(5,472)	(7)	(413)
Total Payments		(3,604)	(5,472)	(7)	(413)
Receipts					
Receipts from operations		3,140	2,413	7	413
Interest received		107	207	-	-
Grants and subsidies		189	210	158	210
Total Receipts		3,436	2,830	165	623
NET CASH FLOWS (USED IN) / FROM OPERATING ACTIVITIES	15	(168)	(2,642)	158	210
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(175)	(312)	-	-
Purchase of investments		(158)	(210)	(158)	(210)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(333)	(522)	(158)	(210)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of ordinary shares		-	1,040	-	-
Repayment of interest bearing liabilities		(156)	-	-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		(156)	1,040	-	-
NET INCREASE IN CASH HELD		(657)	(2,124)	-	-
Add Opening Cash		2,852	4,976	-	-
CLOSING CASH	4	2,195	2,852	-	-

The accompanying notes form part of these statements.

NSW GOVERNMENT TELECOMMUNICATIONS AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

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, 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.

As at 30 June 2004 Telco no longer holds shares in the Smart Internet Technology Cooperative Research Centre Pty Ltd (SITCRC). 627,613 shares were transferred to the Ministerial Corporation for Industry (which is administered by the Department of State and Regional Development) on 15 June 2004.

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 uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(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 and equipment costing \$3,000 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 lesser 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 recognised 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 recognised:

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 recognised 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

The Department of Commerce continues to provide expertise, assistance and administrative support to Telco. No fee was paid for the services during 2003/04 as 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.

2. REVENUES**(a) Sale of Goods and Services**

	Consolidated		Telco	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Fees and charges	2,532	1,077	-	-
	2,532	1,077	-	-

(b) Investment Income

	Consolidated		Telco	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Interest	107	207	-	-
	107	207	-	-

(c) Grants and Contributions

	Consolidated		Telco	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Dept of Information Technology and Management	180	287	180	287
Australian Partnership for Advanced Computing Grant (APAC)	589	636	-	-
	769	923	180	287

(d) Other Revenue

	Consolidated		Telco	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Other Revenue	145	63	31	-
	145	63	31	-

3. EXPENSES**(a) Employee Related Expenses**

Employee Related Expenses comprise the following specific items:

	Consolidated		Telco	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Salaries and wages (including recreation leave)	1,071	962	-	-
Superannuation	100	90	-	-
Payroll tax	28	22	-	-
Provision for annual leave and recruitment costs	78	54	-	-
	1,277	1,128	-	-

(b) Other Operating Expenses

	Consolidated		Telco	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Operating lease rental expense - minimum lease payments	16	865	-	-
Information management and technology	35	276	-	-
APAC membership fee	250	300	-	-
Grants	-	356	-	-
Telecommunications	264	192	-	-
Auditor's remuneration - audit or review of financial reports	29	28	7	7
Director's remuneration	63	74	-	-
Rent	192	173	-	-
Borrowing cost	24	-	-	-
Other	1,134	1,249	-	-
	2,007	3,513	7	7

(c) Other Expenses

	Consolidated		Telco	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revaluation decrement - investment in AC3	-	-	-	10,800
Transfer of shares to DSRD at no cost	628	-	628	-
	628	-	628	10,800

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 in the band \$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.

4. CURRENT ASSETS - CASH

	Consolidated		Telco	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cash at bank and on hand	2,195	2,852	-	-
	2,195	2,852	-	-

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)	2,195	2,852	-	-
Closing cash and cash equivalents (per Statement of Cash Flows)	2,195	2,852	-	-

5. CURRENT / NON-CURRENT ASSETS - RECEIVABLES

	Consolidated		Telco	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current Receivables				
Sale of goods and services	518	310	-	-
GST recoverable	-	34	-	2
	518	344	-	2

6. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

	Consolidated		Telco	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Shares in CRCSIT	-	455	-	455
Shares in AC3 Ltd	-	-	1,200	1,200
	-	455	1,200	1,655

7. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Telco	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Plant and Equipment				
At fair value	4,851	4,074	-	-
	4,851	4,074	-	-
Accumulated depreciation	3,194	2,392	-	-
	3,194	2,392	-	-
Net Book Value	1,657	1,682	-	-

Reconciliation**Plant and Equipment**

Carrying amount at start of year	1,682	2,313	-	-
Additions	809	312	-	-
Disposals	(31)	-	-	-
Depreciation expense	(803)	(943)	-	-
Carrying amount at end of year	1,657	1,682	-	-

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

	Consolidated		Telco	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current Assets - Other				
Prepayments	57	35	-	-
	57	35	-	-
Non-Current Assets - Other				
Prepayments	-	13	-	-
	-	13	-	-

9. CURRENT LIABILITIES - PAYABLES

	Consolidated		Telco	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Creditors	139	194	7	40
Other	315	298	-	-
	454	492	7	40

10. CURRENT / NON-CURRENT LIABILITIES - PROVISIONS

	Consolidated		Telco	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current Employee Benefits and Related Oncosts				
Recreation leave	72	85	-	-
Total Current Employee Benefits and Related Oncosts	72	85	-	-

11. CURRENT LIABILITIES - OTHER

	Consolidated		Telco	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Prepaid revenue	687	574	-	-
Lease liability	203	-	-	-
	890	574	-	-

12. NON-CURRENT LIABILITIES - OTHER

	Consolidated		Telco	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Prepaid revenue	-	29	-	-
Lease liability	268	-	-	-
	268	29	-	-

13. CHANGES IN EQUITY

	Consolidated		Telco	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Contributed Equity				
Retained profits				
Balance at the beginning of the financial year	6,068	8,122	1,617	12,137
Net profit/(loss) attributable to members of Telco	(1,013)	(2,054)	(424)	(10,520)
Balance at the end of the financial year	5,055	6,068	1,193	1,617
Outside Equity Interest				
Outside equity interest in controlled entity comprises:				
Australian Centre for Advanced Computing and Communications Pty Limited	(2,312)	(1,867)	-	-
Represented by:				
Interest in accumulated losses at end of financial year	(5,232)	(4,787)	-	-
Interest in contributed equity	2,920	2,920	-	-
Total Outside Equity Interest	(2,312)	(1,867)	-	-

14. COMMITMENTS FOR EXPENDITURE**(a) Other Expenditure Commitments**

	Consolidated		Telco	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
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 one year	257	69	-	-
Later than one and not later than five years	-	-	-	-
Total (including GST)	257	69	-	-

(b) Operating Lease Commitments

	Consolidated		Telco	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Future non-cancellable operating lease rentals not provided for and payable for accommodation and equipment for varying contract periods/suppliers:				
Not later than one year	-	57	-	-
Later than one year and not later than five years	-	194	-	-
Total (including GST)	-	251	-	-

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

	Consolidated		Telco	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Net profit	(1,458)	(3,814)	(424)	(10,520)
Loss on revaluation	-	-	-	10,800
Non-Cash Items				
Depreciation	803	943	-	-
Non-cash operating grant	613	(70)	613	(70)
Loss on disposal of assets	31	-	-	-
Changes in Assets and Liabilities				
(Increase)/decrease in receivables	(174)	12	2	(2)
(Increase)/decrease in other assets	(9)	25	-	-
(Decrease)/increase in payables/provisions	(58)	(14)	(33)	2
(Decrease)/increase in liabilities	84	276	-	-
Net Cash Flow from/(used in) Operating Activities	(168)	(2,642)	158	210

16. AFTER BALANCE DATE EVENTS

There were no after balance date events.

END OF AUDITED FINANCIAL STATEMENTS