



Financial statements

# Financial performance commentary 2004–2005

## Overview

The successful delivery of the key initiatives in the Sustainable Energy Authority's business plan is reflected in the 2004–2005 financial performance of the Authority. The Authority's financial performance for 2004–2005 highlights the success in delivering on key initiatives with existing partnerships and new projects designed to further expand the options for sustainable energy solutions. The solid financial position reported at 30 June 2005 positions the organisation to meet its current and future commitments to deliver on the strategy to increase the uptake in sustainable energy in Victoria.

The financial performance reflects a net increase of \$0.3 million in expenditure over 2004–2005 to \$20.1 million. This performance highlights the significant increase of \$2.9 million (or 57%) in project expenditure over the prior year, driven by the successful delivery of project partnerships established with public and private sector organisations.

Total project expenditure includes \$1.2 million of project contractual commitments established in partnership with public and private sector organisations last year and \$6.8 million of additional project expenditure for partnerships established and delivered in 2004–2005. These partnerships are leveraging and influencing over \$155 million in investment and support for sustainable energy solutions (figure 33).

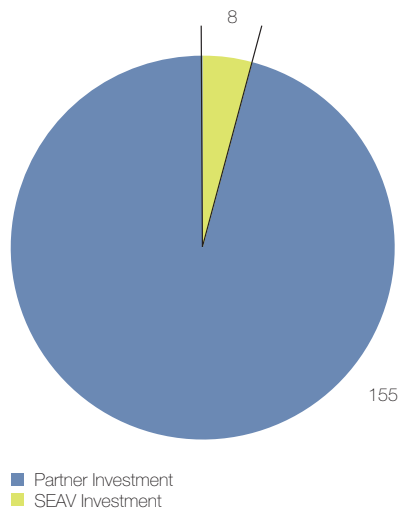
In addition a further \$4.6 million was committed in contract with partners at the end of the year, payable upon the successful achievement of pre-determined project milestones in 2005–2006 and beyond.

A significant proportion of project expenditure arose through the delivery of initiatives supported under the Victorian Greenhouse Strategy (VGS), including the expenditure of \$1.4 million of funding carried forward from 2003–2004 as accumulated surplus. An index cross-referencing the key VGS funded initiatives featured in this Report is provided on page 151.

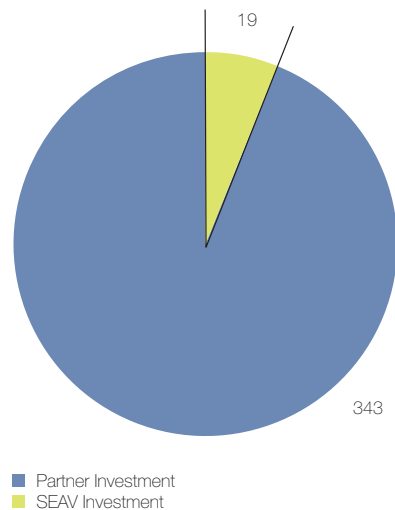
The increased level of project expenditure was offset by a \$2.1 million reduction in rebates provided due to the transition of the Solar Hot water rebate program to target the hot water heating replacement market, and the implementation of \$0.4 million in operational efficiencies achieved during the year.

As a result, the Sustainable Energy Authority achieved an operating deficit of \$14,574 for 2004–2005. Total net assets at the end of the year were \$9 million, representing \$0.7 million in fixed assets and \$10.6 million in liquid assets to meet \$2.7 million of liabilities and a further \$6.0 million in obligations for initiatives being delivered in 2005–2006.

2004–2005 Leverage (\$m)



Total Leverage To Date (\$m)



**Figure 33**  
Investment leveraged and influenced from partnerships for 2004–2005 and total since commencement of initiatives in 2002–2003.

## Summary of significant changes to financial performance and position

Full disclosure of the Sustainable Energy Authority's financial position is included in the financial statements and notes to and forming part of the financial statements. A summary is shown in table 16.

The Sustainable Energy Authority's major source of revenue is the annual appropriation of funds from the Department of Sustainability and Environment. In 2004–2005, the Authority's core funding of \$9.8 million (2003–04 \$10.1 million) was required to fund employee related costs, accommodation and other routine operating expenses.

