Heritage Council of NSW Annual Report 2018-19

Message from the Chair of the Heritage Council

2018/19 was a transitionary year for the Heritage Council with six new members commencing on 1 January 2018 including myself as Chair and Ms Sheridan Burke as Deputy Chair.

The new Council is focusing on developing a new strategic plan and direction for the Heritage Council.

Major announcements in this financial year included the listing of the Brett Whitely House in Lavender Bay and Redfern Park on the State Heritage Register.

In conjunction with the NSW Government Architects, the Heritage Council also released a "Design Guide for Heritage" as part of the Better Placed series.

The Heritage Council

The Heritage Council of NSW is a statutory body established under the *Heritage Act 1977* (the Act). The Council is required by the Act to produce an annual report. The Council comprises nine members with a range of knowledge, qualifications and skills. Eight of these members are drawn from the community, government, the heritage/conservation profession and includes a nominee of the National Trust (NSW). The other member is the Secretary of the Department of Planning, Industry and Environment or their nominee.

The Heritage Council makes decisions about the care and protection of places and items that have been identified as being of heritage significance to the people of NSW. It also advises the Special Minister of State on heritage matters. The Heritage Council is supported by Heritage NSW, which provides professional advice and administrative support to help promote the identification, protection, conservation, management and celebration of heritage places across NSW and maintains the NSW State Heritage Inventory. Further details on the role and activities of the Heritage Council are available here:

Heritage Council members

On 1 January 2019, six new members commenced their terms on the Heritage Council: Mr Frank Howarth (Chair); Ms Sheridan Burke (Deputy Chair); Mr Ian Clark; Ms Louise Thurgood; Ms Colleen Morris (nominee of the National Trust); and Mr David Major. Mr Dillon Kombumerri is an observer from the Office of the Government Architect; and Mr Gary White is a delegate of the Secretary, Department of Planning, Industry and Environment.

Mr Stephen Davies (former Chair); Dr Mark Dunn (former Deputy Chair); Dr Raymond Kelly; Ms Lisa Newell; Dr Deborah Dearing; and Ms Jane Irwin retired from the Heritage Council upon expiry of their terms in December 2018.

Ms Jennifer Davis retired from the Heritage Council on 30 June 2018 upon expiry of her term. Professor Gary Sturgess was an ongoing member of the Heritage Council and retired in the 2019-20 financial year.

Heritage Council meetings and committees

The Heritage Council typically meets on the first Wednesday of the month between February and December (12 times during 2018-19).

The annual Heritage Council regional visit took place in September 2018. The Heritage Council visited the North-West region of the state, which included the local government area of Armidale, Glen Innes, Inverell, Moree Plains and Tenterfield Shire.

Committees

To ensure that the Heritage Council meets its statutory obligations in relation to listing state heritage items and conservation management of these items, it delegates these functions to the State Heritage Register Committee and the Approvals Committee. Both committees meet monthly with members from the Heritage Council and additional experts. In 2018-19, Ms Sheridan Burke was appointed as Chair of the State Heritage Register Committee; and Mr Dillon Kombumerri chair of the Approvals Committee.

Heritage Council State Heritage Register Committee

During 2018-19, the State Heritage Register Committee (SHRC) met 11 times. The members of the SHRC were: Ms Sheridan Burke (Chair); Ms Colleen Morris (Deputy Chair); Ms Louise Cox AO (Chair until February 2019); Dr Mark Dunn; Dr Raymond Kelly; Ms Lisa Newell; Ms Jennifer Davis and Prof Gary Sturgess AM.

The SHRC, under delegation from the Heritage Council, makes recommendations to the Special Minister of State on the listing of items on the State Heritage Register and provides expert comment on planning documents for major heritage places.

Heritage Council Approvals Committee

During 2018-19, the Approvals Committee met 10 times. The members of the committee were: Mr Dillon Kombumerri (Chair); Mr Ian Clarke (Deputy Chair); Mr David Major; Mr Gary White; Ms Kerime Danis; Mr Bruce Pettman; and Mr Peter Romey.

Mr Stephen Davies and Dr Deborah Dearing retired from the Approvals Committee upon completion of their terms in December 2018.

The Approvals Committee, under delegation from the Heritage Council approves, comments on, or suggests amendments to proposed changes to listed items.

State Heritage Register

During 2018-19, 18 items were added to the State Heritage Register. The register lists places and items of particular heritage significance in NSW. The NSW Government owns almost 50 per cent of these items, with the rest owned by individuals, local councils and industry.

State Heritage Register items listed in 2018-19

Item	Address	LGA	Gazettal date	SHR No.
Brett Whiteley House and Visual Curtilage	1 Walker Street, Lavender Bay	North Sydney	23-Aug-18	01949
Cape Byron Lighthouse (including moveable items)	Byron Bay	Byron	22-Feb-19	02023
Central Park	125 Dangar Street, Armidale	Armidale Dumaresq	19-Dec-18	02019
Chinese Gardens of Friendship	1 Harbour Street, Darling Harbour	Sydney	5-Oct-18	02017
Cook Park	24-26 Summer Street, Orange	Orange	24-Aug-18	01998
Corduroy Road Ruin Historic Site	Curban	Gilgandra	5-Oct-18	02015

Item	Address	LGA	Gazettal date	SHR No.
East Warrah Woolshed	Warrah Creek	Liverpool Plans	10-Aug-18	01962
Eskbank House and Moveable Collections	70 Inch Street, Lithgow	Lithgow	24-Aug-18	02008
Redfern Park and Oval	Redfern	Sydney	21-Sep-18	02016
St Johns Anglican Church Precinct	6-22 Menangle Road, Camden	Camden	24-Aug-18	02006
St Stephen’s Presbyterian Church and Manse	2 Morisset Street, Queanbeyan	Queanbeyan	24-May-19	02018
Sugarloaf Point Lightstation Group	Seal Rocks	Great Lakes	22-Feb-19	02025
The Church of the Holy Innocents, Churchyard and Cemetery	130 Rossmore Avenue West, Rossmore	Liverpool	24-Aug-18	02005
The Lindlegreen Barn	2509 O’Connell Road, O’Connell	Oberon	24-Aug-18	02012
The University of Sydney, University Colleges and Victoria Park	Camperdown	Sydney	31-Aug-18	01974
Wentworth and Reform Gold Mines	4570-4578 Mitchell Highway, Lucknow	Orange	24-Aug-18	02004
White Hart Inn Archaeological Site	Beaumont Hills	The Hills	24-Aug-18	02007
Yanco Agricultural High School	259 Euroley Road, Yanco	Leeton	7-Jun-19	02021

Removals from State Heritage Register

In 2018-19 no items were removed from the State Heritage Register under *Section 38* of the *Heritage Act 1977*.

State Heritage Register amendments

In 2018-19 there were four amendments to the State Heritage Register:

- Argyle House, 85 Lower Fort Street, Millers Point, Sydney (SHR No. 00838) curtilage amendment gazetted 10 August 2018.
- Shipwrights Arms Inn (former), 75 Windmill Street, Millers Point, Sydney (SHR No. 00850) curtilage amendment gazetted 10 August 2018.
- Townhouse, 26-28 Lower Fort Street, Millers Point, Sydney (SHR No. 00881) curtilage amendment gazetted 10 August 2018.
- Wangi Power Station Complex, Wangi Wangi, Lake Macquarie (SHR No. 01014) curtilage amendment gazetted 24 August 2018.

Statutory planning tools

Planning referrals	2015–16	2016-17	2017-18	2018-19
Local environment plans*	84	115	2	6
State environmental planning policies	3	3	3	0
Developmental control plans	2	2	1	6
Strategic studies	3	11	0	2
Conservation management plans	94	96	36	10
Total	**186**	**227**	**42**	**24**

* Includes comprehensive and site specific local environmental plans.

Statutory applications

The Heritage Council and its delegates determined or provided comment on development proposals of an estimated total project value of $5,630,768,835.51 in 2018-19.

Type of application	2015–16	2016-17	2017-18	2018-19
Applications for changes to State Heritage Register items (s 60s)	201	208	266	254
Applications for excavation permit (s 140s)	37	44	43	34
Integrated development applications (IDA)*	140	105	138	130
Exemptions (s 57(2))	597	629	778	591
Exceptions (s 139(4))	51	42	35	39
Variations to s 60 Approvals (s 65A)	34	59	80	53

Variations to s 140 Excavation Permits (s 144)	10	15	11	15
Variations to IDA Approvals (s 96)	28	31	45	33
Development application referrals under Part 3A of the EP&A Act**	7	7	n/a	n/a
State Significant Development application referrals under Part 4.1 of the EP&A Act***	125	226	229	319
State Significant Infrastructure application referrals under Part 5.1 of the EP&A Act***	19	25	39	26
Total	**1,249**	**1,391**	**1,664**	**1,494**

* IDAs are referred under section 91-91A of the *Environmental Planning and Assessment Act 1979* (EP&A Act).

** The former Part 3A of the EP&A Act was repealed by the NSW Government in 2011. Some Part 3A projects remained as transitional or ongoing projects and therefore the Heritage Council, or OEH Heritage Division as Heritage Council Delegate, continued to provide comment on such projects at relevant stages or for subsequent project Modification applications.

*** The EP&A Act was amended so that projects previously dealt with under Part 3A would subsequently be classified as either State Significant Development (SSD) or State Significant Infrastructure (SSI). Those new types of projects are included in the report as referrals for such projects have been received from the Department of Planning and Environment during the reporting period.

Summary of other recommendations, advice and opinions made by the Council

The Heritage Council or their delegate provided advice to the Minister on four Interim Heritage Orders under section 24(2) of the Heritage Act 1977 in 2018-19.

No Heritage Agreements under section 39 of the Act were entered into by the Minister. Advice was provided to the Minister on one order restricting harm to buildings under section 136 of the Act and no stop work orders under section 79c of the Act were issued. One certificate of evidence under section 151(1A) was issued.

NSW maritime heritage

The Maritime Heritage Database currently has 2,780 listings. No shipwreck protection orders were issued under s.50 of the Act. Members of the public continued to regularly report the discovery or exposure of sites, and assistance in monitoring the condition of shipwreck remnants and relics in NSW.

Heritage NSW has been assisting the Sydney Metro Authority with expertise in their discovery and management of an early 19th century shipwreck found during archaeological excavations at the new Barangaroo Metro Station site in October 2018. Conservation works are ongoing.

Heritage NSW staff participated in fieldwork on the *Foam* wreck site on the Great Barrier Reef in August 2018 as part of a multijurisdictional collaborative project to resurvey the wreck site undertaken by Heritage Queensland.

From 24-26 June 2019 Heritage NSW undertook the first archaeological survey of the former Rose Bay Flying Boat Base in Sydney which was the location of Australia’s first international airport.

For the first time a high-resolution 3D model of the *M24* Japanese midget submarine has been produced. This model provides an unprecedented level of detail of the site and accurately shows what the submarine looks like 54 metres below the sea. Several monitoring and survey inspections were conducted at the site as part of its management.

NSW heritage grants

The NSW Heritage Grants program contributes to the identification, conservation and celebration of heritage across NSW. During 2018-19, 243 projects were approved for $5.835,000 in funding. These projects will be implemented during 2019-21.

In 2018-19 $3,037,331 was expended in implementing the NSW Heritage Grant program.

Further details about the NSW Heritage Grants program can be found at https://www.environment.nsw.gov.au/topics/heritage/grants-and-funding

Hunter region heritage grants

The Hunter region heritage grants program contributes to the conservation, restoration and re-use of heritage items in the Hunter region. No new projects were approved in 2018-19.

In 2018-19 $20,000 was expended on Hunter region heritage grants.

Further details about past grant recipients under the program can be found at https://www.environment.nsw.gov.au/topics/heritage/grants-and-funding/past-grant-recipients/2016-17-grants

Corporation Sole "Minister Administering the *Heritage Act 1977*"

Annual Financial Statements

for the year ended 30 June 2019

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Corporation Sole "Minister Administering the *Heritage Act 1977*"
Statement by the Minister
for the year ended 30 June 2019

Pursuant to section 41C of the *Public Finance and Audit Act 1983*, and in my capacity as Corporation Sole, titled "Minister Administering the *Heritage Act 1977*", I declare that in my opinion:

(i) the accompanying financial statements exhibit a true and fair view of the financial position as at 30 June 2019 and the financial performance of the Corporation Sole, "Minister Administering the *Heritage Act 1977*", for the year then ended; and

(ii) the statements have been prepared in accordance with the provisions of

- applicable Australian Accounting Standards; and
- the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015* 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.

Don Harwin MP
Special Minister of State, Minister for the Public Service and Employee Relations, Aboriginal Affairs and the Arts

Date:

Corporation Sole “Minister Administering the *Heritage Act 1977*”

for the year ended 30 June 2019

	2019				2018
	Notes		**$'000**		**$'000**
Expenses excluding losses					
Operating expenses	2(a)		1,043		877
Depreciation expense	2(b)		90		88
Grants and subsidies	2(c)		104		22
TOTAL EXPENSES EXCLUDING LOSSES			**1,237**		**987**
Revenue					
Investment revenue	3(a)	441		332	
Retained fees	3(b)	772		838	
Grants and contributions	3(c)		7,185		-
TOTAL REVENUE			**8,398**		**1,170**
Net result	15		**7,161**		**183**
Other comprehensive income					
Items that will not be reclassified to net result in subsequent periods					
Net increase/(decrease) in property, plant and equipment revaluation surplus	7		-		1,224
Total other comprehensive income			**-**		**1,224**
TOTAL COMPREHENSIVE INCOME		**7,161**			**1,407**

The accompanying notes form part of these financial statements.