In addition to the \$1 million received to deliver the Sustainable Energy Innovation in Educational Facilities program in partnership with Victorian schools, TAFEs and the Department of Education and Training, the Authority received \$1.5 million for the Solar Hot Water Rebate program, and a total of \$3.8 million for implementation of VGS initiatives. Funding amounting to \$1.9 million was also received for the Energy Task Force initiative and Victorian Solar Innovation Initiative.

Other government revenue increased by \$0.3 million compared to 2003–2004 reflecting the contribution from other states for the completion of modelling and analysis to support the development of the national frameworks.

Revenue from clients amounted to \$0.9 million, \$0.4 million higher than the prior year, as a result of an additional \$0.4 million contribution from partners to deliver key initiatives in conjunction with the Authority, including the Green Power advertising campaign. Interest earned amounted to \$0.7 million.

Total operating revenue reflected a net decrease of \$0.3 million (2%) from \$20.4 million in 2003–2004 to \$20.1 million in 2004–2005. This was primarily due to:

- > a scheduled decrease in funding received for the Solar Hot Water Rebate Program of \$1.5 million from \$3.0 million in 2003–2004 to \$1.5 million in 2004–2005.
- > \$2.5 million of funding received in 2003–2004 for the delivery of the High Efficiency Gas Heater Rebate Program in 2004–2005

These decreases were offset by:

- > a scheduled increase in funding of \$0.8 million for the implementation of VGS initiatives in 2004–2005
- > a scheduled increase in funding of \$1.1 million for the implementation of the Energy Task Force and Victorian Solar Innovation Initiatives
- > the receipt of \$1 million for the Sustainable Energy Innovation in Educational Facilities program
- > the combined receipt of an additional \$0.7 million in other government revenue and revenue from clients to assist the Authority delivering key initiatives during the year as noted above.

**Table 16**  
Financial performance and position summary (\$000's).

	2005	2004	2003	2002	2001	2000
Revenue from government grants	18 461	19 468	21 032	13 067	14 499	6 954
Other Revenue	1 619	930	732	751	478	503
<b>Total Revenue</b>	<b>20 080</b>	<b>20 398</b>	<b>21 764</b>	<b>13 818</b>	<b>14 977</b>	<b>7 457</b>
Total Operating Expenses	20 095	19 776	15 259	13 465	14 247	7 274
<b>Net Operating Result</b>	<b>-15</b>	<b>622</b>	<b>6 505</b>	<b>353</b>	<b>730</b>	<b>183</b>
Net cash flow from operations	-1 939	1 948	8 146	-597	3 292	881
<b>Total assets</b>	<b>12 026</b>	<b>13 930</b>	<b>12 293</b>	<b>5 827</b>	<b>6 735</b>	<b>3 432</b>
<b>Total liabilities</b>	<b>3 040</b>	<b>4 930</b>	<b>3 913</b>	<b>3 952</b>	<b>5 214</b>	<b>2 614</b>

The net increase in 2004–2005 operating expenses over 2003–2004 primarily occurred in the following three key areas:

- > Project expenses increased by \$2.9 million (57%) to \$8.0 million in 2004–2005, from \$5.1 million in 2003–2004. The expenditure included the cost of supporting project partners in the evaluation, demonstration and replication of innovative sustainable energy solutions. This is consistent with the Sustainable Energy Authority's partnership approach with all levels of government, business and the community and has delivered the key initiatives outlined in the Authority's Business Plan 2004–2005. Total project expenditure for the year of \$8 million leveraged and influenced a combined \$155 million in investment and support by partners for sustainable energy initiatives.
- > Rebate expenditure decreased \$2.1 million (58%) from \$3.6 million in 2003–2004 to \$1.5 million in 2004–2005. A decrease of \$3.0 million of rebate expenditure was incurred during the year as planned as a result of transitioning the Solar Hot Water Rebate Program to target the hot water heating replacement market with the introduction of the 5 Star energy efficiency standard for new homes on 1 July 2004. This decrease was partially offset by an additional \$0.9 million of rebate expenditure for the successful delivery of an expanded High Efficiency Gas Heater Rebate Program. Details of the success of both the expanded High Efficiency Gas Heater Rebate Program and transition of the Solar Hot Water Rebate Program to a new strategy in 2004–2005 are described on pages 28 and 29.
- > Professional fees, contract services and other expenses decreased \$0.4 million from \$2.2 million (18%) in 2003–2004 to \$1.8 million in 2004–05 as a result of operational efficiencies identified and implemented during the year.