Corporation Sole “Minister Administering the *Heritage Act 1977*”

as at 30 June 2019

	2019		2018
	Notes	**$'000**	**$'000**
ASSETS			
Current assets			
Cash and cash equivalents	4	3,046	1,055
Receivables	5	51	101
Financial assets at fair value	6	7,086	6,661
Total current assets		**10,183**	**7,817**
Non-current assets			
Property, plant and equipment			
Land and buildings	7	5,137	5,227
Intangibles	8	5,102	-
Total non-current assets		**10,239**	**5,227**
Total assets		**20,422**	**13,044**
LIABILITIES			
Current liabilities			
Payables	11	284	67
Other	12	5	5
Total current liabilities		**289**	**72**
Total liabilities		**289**	**72**
Net assets		**20,133**	**12,972**
EQUITY			
Asset revaluation reserve		4,728	4,728
Accumulated funds		15,405	8,244
Total equity		**20,133**	**12,972**

The accompanying notes form part of these financial statements.

Corporation Sole “Minister Administering the *Heritage Act 1977*”

Statement of changes in equity

	Accumulated funds	Asset revaluation surplus	Total
	$'000	$'000	$'000
Balance at 1 July 2018	8,244	4,728	12,972
Net result for the year	7,161	-	7,161
Balance at 30 June 2019	**15,405**	**4,728**	**20,133**
Balance at 1 July 2017	8,061	3,504	11,565
Net result for the year	183	-	183
Other comprehensive income			
Net increases/(decrease) in property, plant and equipment	-	1,224	1,224
Total other comprehensive income	**-**	**1,224**	**1,224**
Total comprehensive income for the year	**183**	**1,224**	**1,407**
Balance at 30 June 2018	**8,244**	**4,728**	**12,972**

The accompanying notes form part of these financial statements.

Corporation Sole "Minister Administering the *Heritage Act 1977*"

Statement of cash flows

	Notes	2019 $'000	2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Grants and subsidies		(104)	(22)
Operating expenses		(1,121)	(1,219)
Total payments		**(1,225)**	**(1,241)**
Receipts			
Retained fees		1,116	878
Interest received on cash		17	28
Grants and contributions		2,083	-
Total receipts		**3,216**	**906**
NET CASH FLOWS FROM OPERATING ACTIVITIES	15	**1,991**	**(335)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Contribution to medium term investment		-	(2,500)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**-**	**(2,500)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,991**	**(2,835)**
Opening cash and cash equivalents		1,055	3,890
CLOSING CASH AND CASH EQUIVALENTS*	4	**3,046**	**1,055**

*For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank only and does not include medium-term growth investments disclosed in note 6.

The accompanying notes form part of these financial statements.

1. Summary of significant accounting policies

(a) Reporting entity

The Corporation Sole “Minister Administering the *Heritage Act 1977*” (the Corporation) is constituted under the *Heritage Act 1977*. The main activity of the Corporation is the administration of financial operations of the Act and is defined under Part 6 of the *Heritage Act 1977*. The Corporation receives fees and charges, may acquire or bequest any property for the purposes of the Act, and make grants and loans for promoting and assisting conservation of items of heritage.

Though the Corporation generates revenue, it is a not-for-profit entity as profit is not its principal objective. The Corporation is a going concern.

The Corporation does not employ staff. The Office of Environment and Heritage (OEH) provides secretariat, general administration and specialist support to the Corporation for a fee. Refer note 2(a) and note 17. For changes to this support from 1 July 2019, refer note 18.

The financial statements have been authorised by the Minister for issue on xx October 2019.

(b) Basis of preparation

The Corporation’s financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the *Public Finance and Audit Act 1983* (the Act) and *Public Finance and Audit Regulation 2015*; and
- Treasurer’s directions issued under the Act.

These financial statements have been prepared on a going concern basis.

Property, plant and equipment and financial assets are measured at fair value through profit or loss. Other financial statements items are prepared in accordance with the historical cost convention, except where specified otherwise.

Judgements, key assumptions and estimations management has 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, which is the Corporation’s presentation and functional currency.

(c) Accounting for the goods and services tax (GST)

Income, expenses and assets are recognised net of the amount of goods and services tax (GST), except that the:

- amount of GST incurred by the Corporation as a purchaser that is not recoverable from the Australian Tax Office (ATO) is recognised as part of an asset’s cost of acquisition or as part of an item of expense and
- receivables and payables are stated with the amount of GST included.

However, the GST component of cash flows arising from investment and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(d) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

The 2017-18 comparative details in ‘other operating expenses’ have been reclassified within the total of the note. There is no change or reclassification of expense items in the statement of comprehensive income. Please refer to note 2(a).

1. Summary of significant accounting policies (cont'd)

(e) Insurance

A range of insurances are carried by OEH with the Treasury Managed Fund. This coverage extends to the operations of the Corporation. Insurance cover is reviewed annually to ensure adequacy.

(f) Statement of compliance

The financial statements and notes comply with the Australian Accounting Standards, which include Australian Accounting Interpretations.

(g) Equity and reserves

(i) Revaluation surplus

The reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the Corporation's policy on the revaluation of property, plant and equipment as discussed in note 7.

(ii) Accumulated funds

The category 'accumulated funds' includes all current and prior period retained funds.

(h) Changes in accounting policy, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2018-19

The Corporation has adopted AASB 9 *financial instruments* (AASB 9), which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 *financial instruments: disclosures* (AASB 7R).

The Corporation applied AASB 9 retrospectively but has not restated the comparative information which is reported under AASB 139 *financial instruments: recognition and measurement* (AASB 139). Any differences arising from the adoption of AASB 9 are required to be recognised directly in accumulated funds and other components of equity.

There has been no impact of adopting AASB 9 on the statement of financial position i.e. there were no increases/(decreases) as at 1 July 2018.

Classification and measurement of financial instruments

On 1 July 2018 (the date of application of AASB 9), the Corporation assessed which business models apply to the financial assets held by the Corporation to classify its financial instruments into the appropriate AASB 9 categories.

This assessment did not result in any reclassification of financial instruments, with no impact on reserves or accumulated funds.

The classification and measurement requirements of AASB 9 did not have a significant impact on the Corporation. The Corporation continued measuring all financial assets previously held at fair value under AASB 139.

The following are the changes in the classification of the Corporation's financial assets:

- Trade receivables and other financial assets (i.e. term deposits) classified as 'loans and receivables' under AASB 139 as at 30 June 2018 are held to collect contractual cash flows representing solely payments of principal and interest. At 1 July 2018, these are classified and measured as debt instruments at amortised cost.

1. Summary of significant accounting policies (cont'd)

- The Corporation has not designated any financial liabilities at fair value through profit or loss. There are no changes in the classification and measurement for the Corporation's financial liabilities.

In summary, upon the adoption of AASB 9, the Corporation had the following required or elected reclassifications as at 1 July 2018:

AASB 139	Measurement category		Carrying amount		
	Original			New	Difference
Measurement category	**AASB 139**	**AASB 9**	**$'000**	**$'000**	**$'000**
Trade receivables	L&R	Amortised cost	40	40	-
Other receivables	L&R	Amortised cost	61	61	-
TCorpIM funds	FVPL	FVPL	6,661	6,661	-

L&R – loans and receivables

FVPL – fair value through profit and loss

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards unless Treasury determines otherwise.

The following new Australian Accounting Standards have not been applied and are not yet effective (NSW Treasury mandate TC 19/04):

- AASB 15, AASB 2014-5, AASB 2015-8 and 2016-3 regarding revenue from contracts with customers (not-for-profits only)
- AASB 16 leases
- AASB 1058 income of not-for-profit entities
- AASB 1059 service concession arrangements: grantors
- AASB 2016-8 amendments to Australian Accounting Standards – Australian implementation guidance for not-for-profit entities
- AASB 2018-5 amendments to Australian Accounting Standards - deferral of AASB 1059
- AASB 2018-8 amendments to Australian Accounting Standards – right-of-use assets of not-for-profit entities

These standards have been assessed for their possible impact on the financial statements, if any, in the period of their initial application and over the forward estimates period (2019-20 to 2022-23). The new standards are not expected to have any material impact.

2. Expenses excluding losses

Expenses are measured at the fair value of the consideration or contribution paid or payable for goods or services received by the Corporation. Recognition and measurement of key expense items are disclosed separately below.

(a) Other operating expenses

	2019 $'000	2018 $'000
Secretariat support and specialist advice - OEH[1,2]	528	342
Contractor - projects[2,3]	194	162
Heritage Council and committees[3]	138	78
Legal costs	48	47
Travel costs	47	23
Printing and publishing[4]	31	145
Auditor's remuneration (audit of the financial statements)	20	20
Commissions paid on Section 167 fees[5]	18	18
General administration	11	16
Stores and minor assets	7	22
Hire costs	1	4
	1,043	**877**

[1]Higher secretariat and specialist advice fees to OEH is primarily due to additional project managers for the Hunter Heritage Fund, for the review of development application fees and delegations projects and towards administration of the Hillview property lease.
[2]For the 2017-18 comparative, an amount of $81,000 was reclassified from ‘Contractor-projects’ to ‘Secretariat and specialist advice-OEH’ to align with the nature of the expense. Refer note 1(d).
[3]Increase in contractor costs in the 2018-19 financial year is primarily due to costs incurred towards the finalisation of the Heritage design guide and the preparation of a business plan for the Heritage Council. Further, higher Heritage Council and committees fees is due to an increase in the number of members and frequency of meetings.
[4]Decrease in printing and publishing costs is primarily due to lower expenses incurred towards the preparation of the communications and engagement strategy project, stage 1 and 2 of which were completed during 2017-18.
[5]Under section 167 of the *Heritage Act 1977*, on receipt of the prescribed fee, certificates are issued to document if a site is listed on the State Heritage Register or is subject to an interim heritage order. NSW Land Registry Services manages this process on the Corporation’s behalf and are paid a monthly commission by the Corporation.

Recognition and measurement – key “other operating expenses”

Secretariat support and specialist advice - OEH

The Corporation is charged for the fair value of specialist and secretariat support provided by OEH. The Corporation also reimburses OEH for its share of corporate services that are provided by the Department of Planning and Environment.

(b) Depreciation expense

	2019 $'000	2018 $'000
Depreciation		
Buildings and improvements	**90**	**88**

For recognition and measurement policies on depreciation, refer note 7.

2. Expenses excluding losses (cont'd)

(c) Grants and subsidies

	2019	2018
	$'000	$'000
Local government[1]	50	-
Community organisations[2]	40	-
Sponsorships	14	22
	104	**22**

Grants are paid by the Corporation towards conservation of items of heritage. In 2018-19, the following amounts were paid:
[1]$30,000 to Cumberland Council to undertake heritage studies for the Linwood Estate in Guildford. Another $20,000 was paid to Cessnock City Council for the Richmond Main Colliery preservation works.
[2]$40,000 to the National Trust of Australia for the conservation and management of Old Government House, Parramatta.
Refer note 10.

Recognition and measurement – grants and subsidies

Grants and subsidies are generally recognised as expenses when the Corporation transfers control of the contribution. The Corporation is deemed to have transferred control when grants and subsidies are paid or payable.

3. Revenue

Revenue is measured at the fair value of the consideration or contribution received or receivable. Comments regarding the accounting policies for the recognition of income are discussed below.

(a) Investment revenue

	2019	2018
	$'000	**$'000**
Interest revenue from financial assets not at fair value through profit or loss	16	28
Net gain / (loss) from TCorp IM Funds designated at fair value through profit or loss	425	304
	441	**332**

Recognition and measurement – investment revenue

i. Interest revenue from financial assets not at fair value through profit or loss
Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the allowance for expected credit losses)

ii. TcorpIM investment facilities designated at fair value through profit or loss
In accordance with AASB 139 *financial instruments: recognition and measurement*, the Corporation's financial assets, such as TCorp IM investment facilities, and financial liabilities are disclosed at fair value through profit or loss. Under AASB 9, such a business model would mandatorily require them to be measured at fair value through profit or loss. The movement in the fair value of the TCorpIM investment facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'. Refer note 6 and note 16.

(b) Retained fees

	2019	2018
	$'000	**$'000**
Statutory fees and other charges	**772**	**838**

3. Revenue (cont’d)

(b) Retained fees (cont’d)

Recognition and measurement – retained fees

Retained fees comprises statutory fees and charges under the *Heritage Act 1977*. Revenue from retained fees is recognised when the fair value of the consideration is received or is receivable.

(c) Grants and contributions

	2019 $'000	2018 $'000
Assets received free of cost from OEH - note 8	5,102	-
Office of Environment and Heritage[1]	2,083	-
	7,185	**-**

[1]In 2018-19, funding was received from OEH for the Heritage Near Me program and the Heritage Management System. These systems are new, and the funds were provided to support the finalisation of the Heritage Near Me grants program and to continue the development of the Heritage Management System.

Recognition and measurement – grants and contributions

Grants received are generally recognised as income when the Corporation obtains control over the contribution. The Corporation is deemed to have assumed control when the grant is received or is receivable.

4. Current assets – cash and cash equivalents

	2019 $'000	2018 $'000
Cash at bank	**3,046**	**1,055**

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank.

Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of the financial year to the statement of cash flows as follows:

Cash and cash equivalents (per statement of financial position)	3,046	1,055
Cash and cash equivalents (per statement of cash flows)	**3,046**	**1,055**

Refer note 10 for details on restricted assets.
Refer note 16 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

5. Current assets – receivables

	2019 $'000	2018 $'000
Sale of goods and services	-	40
Accrued income	34	-
Prepayments	17	-
GST receivable	-	61
	51	**101**

5. Current assets – receivables (cont'd)

Details regarding credit risk of trade debtors that are neither past due nor impaired, are disclosed in note 16.