Total assets decreased by \$1.9 million or 14% from \$14.0 million in 2003–2004 to \$12.1 million in 2004–2005 as a result of a reduction in cash assets. This was primarily due to the increase in activity and expenditure associated with the continued successful delivery and expansion of key initiatives in 2004–2005.

### **Statutory and regulatory compliance**

No fines and penalties were imposed upon the Sustainable Energy Authority in 2004–2005, nor in the previous year. The Sustainable Energy Authority complied with all statutory and regulatory requirements covering the range of its operations. The operations of the Authority are not subject to any particular or significant environmental regulation.

### **Likely developments in future years**

During the year the Victorian Government announced its intention to form a new statutory authority, Sustainability Victoria. The new organisation will integrate the knowledge and expertise of both the Sustainable Energy Authority and EcoRecycle Victoria to achieve the Government's framework on environmental sustainability. The enabling legislation is expected to be introduced into Parliament in spring 2005 and Sustainability Victoria may commence operation on 1 October 2005.

### **Rounding of amounts**

Amounts in financial statements of this Annual Report are expressed to the nearest dollar as required by Section 9 of the *Financial Management Act 1994*.

### **Consultants**

During 2004–2005, expenditures totalling \$1 006 286 (2003–2004: \$1 324 601) were incurred and paid by the Sustainable Energy Authority in respect of 57 consultancy engagements for technical projects and advice. There were no individual consultancy engagements in excess of \$100 000.

## › Staff profiles



### **Esther Hii**

Esther Hii joined the Authority's finance team in 2002, bringing extensive financial management and auditing skills. She holds a Bachelor of Business and is a Certified Practising Accountant (CPA) and worked in the oil and gas industry before joining the Authority.

Esther plays a key role in the financial management of the Authority, being heavily involved in budgeting, reporting and forecasting. She recently contributed toward the development and implementation of the Authority's Financial Management Compliance Framework. She also led the financial team for the team production of the Authority's 2003–2004 Annual report which received a silver award under the Australasian Reporting Awards.



### **David McKenzie**

David has broad accounting experience in both the government and private sectors. He joined the Authority in 2004 from a previous position in budget management for the Department of Human Services.

David holds a Business degree and is a CPA. He is an integral member of the Authority's finance team, where he is responsible for overseeing the payroll and operations management systems. He has recently managed the smooth transition to an external payroll system, and was previously involved in the 2003–2004 Annual report.

# › Financial statements

**SUSTAINABLE ENERGY AUTHORITY VICTORIA  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2005**

		2005	2004
	Notes	\$	\$
<b>Revenue for ordinary activities</b>			
<b>Operating</b>			
Government grants	2(a)	18 012 400	19 343 200
Other revenue from government	2(c)	448 380	66 300
Revenue from clients	2(d)	924 690	484 227
<b>Revenue outside operating activities</b>			
Interest received		694 836	503 821
		<b>20 080 306</b>	<b>20 397 548</b>
<b>Expenses from ordinary activities</b>			
Advertising and promotions		(450 545)	(497 552)
Communications and Information technology		(999 391)	(900 123)
Depreciation		(231 667)	(265 850)
Employee benefits		(5 840 261)	(5 644 755)
Occupancy expenses		(710 435)	(628 849)
Professional fees and contract services		(779 866)	(974 552)
Project expenses		(8 016 410)	(5 088 662)
Rebates paid		(1 454 265)	(3 627 510)
Sponsorship		(189 897)	(173 873)
Staff training and development		(383 698)	(702 759)
Other expenses		(1 038 445)	(1 271 498)
		<b>(20 094 880)</b>	<b>(19 775 983)</b>
<b>Net (deficit)/surplus for the year</b>	2, 3,11(b)	<b>(14 574)</b>	<b>621 565</b>
<b>Total changes in equity other than those resulting from transactions with the Victorian State Government in its capacity as owner</b>			
		<b>(14 574)</b>	<b>621 565</b>

The above statement of financial performance should be read in conjunction with the accompanying notes.