Recognition and measurement – receivables

All purchases or sales of financial assets are recognised and derecognised on a trade date basis. Purchases or sales of financial assets require delivery of assets within the time frame established by regulation or convention in the marketplace.

Subsequent measurement under AASB 9 (from 1 July 2018)

The Corporation holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method.

Subsequent measurement under AASB 139 (for comparative period ended 30 June 2018)

Subsequent measurement is at amortised cost using the effective interest method, less any impairment. There were no significant changes and hence, no adjustments were required.

Impairment under AASB 9 (from 1 July 2018)

The Corporation recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the Corporation expects to receive, discounted at the original effective interest rate. For trade receivables, the Corporation applies a simplified approach in calculating ECLs. The Corporation recognises a loss allowance based on lifetime ECLs at each reporting date. The Corporation has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to the receivable. No adjustment to impairment was required as at 1 July 2018.

Impairment under AASB 139 (for comparative period ended 30 June 2018)

Receivables are subject to an annual review for impairment. These are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The Corporation first assesses whether impairment exists individually for receivables that are individually significant, or collectively for those that are not individually significant. Further, receivables are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

The amount allowed for the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, if objectively related to an event occurring after the impairment was recognised. Reversals of impairment losses cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

6. Current assets – financial assets at fair value

	2019 $'000	2018 $'000
TCorpIM medium term growth investments	7,086	6,661

Refer note 10 for details on restricted assets.

TCorp IM investments are classified at fair value through profit and loss. Refer note 3(a).

Refer to note 16 for further information regarding fair value measurement, credit risk and market risk arising from financial instruments.

6. Current assets – financial assets at fair value (cont’d)

Recognition and measurement – financial assets at fair value

All purchases or sales of financial assets are recognised and derecognised on a trade date basis. Purchases or sales of financial assets require delivery of assets within the time frame established by regulation or convention in the marketplace.

Classification and measurement under AASB 9 (from 1 July 2018)

The Corporation’s financial assets at fair value are classified, at initial recognition, and are subsequently measured at either fair value through other comprehensive income or fair value through profit or loss.

Transaction costs of financial assets carried at fair value through profit or loss are expensed in net results. Transaction costs of financial assets carried at other comprehensive income are included as part of their fair value and amortised to net results using the effective interest method.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value under AASB 9.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. TCorpIM funds are managed and their performance is evaluated on a fair value basis and therefore the business model is neither to hold to collect contractual cash flows or sell the financial asset. Hence these investments are mandatorily required to be measured at fair value through profit or loss. Notwithstanding the criteria to be classified at amortised cost or at fair value through other comprehensive income, financial assets may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognised in net results and presented net within other gains/(losses), except for TCorpIM funds that are presented in ‘investment revenue’ in the period in which it arises.

Classification and measurement under AASB 139 (for comparative period ended 30 June 2018)

The Corporation classified its financial assets at fair value as financial assets at fair value through profit or loss. The classification was based on the purpose of acquiring such financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets at fair value through profit or loss are initially and subsequently measured at fair value. Gains or losses on these assets are recognised in the net result for the year. The TCorpIM investment facilities are designated at fair value through profit or loss as these financial assets are managed and their performance is evaluated on a fair value basis. The movement in the fair value of the TCorpIM Funds incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.

7. Non-current assets – property, plant and equipment

	Land and buildings $'000	Total $'000
At 1 July 2018 - fair value		
Gross carrying amount	7,628	7,628
Accumulated depreciation	(2,401)	(2,401)
Net carrying amount	**5,227**	**5,227**
At 30 June 2019 - fair value		
Gross carrying amount	7,628	7,628
Accumulated depreciation	(2,491)	(2,491)
Net carrying amount	**5,137**	**5,137**

Reconciliation

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

	Land and buildings $'000	Total $'000
Year ended 30 June 2019		
Net carrying amount at start of year	5,227	5,227
Depreciation expense	(90)	(90)
Net carrying amount at end of year	**5,137**	**5,137**

Further details regarding the fair value measurement of property, plant and equipment are disclosed in note 9.

7. Non-current assets – property, plant and equipment (cont'd)

		Land and buildings $'000	Total $'000
At 1 July 2017 - fair value			
Gross carrying amount		7,052	7,052
Accumulated depreciation		(2,961)	(2,961)
Net carrying amount		**4,091**	**4,091**
At 30 June 2018 - fair value			
Gross carrying amount	7,628		7,628
Accumulated depreciation		(2,401)	(2,401)
Net carrying amount		**5,227**	**5,227**

Reconciliation

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

	Land and buildings $'000	Total $'000
Year ended 30 June 2018		
Net carrying amount at start of year	4,091	4,091
Net revaluation increment less revaluation decrements	1,224	1,224
Depreciation expense	(88)	(88)
Net carrying amount at end of year	**5,227**	**5,227**

Further details regarding the fair value measurement of property, plant and equipment are disclosed in note 9.

<u>Recognition and measurement – property, plant and equipment</u>

Acquisition of property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and impairment. 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 requirements of other Australian Accounting Standards.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. deferred payment amount is effectively discounted over the period of credit.

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

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.

7. Non-current assets – property, plant and equipment (cont'd)

Recognition and measurement – property, plant and equipment (cont'd)

Major inspection costs

When a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

Restoration costs

The present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation of property, plant and equipment

Depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Corporation.

The depreciation rate for buildings is 1.67% (2018: 1.67%). Land is not depreciated.

Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with Treasury Policy and Guidelines Paper TPP 14-01 *valuation of physical non-current assets at fair value*. This policy adopts fair value in accordance with AASB 13 *fair value measurement* and AASB 116 *property, plant and equipment*.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and takes into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account of these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on the perspective of market participants, using valuation techniques (market approach and cost approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer note 9 for further information regarding fair value.

Revaluations are conducted 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. The Corporation conducts a comprehensive revaluation for land and buildings every three years. The last comprehensive revaluations of land and buildings were completed on 30 June 2018. These revaluations were completed by Opteon Solutions Pty Ltd and Colliers International Valuation & Advisory Services Pty Ltd respectively.

Interim revaluations are conducted between comprehensive revaluations to assess whether cumulative changes to indicators may result in fair value materially being different from carrying value. An interim revaluation of land and buildings was performed by management at 30 June 2019. This assessment was based on relevant indices provided by independent valuers. The assessed movement in fair value was considered immaterial and no adjustment was made to fair values at 30 June 2019.

Impairment of property, plant and equipment

As a not-for-profit entity, impairment under AASB 136 *impairment of assets* is unlikely to arise. As property, plant and equipment is carried at fair value, impairment can only arise in the rare circumstances where the costs of disposal are material.

7. Non-current assets – property, plant and equipment (cont’d)

Recognition and measurement – property, plant and equipment (cont’d)

Impairment of property, plant and equipment (cont’d)

The Corporation assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, asset’s recoverable amount is estimated. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

As a not-for-profit entity, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in net result and is treated as a revaluation increase. However, to the extent that an impairment loss on the same class of asset was previously recognised in net result, a reversal of that impairment loss is also recognised in net result.

8. Intangible assets

	Software $'000	Total $'000
At 30 June 2019 - fair value		
Gross carrying amount	5,102	5,102
Accumulated amortisation	-	-
Net carrying amount	**5,102**	**5,102**

Reconciliation	Software $’000	Total $’000
Year ended 30 June 2019		
Net carrying amount at beginning of year	-	-
Assets received free of cost*	5,102	5,102
Amortisation (recognised in 'depreciation and amortisation')	-	-
Net carrying amount at end of year	**5,102**	**5,102**

*At 30 June 2019, the Heritage Management System and the Heritage Near Me application were transferred from the Office of Environment and Heritage and are works-in-progress. The Corporation did not have any intangible assets in 2017-18.

Recognition and measurement - intangible assets

The Corporation recognises intangible assets only if it is probable that future economic benefit will flow to the Corporation and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value at the date of acquisition. Following initial recognition, intangible assets will be subsequently measured at fair value only if there is an active market. If there is no active market, the assets will be carried at cost less any accumulated amortisation and impairment losses.

8. Intangible assets (cont'd)

Recognition and measurement - in tang ib le a ss e ts (c on t'd)

All research costs are expensed. Development costs are only capitalised when certain criteria, such as probable future economic benefits, are met.

The amortisation period and the amortisation method for an intangible asset with a finite useful life will be reviewed at least at the end of each reporting period.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. The Corporation did not have any intangible assets with indefinite useful life at 30 June 2019.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss. There was no impairment at 30 June 2019.

Software
Software is measured at cost less amortisation, as a substitute for fair value in accordance with AASB 138 *intangible assets*. Intangible assets are consequently measured at fair value only if there is an active market. As there is no active market for the Corporation's intangible software assets, the assets are carried at cost less any accumulated amortisation and impairment losses. There was no amortisation in 2018-19 as assets acquired from OEH on 30 June 2019 were works-in- progress.
The Corporation's software assets will be amortised using the straight-line method over a period of four years.

9. Fair value measurement of non-financial assets

Fair value measurement and hierarchy
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13 *fair value measurement*, the Corporation categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- level 1 - quoted (unadjusted) prices in active markets for identical assets / liabilities that the Corporation can access at the measurement date.
- level 2 – inputs other than quoted prices included within level 1 that are observable, either directly or indirectly.
- level 3 – inputs that are not based on observable market data (unobservable inputs).

The Corporation recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Refer note 16 for further disclosures regarding fair value measurements of non-financial and financial assets.

(a) Fair value hierarchy

2019	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
	$'000	**$'000**	**$'000**	**$'000**
Property, plant and equipment (note 7)				
Land and buildings	**-**	**-**	**5,137**	**5,137**

9. Fair value measurement of non-financial assets (cont'd)

Fair value measurement and hierarchy (cont'd)

(a) Fair value hierarchy (cont'd)

2018	Level 1	Level 2	Level 3	Total fair value
	$'000	**$'000**	**$'000**	**$'000**
Property, plant and equipment (note 7)				
Land and buildings	**-**	**-**	**5,227**	**5,227**

There were no transfers between level 1 or 2 during the year or the previous year.

(a) Valuation techniques, inputs and processes

(i) Valuation techniques and inputs

Fair value for non-financial assets calculated on the following basis:

Asset class	Valuation technique	Comments
Land	Market	Based on market evidence, which is adjusted to reflect restricted use
Buildings	Cost	Based on depreciated replacement cost

(ii) Highest and best use:

Non-financial assets are valued on a highest and best use basis, after taking into account their restricted use.

(iii) Level 3 measurements

The Corporation's non-financial assets classed as level 3 in the fair value hierarchy are valued using a cost approach given that their use is specialised in nature, and they are not actively traded in the marketplace. Cost has been derived using actual costs plus reference to industry costing guides based on the characteristics of the relevant asset.

Full external valuations of land and buildings are conducted at least every 3 years. Interim revaluations are conducted between comprehensive revaluations to assess whether cumulative changes to indicators may change the fair value of assets materially from their carrying value. The Corporation engages independent, qualified valuers with appropriate experience in the relevant level 3 category to conduct revaluations.

9. Fair value measurement of non-financial assets (cont'd)

(b) Valuation methods, inputs and relationship of unobservable inputs to fair value

Type	Valuation method	Inputs	Relationship of unobservable inputs to fair value
Level 3- land	In 2017-18, the Corporation engaged the services of Opteon Solutions Pty Ltd to provide a comprehensive valuation of land using the market approach to determine fair value. A discount factor was applied to reflect the restrictive use of land by the Corporation. In 2018-19, an interim revaluation was performed by management based on an assessment of market movement by an independent valuer. The assessed movement in fair value was considered immaterial and no adjustment was required to the fair value at 30 June 2019.	Current market prices, and the discount factor for the restrictions on the use of the Corporation's land. The interim revaluation performed at 30 June 2019 involved the use of property sales data, Residex market research and publications, and local market knowledge.	Land is valued using market evidence with consideration made for physical and regulatory property attributes. Land values are derived from the analysis of sales of comparable lands and analysed sales adjusted to reflect location, zoning, land area, topography, access, amount of cleared versus uncleared land and market/saleability. Discount factors are applied to market evidence to reflect the restricted use. These factors have been derived by the valuer based on the analysis of market evidence, experience and court precedent. All land values are on a rate per hectare. For the interim revaluation performed at 30 June 2019, the valuer aggregated information from sales analysis and research to determine an indexation factor by region. Appropriate factor was then applied to the asset value based on its regional location. Management assessed that this factor appropriately reflected the movement in the fair value of land. Management considered the assessed movement in fair value immaterial and no adjustment was made to fair values at 30 June 2019.
Level 3- buildings	In 2017-18, the Corporation engaged the services of Colliers International Valuation & Advisory Services Pty Ltd (CIVAS) to provide a comprehensive valuation of buildings using the depreciated replacement cost (DRC) approach to determine fair value. In 2018-19, an interim revaluation was performed by management based on an assessment of relevant indices by an independent valuer. The assessed movement in fair value was considered immaterial and no adjustment was required to the fair value at 30 June 2019.	- Current construction cost estimates as published in Rawlinson's Handbook 2018 - Gross floor area - Total and remaining useful life The replacement cost ($\$/m^2$) has reference to the heritage significance of the main dwelling. The interim revaluation in 2018-19 involved the use of published CPI data, building price NSW indices and the Australian Institute of quantity surveyors building cost index.	The valuer has determined the fair value of buildings by assessing the replacement cost and making appropriate adjustments for age, condition and functional and technical obsolesce. Being a heritage building, the replacement cost is determined by using modern day equivalent materials and assets with the same size, design and function as the existing buildings, after taking into consideration any obsolescence. The interim revaluation performed at 30 June 2019 was based on relevant indices provided by an independent valuer. Management considered the assessed movement in fair value immaterial and no adjustment was made to fair values at 30 June 2019.