# Financial statements

## SUSTAINABLE ENERGY AUTHORITY VICTORIA STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2005

		2005	2004
	Notes	\$	\$
<b>Current assets</b>			
Cash assets	4,15,19	10 621 863	12 643 497
Receivables	5,15	591 567	344 362
Inventories		48 079	38 267
Prepayments		24 533	–
<b>Total current assets</b>		<b>11 286 042</b>	<b>13 026 126</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	740 240	903 655
<b>Total assets</b>		<b>12 026 282</b>	<b>13 929 781</b>
<b>Current liabilities</b>			
Payables	7,15	2 131 288	4 112 870
Employee benefits	8	450 419	446 829
Provision for dismantling	9	94 553	–
<b>Total current liabilities</b>		<b>2 676 260</b>	<b>4 559 699</b>
<b>Non-current liabilities</b>			
Employee benefits	8	363 575	369 061
<b>Total non-current liabilities</b>		<b>363 575</b>	<b>369 061</b>
<b>Total liabilities</b>		<b>3 039 835</b>	<b>4 928 760</b>
<b>Net assets</b>		<b>8 986 447</b>	<b>9 001 021</b>
<b>Equity</b>			
Contributed capital	11(a)	1 520 867	1 520 867
Accumulated (deficit)/surplus	11(b)	7 465 580	7 480 154
<b>Total equity</b>		<b>8 986 447</b>	<b>9 001 021</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

**SUSTAINABLE ENERGY AUTHORITY VICTORIA  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2005**

	2005	2004
Notes	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from government grants	19 813 640	21 277 520
Receipts from government—other	488 059	73 298
Receipts from customers	912 402	550 113
Interest from short-term deposits	626 237	514 941
Payments to suppliers and employees	(23 779 157)	(20 467 372)
<b>Net cash (outflow) / inflow from operating activities</b>	<b>10 (1 938 819)</b>	<b>1 948 500</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(131 055)	(267 714)
Proceeds from disposal of property, plant and equipment	48 240	30 079
<b>Net cash (outflow) from investing activities</b>	<b>(82 815)</b>	<b>(237 635)</b>
<b>Net (decrease)/increase in cash held</b>	<b>(2 021 634)</b>	<b>1 710 865</b>
<b>Net cash held at beginning of the financial year</b>	<b>12 643 497</b>	<b>10 932 632</b>
<b>Net cash held at the end of the financial year</b>	<b>4,19 10 621 863</b>	<b>12 643 497</b>

The above statement of cash flows should be read in conjunction with the accompanying notes.

# Notes to and forming part of the financial statements

## 1 Summary of significant accounting policies

### General

This general-purpose financial report has been prepared on an accrual basis in accordance with the *Financial Management Act (1994)*, Australian Accounting Standards, Statement of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, and Urgent Issues Group Consensus Views.

The financial statements are prepared in accordance with the historical cost convention. The accounting policies adopted, and the classification and presentation of items, are consistent with those of the previous year, except where a change is required to comply with an Australian Accounting Standard or Urgent Issues Group Consensus View, or an alternative accounting policy permitted by an Australian Accounting Standard is adopted to improve the relevance and reliability of the financial report. Where practicable, comparative amounts are presented and classified on a basis consistent with the current year.

### Non-current assets

#### Acquisition

The cost method of accounting is used for all acquisitions of non-current physical assets. All non-current physical assets with a value of \$500 or more are capitalised and recorded in the fixed asset register identifying their current value (cost less accumulated depreciation). Assets or similar groups of assets acquired, where the value would be material to the Authority, are also capitalised and recorded in the fixed asset register.

#### Depreciation

Depreciation is provided for all non-current physical assets and is calculated using the straight-line method to write off their cost or valuation over their useful lives to the Authority. Depreciation rates used for the respective class of non-current assets are as follows:

> Plant and equipment	20%
> Office furniture and equipment	10 to 20%
> Computers and printers	25%
> Motor vehicles	15%
> Leasehold improvements	18% to 50%

Unless otherwise stated, the above depreciation rates are consistent with those of the previous year.