9. Fair value measurement of non-financial assets (cont'd)

(d) Reconciliation of recurring level 3 fair value measurements

2019	**Land and buildings**	**Total recurring level 3 fair value**
	$'000	**$'000**
Fair value as at 1 July 2018	5,227	5,227
Depreciation	(90)	(90)
Fair value as at 30 June 2019	**5,137**	**5,137**

2018	**Land and buildings**	**Total recurring level 3 fair value**
	$'000	**$'000**
Fair value as at 1 July 2017	4,091	4,091
Revaluation increments/ decrements recognised in other comprehensive income – included in line item -net increase/(decrease) in property, plant and equipment revaluation surplus and other movements	1,224	1,224
Depreciation	(88)	(88)
Fair value as at 30 June 2018	**5,227**	**5,227**

10. Restricted assets

Parramatta Heritage Precinct project

The Commonwealth Government provided a grant of $260,600 in a prior year for the preparation of a Parramatta Precinct National Heritage List nomination and comprehensive interpretation and tourism plan for the Parramatta precinct. In 2018-19, $40,000 was paid to the National Trust of Australia for the conservation and management of Old Government House, Parramatta. Refer note 2(c).

	2019	**2018**
	$'000	**$'000**
Opening balance	261	261
Less Payments	(40)	-
Closing balance at end of year	**221**	**261**

Old Government House site - Port Macquarie

The Corporation holds $206,195 in medium term investments (note 6) for the ongoing conservation and management of archaeological artefacts located at the Old Government House, Port Macquarie.

	2019	**2018**
	$'000	**$'000**
Opening balance	240	299
Less Payments	(34)	(59)
Closing balance at end of year	**206**	**240**

11. Current liabilities – payables

	2019 $'000	2018 $'000
Creditors	82	67
GST payable	202	-
	284	**67**

Details regarding liquidity risk, including a maturity analysis of the above payables, are disclosed in note 16.

Recognition and measurement - payables

Payables represent liabilities for goods and services provided to the Corporation and other amounts. Payables are initially measured at fair value, usually based on transaction cost or face value. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net result when the liabilities are derecognised as well as through the amortisation process.

Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

12. Current liabilities – other

	2019 $'000	2018 $'000
Security deposits	**5**	**5**

13. Commitments

There were no capital or lease commitments as at 30 June 2019 (2018: nil).

14. Contingent liabilities and contingent assets

There are no contingent liabilities or contingent assets as at 30 June 2019 (2018: nil).

15. Reconciliation of cash flows from operating activities to net result

	2019 $'000	2018 $'000
Net cash provided by (used on) operating activities	1,991	(335)
Depreciation	(90)	(88)
Assets recognised first time and free of charge	5,102	-
Increase/(decrease) in receivables	(43)	64
Decrease/(increase) in payables	(224)	240
Increase/(decrease) in medium term investment	425	302
Net result	**7,161**	**183**

16. Financial instruments

The Corporation’s principal financial instruments are outlined below. These financial instruments arise directly from the Corporation’s operations or are required to finance the Corporation’s operations. The Corporation does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporation’s main risks arising from financial instruments are outlined below, together with the Corporation’s objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

OEH on behalf of the Corporation has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Corporation, to set risk limits and controls, and to monitor risks.

(a) Financial instrument categories

(i) As at 30 June 2019 under AASB 9

Financial assets	Note	Category	Carrying amount
Class:			$'000
Cash and cash equivalents	4	N/A	3,046
Receivables[1]	5	Amortised cost	34
Financial assets at fair value	6	Fair value through profit or loss - mandatory classification	7,086

Financial liabilities	Note	Category	Carrying amount
Class:			$'000
Payables[2]	11	Financial liabilities (at amortised cost)	82

1. Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).
2. Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

(ii) As at 30 June 2018 Under AASB 139 (comparative period)

Financial assets	Note	Category	Carrying amount
Class:			$'000
Cash and cash equivalents	4	N/A	1,055
Receivables[1]	5	Loans and receivables (at amortised cost)	40
Financial assets at fair value	6	At fair value through profit or loss - classified as held for trading	6,661

Financial liabilities	Note	Category	Carrying amount
Class:			$'000
Payables[2]	11	Financial liabilities (at amortised cost)	67

[1.] Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).
[2.] Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7)

The Corporation determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

16. Financial instruments (cont'd)

(b) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the Corporation transfers the financial asset:

- where substantially all the risks and rewards have been transferred; or
- where the Corporation has not transferred substantially all the risks and rewards, if the Corporation has not retained control.

Where the Corporation has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the Corporation's continuing involvement in the asset. In that case, the Corporation also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Corporation has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Corporation could be required to repay.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

(c) Financial risks

(i) Credit risk

Credit risk arises when there is the possibility of the Corporation's debtors defaulting on their contractual obligations, resulting in a financial loss to the Corporation. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Corporation, including cash, receivables, and authority deposits. No collateral is held by the Corporation. The Corporation has not granted any financial guarantees.

Credit risk associated with the Corporation's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average TCorpIM 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

Accounting policy for impairment of trade debtors under AASB 9

Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand.

The Corporation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

16. Financial instruments (cont'd)

(c) Financial risks (cont'd)

(i) Credit risks (cont'd)

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Corporation has identified the GDP and the unemployment rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 90 days past due.

The loss allowance for trade debtors as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows:

30 June 2019

$'000	Current	<30 days	30-60 days	61-90 days	>91 days	Total
Expected credit loss rate	-	-	-	-	-	-
Estimated total gross carrying amount at default	-	-	-	-	-	-
Expected credit loss	-	-	-	-	-	-

1 July 2018

$'000	Current	<30 days	30-60 days	61-90 days	>91 days	Total
Expected credit loss rate	-	-	-	-	-	-
Estimated total gross carrying amount at default	-	-	-	40	-	40
Expected credit loss	-	-	-	-	-	-

Notes: the analysis excludes statutory receivables, prepayments, as these are not within the scope of AASB 7. Therefore, the 'total' will not reconcile to the receivables total in note 5

The Corporation is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. The Corporation's debtors have a high credit rating.

Accounting policy for impairment of trade debtors under AASB 139 (comparative period only)

All trade debtors are recognised as amounts receivable at balance date. Collectability of all debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts, which are known to be uncollectible, are written off. An allowance for impairment is raised when there is objective evidence that the Trust will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. The credit risk is the carrying amount (net of any allowance for impairment). No interest is earned on trade debtors. The carrying amount approximates net fair value. Sales are generally made on 30-day terms.

The Corporation was not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors.

16. Financial instruments (cont'd)

(c) Financial risks (cont'd)

(i) credit risks (cont'd)

For the comparative period 30 June 2018, the ageing analysis of trade debtors is as follows:

	Total [1,2] $'000	Neither past due nor impaired $'000	Past due but not impaired [1,2] $'000	Considered impaired [1,2] $'000
2018				
< 3 months overdue	-	-	-	-
3 months - 6 months overdue	40	-	40	-
> 6 months overdue	-	-	-	-

1. Each column in the table reports 'gross receivables'.
2. The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the 'total' will not reconcile to the receivables total recognised in the statement of financial position.

(ii) Liquidity risk

Liquidity risk is the risk the Corporation will be unable to meet its payment obligations when they fall due. The Corporation continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high-quality liquid assets.

During the current and prior years, there were no defaults or breaches on any payables. No assets have been pledged as collateral. The Corporation's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Corporation may automatically pay the supplier simple interest. The applicable rate of interest for the period to 30 June 2019 was 9.96% (2018: 9.77%). The rate of interest is determined by Revenue NSW.

The table below summarises the maturity profile of the Corporation's financial liabilities, together with the interest rate exposure.

16. Financial instruments (cont'd)

(c) Financial risks (cont'd)

(ii) Liquidity risk (cont'd)

Maturity analysis and interest rate exposure of financial liabilities

	$'000 Nominal amount[1]	Interest rate exposure Fixed interest rate	Variable interest rate	Non-interest bearing	Maturity dates < 1 year	1 -5 years	> 5 years
2019							
Payables	82	-	-	82	82	-	-
	82	-	-	82	82	-	-
2018							
Payables	67	-	-	67	67	-	-
	67	-	-	67	67	-	-

[1]The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Corporation can be required to pay.

(iii) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation's exposures to market risk are primarily through price risks associated with the movement in the unit price of the TCorpIM investment facilities. The Corporation has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below under the interest rate risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Corporation operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposure in existence at the balance date. The analysis is performed on the same basis as for 2017-18. The analysis assumes that all other variables remain constant.

(iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the Corporation's interest-bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily with NSW TCorp. As at 30 June 2019, the Corporation did not have any borrowings.

16. Financial instruments (cont'd)

(c) Financial risks (cont'd)

(iv) Interest rate risk (cont'd)

A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates to estimate the impact on profit or loss or equity . The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Corporation's exposure to interest rate risk is set out below:

$'000

	Carrying amount	-1% Profit	-1% Equity	+1% Profit	+1% Equity
2019					
Financial assets					
Cash and cash equivalents	3,046	(30)	(30)	30	30
Financial assets at fair value	7,086	(71)	(71)	71	71
2018					
Financial assets					
Cash and cash equivalents	1,055	(11)	(11)	11	11
Financial assets at fair value	6,661	(67)	(67)	67	67

(d) Other price risk – TCorpIM facilities

Exposure to 'other price risk' primarily arises through the investment in the TCorpIM investment facilities, which are held for strategic rather than trading purposes. The Corporation has no direct equity investments. The Corporation holds units in the following TCorpIM investment trust.

Facility	Investment sectors	Investment horizon	2019 $'000	2018 $'000
Medium-term growth facility	Cash, money market instruments, Australian bonds, listed property, Australian and international shares	3 years to 7 years	7,086	6,661

The unit price of each facility is equal to the total fair value of net assets held by the facility divided by the total number of units on issue for that facility. Unit prices are calculated and published daily.

NSW TCorpIM as trustee for the above facilities is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorpIM has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. TCorpIM has also leveraged off internal expertise to manage certain fixed income assets for the TCorpIM funds facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the TCorpIM facilities limits the Corporation's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

16. Financial instruments (cont'd)

(d) Other price risk – TCorpIM facilities (cont'd)

NSW TCorpIM provides sensitivity analysis information for each of the investment facilities, using historically based volatility information collected over a ten-year period, quoted at two standard deviations (i.e. 95% probability). The TCorpIM investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity). A reasonably possible change is based on the percentage change in unit price (as advised by TCorpIM) multiplied by the redemption value as at 30 June each year for each facility (balance from TCorpIM statement).

	Change in unit price	Impact on profit/loss 2019 $'000	2018 $'000
Medium-term growth facility	+/-4.14%	294	143

(e) Fair value measurement

(i) Fair value compared to carrying amount

Financial instruments are generally recognised at cost, with the exception of the TCorpIM facilities, which are measured at fair value. The value of the TCorpIM investments is based on the Corporation's share of the value of the underlying assets of the facility, based on the market value. All of the TCorpIM facilities are valued using 'redemption' pricing.

The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments.

(ii) Fair value recognised in the statement of financial position

The Corporation uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:
level 1 – derived from quoted prices in active markets for identical assets/liabilities.
level 2 – derived from inputs other than quoted prices that are observable directly or indirectly.
level 3 – derived from valuation techniques that include inputs for the asset/liability not based on observable market data (unobservable inputs).

There were no transfers between level 1 and 2 during the year and in the previous year.

17. Related party disclosure

(a) Key management personnel

Key management personnel (KMPs) are those persons who have authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. Under Part 6 of the *Heritage Act 1977*, the Minister is incorporated as a Corporation Sole and is considered the only KMP of the Corporation. There was no compensation paid by the Corporation during the year as Ministerial compensation is paid by the NSW Legislature.

Based on advice provided by the NSW Treasury and transactional reviews undertaken, the Corporation did not enter into any transactions with key management personnel, their close family members and any entities controlled or jointly controlled thereof during the year, except in the capacity as the Minister.

17. Related party disclosure (cont'd)

(a) Key management personnel (cont'd)

Under the *Heritage Act 1977*, the Heritage Council (Council) is a NSW agency. The Council makes recommendations to the Minister in relation to functions conferred upon the Minister under the Act. The Minister, as Corporation Sole, has power to accept or not accept these recommendations. The Council can also establish committees to assist it in the exercise of its functions. In accordance with section 105 1(b) of the *Heritage Act 1977*, the Corporation remunerates members of the Council. In 2018-19, fees paid to Council members, including for their superannuation and for the membership and attendance of other committees was $138,076 (2018: $78,259). This amount is included within note 2(a).

(b) Transactions with other NSW government related entities

During the year, the Corporation entered into transactions with OEH which is controlled/jointly controlled/significantly influenced by the NSW Government.

OEH provides secretariat, general administration and specialist support to the Corporation for a fee and also provides grants. Refer note 1(a), note 2(a) and note 3(c).

18. Events after the reporting period

Under the Administrative Arrangements (Administrative Changes – Public Service Agencies) Order 2019, dated 2 April 2019, functions relating to the administration of Heritage Legislation were transferred to the Department of Premier and Cabinet (DPC) from 1 July 2019. Under the new arrangements, OEH was abolished on 1 July 2019 and consolidated with the newly formed Department of Planning, Industry & Environment.

End of audited financial statements.