#### Revaluation and Recoverable amount of non-current assets

In accordance with the *Victorian Government Policy—Revaluation of Non-current Physical Assets*, the Authority currently measures its non-current physical assets, which consist of plant, equipment and vehicles, at cost less accumulated depreciation.

In complying with *Australian Accounting Standard AASB 1041: Recoverable Amount of Non-current Assets*, as a non-profit entity, the Authority is not required to determine that the carrying amount of non-current assets does not exceed their recoverable amount through their continued use.

### Inventory

Inventories are valued at the lower of cost and net realisable value.

### Revenue recognition

Government appropriations, grants, and contributions are recognised as revenue when the Authority obtains control over the assets comprising these receipts. Control over granted assets is normally obtained upon their receipt or upon earlier notification that a grant has been secured, and assets are valued at their fair value at the date of transfer. Where grants recognised as revenue during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unspent grants are disclosed in Note 2(b).

Revenue from clients comprises of product sales (both standard and customised), consultancy, and reimbursement of activity costs.

### Goods and Services Tax

Revenues, expenses and assets are recognised net of GST except where the amount of GST incurred is not recoverable, in which case it is recognised as part of the cost of acquisition of an asset or part of an item of expense. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as part of receivables or payables in the statement of financial position. The GST component of a receipt or payment is recognised on a gross basis in the statement of cash flows in accordance with *Accounting Standard AAS28 Statement of Cash Flows*.

### **Employee benefits**

The Authority has recognised employee benefits in accordance with *Australian Accounting Standard AASB1028: Employee benefits*.

### **Wages, salaries and Annual leave**

Liabilities for wages and salaries, and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to reporting date and are measured as the amounts expected to be paid when the liabilities are settled.

### **Long service leave**

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with Note 1.6.1 above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided to balance date. Consideration is given to expected future increases in salary rates, and the entity's experience with staff departures. Liabilities not expected to be settled within 12 months are discounted using interest rates on national Government securities which on reporting date match, as closely as possible, the estimated future cash outflows.

### **Sick leave**

As the Authority's non-vesting sick leave to be taken in future reporting periods will not exceed benefits which are expected to accrue in those periods, no provision has been made in these financial statements.

### **Superannuation**

The amount charged to the statement of financial performance in respect of superannuation represents the contributions made by the Authority to the superannuation fund in respect of current staff.

### **Employee benefit on-costs**

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

### **Cash assets**

For the purpose of the Statement of Cash Flows, cash assets include cash on hand, cash at bank and short-term fixed deposits, which are readily convertible to cash on hand and are subject to an insignificant risk of change in value, net of outstanding cheques yet to be presented by the Authority's suppliers and creditors.

### **Doubtful and bad debts**

Outstanding and overdue debts are reviewed on an ongoing basis. Appropriate provision for doubtful debts is made when necessary, and approval is obtained from the Chief Executive prior to the write off of any debt considered irrecoverable.

### **Provision for dismantling**

The Authority has recognised provisions in accordance with *Australian Accounting Standards Board 1044 Provisions, Contingent Liabilities and Contingent Assets*.

A provision is recognised at balance when, and only when it is probable that a future sacrifice of economic benefits will be required.

### **Adoption of Australian equivalents to International Financial Reporting Standards (A-IFRS)**

For interim and annual reporting periods ending on or after 30 June 2005, *Australian Accounting Standards Board 1047 Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards* requires the disclosure of any known or reliably estimable information about the impacts on the financial report had it been prepared using the A-IFRS or if the impacts are not known or reliably estimable, a statement to that effect. Refer to Note 21 for further information.

# Notes to and forming part of the financial statements

2 Revenue	2005	2004
<b>(a) Revenue by source</b>	\$	\$
<b>Victorian Government Grants</b>		
Revenue received during the financial year from the Department of Sustainability and Environment were as follows:		
Annual Appropriation	9 825 000	10 085 600
Grant–Victorian Greenhouse Strategy	3 787 400	2 957 600
Grant–Solar Hot Water Rebate Program	1 500 000	3 000 000
Grant–Energy Task Force Initiative	1 050 000	450 000
Grant–Victorian Solar Innovation Initiative	850 000	350 000
Grant–Sustainable Energy Innovation In Educational Facilities Program (on behalf of Department of Education and Training)	1 000 000	–
<b>Total Revenue from the Department of Sustainability and Environment</b>	<b>18 012 400</b>	<b>16 843 200</b>
Revenue received during the financial year from the Department of Infrastructure was as follows:		
Grant–High Efficiency Gas Heater Rebate	–	2 500 000
<b>Total Revenue from Victorian Government Grants</b>	<b>18 012 400</b>	<b>19 343 200</b>
<b>(b) Conditions on Government Grants</b>		
Grants recognised as revenue that were obtained on condition that they be expended in a specified manner that had not occurred at balance date were:		
Grant–Victorian Greenhouse Strategy (VGS) *	1 743 114	3 147 326
Grant–Solar Hot Water Rebate Program	160 918	–
Grant–Victorian Solar Innovation Initiative	115 756	1 657
Grant–High Efficiency Gas Heater Rebate	1 440 828	2 317 657
<b>Total Conditional Government Grants unspent at 30 June</b>	<b>3 460 617</b>	<b>5 466 640</b>
* As at 30 June 2005, \$4 627 241 (2004: \$2 230 593) in VGS and other contractual commitments had been established with partners that become payable upon the achievement of pre-determined milestones in 2005–2006 (as disclosed in Note 12).		
<b>(c) Other Revenue from Government</b>		
Received from:		
Commonwealth Government–Photovoltaic Rebate Program	62 000	60 000
Industrial Relations Victoria–Innovation and Creativity Grant	–	6 300
Department of Sustainability and Environment–National Framework for Energy Efficiency program	224 781	–
E2WG Central Fund–National Framework for Energy Efficiency program	161 599	–
<b>Total other revenue from government</b>	<b>448 380</b>	<b>66 300</b>
<b>(d) Revenue from clients</b>		
Revenue from clients comprises of product sales (both standard and customised), consultancy and reimbursement of activity costs.		

	2005	2004
	\$	\$
<b>3 Included in the Net (Deficit)/Surplus for the year were the following:</b>		
<b>Expenditure on conditional grants</b>		
Victorian Greenhouse Strategy–Business Energy Innovation Initiative	2 006 790	853 516
Victorian Greenhouse Strategy–Commercial Office Building Innovation Initiative	476 113	585 381
Victorian Greenhouse Strategy–Energy Management in Local Government	–	350 649
Victorian Greenhouse Strategy–Energy Task Force Initiative	–	459 692
Victorian Greenhouse Strategy–Greenhouse and energy management toolkit	–	320 621
Victorian Greenhouse Strategy–Green Power	928 671	260 631
Victorian Greenhouse Strategy–Renewable Energy Information	124 515	–
Victorian Greenhouse Strategy–Renewable Energy Support Fund	1 037 369	798 389
Victorian Greenhouse Strategy–Sustainable Public Lighting Initiative	297 949	887 727
Victorian Greenhouse Strategy–Other Initiatives	320 205	178 053
<b>Total expenditure on Victorian Greenhouse Strategy grants</b>	<b>5 191 612</b>	<b>4 694 659</b>
Energy Task Force Initiative	1 063 222	547 644
Victorian Solar Innovation Initiative	735 901	348 343
High Efficiency Gas Heater Rebate Program	876 829	182 343
Solar Hot Water Rebate Program	869 318	3 596 217
Sustainable Energy Innovation in Educational Facilities (on behalf of Department of Education and Training)	1 000 000	–
<b>Total expenditure on conditional grants</b>	<b>9 736 882</b>	<b>9 369 206</b>
<b>Depreciation</b>		
Depreciation–Office furniture and equipment	76 054	76 192
Depreciation–Computers and printers	129 231	152 613
Depreciation–Motor vehicles	26 154	24 162
Depreciation–Plant and equipment	228	249
Depreciation–Leasehold improvements	–	12 634
<b>Total depreciation</b>	<b>231 667</b>	<b>265 850</b>
<b>Rental expense relating to operating leases</b>		
Minimum lease payments	277 845	317 305
Sub leases	225 988	226 777
<b>Total rental expenses relating to operating leases</b>	<b>503 833</b>	<b>544 082</b>

# Notes to and forming part of the financial statements

	2005	2004
<b>3 Included in the Net (Deficit)/Surplus for the year were the following (continued):</b>	<b>\$</b>	<b>\$</b>
<b>Net profit/(loss) on disposal</b>		
<b>Computers and printers:</b>		
Proceeds from sale	3 771	8 657
Carrying amount	1 134	7 928
<b>Net profit</b>	<b>2 637</b>	<b>729</b>
<b>Motor vehicles:</b>		
Proceeds from sale	44 369	19 148
Carrying amount	50 012	17 812
<b>Net (loss)/profit</b>	<b>(5 643)</b>	<b>1 336</b>
<b>Office furniture and equipment:</b>		
Proceeds from sale	100	2 273
Carrying amount	11 473	16 671
<b>Net (loss)</b>	<b>(11 373)</b>	<b>(14 398)</b>
<b>Plant and equipment:</b>		
Proceeds from sale	–	–
Carrying amount	184	–
<b>Net (loss)</b>	<b>(184)</b>	<b>–</b>
<b>4 Cash assets</b>		
Cash on hand	1 625	8 665
Cash at bank	644 390	195 386
Deposit at call	370 223	3 246 296
Short term deposits:		
Treasury Corporation of Victoria	9 605 625	9 193 150
<b>Total cash assets as reported in the Statement of Financial Position</b>	<b>10 621 863</b>	<b>12 643 497</b>
Cash represents:		
Unspent conditional grants:		
Grant–Victorian Greenhouse Strategy	1 743 114	3 147 326
Grant–Solar Hot Water Rebate Program	160 918	–
Grant–Victorian Solar Innovation Initiative	115 756	1 657
Grant–High Efficiency Gas Rebate	1 440 828	2 317 657
<b>Total unspent conditional grants included in cash assets</b>	<b>3 460 617</b>	<b>5 466 640</b>
<b>Total cash assets not reserved for specific purposes</b>	<b>7 161 246</b>	<b>7 176 857</b>
<b>Total cash assets as reported in the Statement of Financial Position</b>	<b>10 621 863</b>	<b>12 643 497</b>

Additional funds were held in trust by the Authority during the year for the Photovoltaic Rebate Programs disclosed in Note 19.

	2005	2004
<b>5 Receivables</b>	\$	\$
Trade debtors	133 525	49 330
Less: provision for doubtful debts	–	(11 039)
<b>Net trade debtors</b>	<b>133 525</b>	<b>38 291</b>
Staff debtors	18 196	9 968
Accrued interest	94 246	25 647
GST receivable	345 600	266 918
Other debtor	–	3 538
<b>Total</b>	<b>591 567</b>	<b>344 362</b>

Accrued interest consists of interest earned on deposits with Treasury Corporation of Victoria.

## 6 Property, plant and equipment

### Office furniture and equipment

At cost	589 326	615 205
Less: accumulated depreciation	225 168	173 776
	<b>364 158</b>	<b>441 429</b>

### Computers and printers

At cost	749 235	780 499
Less: accumulated depreciation	482 082	469 900
	<b>267 153</b>	<b>310 599</b>

### Motor vehicles

At cost	140 133	196 866
Less: accumulated depreciation	31 204	45 651
	<b>108 929</b>	<b>151 215</b>

### Plant and equipment

At cost	3 166	4 412
Less: accumulated depreciation	3 166	4 000
	<b>–</b>	<b>412</b>

### Leasehold improvements

At cost	259 771	259 771
Less: accumulated depreciation	259 771	259 771
	<b>–</b>	<b>–</b>

### Summary

At cost	1 741 631	1 856 753
Less: accumulated depreciation	1 001 391	953 098
	<b>740 240</b>	<b>903 655</b>

# Notes to and forming part of the financial statements

## 6 Property, plant and equipment (continued)

### Reconciliations:

Carrying amount 2005	Office furniture & equipment	Computers & printers	Motor vehicles	Plant & equipment	Leasehold improvements	Total
	\$	\$	\$	\$	\$	\$
Opening balance	441 429	310 599	151 215	412	–	903 655
Additions	10 256	86 918	33 881	–	–	131 055
Depreciation	(76 054)	(129 231)	(26 154)	(228)	–	(231 667)
Disposals	(11 473)	(1 134)	(50 012)	(184)	–	(62 803)
<b>Closing balance</b>	<b>364 158</b>	<b>267 152</b>	<b>108 930</b>	<b>–</b>	<b>–</b>	<b>740 240</b>

7 Payables	2005	2004
	\$	\$
Trade creditors	1 953 739	3 650 574
GST payable	27 547	378 664
Accrued expenses	150 002	83 632
<b>Total</b>	<b>2 131 288</b>	<b>4 112 870</b>

8 Employee benefits	2005	2004
<b>Current</b>		
Annual leave	410 022	405 822
Long service leave	40 397	41 007
	<b>450 419</b>	<b>446 829</b>
<b>Non-current</b>		
Long service leave	363 575	369 061
<b>Total employee benefit liability</b>	<b>813 994</b>	<b>815 890</b>

### Employee Superannuation Fund

Superannuation contributions for the reporting period are included as part of employee benefits in the statement of financial performance. The bases of superannuation contributions are determined by the various schemes. Contributions made by the Authority to the major Superannuation Funds are as follows:

Fund	2005	2004
Government Employees Superannuation Fund		
- New/Revised Scheme	36 952	36 399
- State Employees Retirement Benefits Scheme	380	9 709
Equisuper Defined Benefit Fund	–	–
Equisuper Accumulation Fund	15 236	10 172
Various other accumulation funds	342 465	327 504
	<b>395 033</b>	<b>383 784</b>

No liability is recognised in the statement of financial position for the Authority's share of the State's unfunded superannuation liability. The Government Superannuation Office has advised, in respect of the New/Revised Scheme and the State Employees Retirement Benefits Scheme, that the Consolidated Fund is responsible for the total unfunded superannuation liability of -

Superannuation contributions outstanding at year end were:	6 431	4 534
--	-------	-------

There are no loans by the Superannuation Funds to the Authority.

	2005	2004
<b>9 Provision for dismantling</b>	<b>\$</b>	<b>\$</b>
Provision for dismantling costs	94 553	–

**10 Reconciliation of net cash (outflow)/inflow from operating activities to operating net (deficit)/surplus for year**

Net (deficit)/surplus for the year	(14 574)	621 565
Depreciation	231 667	265 850
Loss on disposal of assets	14 563	12 333
(Decrease)/increase in employee benefits	(1 896)	124 089
(Increase)/decrease in receivables	(247 205)	50 868
(Increase) in stock on hand	(9 812)	(19 460)
(Increase)/decrease in prepayments	(24 533)	1 700
(Decrease)/increase in payables	(1 981 582)	891 555
Increase in provisions	94 553	–
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(1 938 819)</b>	<b>1 948 500</b>

**11 Equity and movements in equity**

**(a) Contributed capital**

Balance at the beginning of the financial year	1 520 867	1 520 867
<b>Balance at the end of the financial year</b>	<b>1 520 867</b>	<b>1 520 867</b>

**(b) Accumulated surplus**

Accumulated surplus at the beginning of the financial year	7 480 154	6 858 589
Add: Operating (deficit)/surplus for the year	(14 574)	621 565
<b>Accumulated surplus at the end of the financial year *</b>	<b>7 465 580</b>	<b>7 480 154</b>

\* Included in the Accumulated Surplus is unexpended Conditional grants amounting to \$3 460 617 (refer Note 2b) (2004: \$5 466 640)

# Notes to and forming part of the financial statements

12 Commitments	2005	2004
<b>Leases</b>	\$	\$
The Authority has entered into non-cancellable operating leases in respect of premises occupied by the Authority. Amounts payable under the lease contracts are, as follows:		
Not later than one year	494 773	466 041
Later than one year and not later than five years	87 736	516 835
<b>Total operating lease commitments</b>	<b>582 509</b>	<b>982 876</b>

## Operating

Contracted expenditure commitments relating to the implementation of sustainable energy initiatives at 30 June 2005 were \$4 627 241 (2004: \$2 230 593). These commitments are likely to be realised within the next 12 months when partners achieve scheduled project milestones.

## 13 Ministers, responsible officers and accountable officer

In accordance with the Ministerial Directions issued by the Minister of Finance under the Financial Reporting Directions, the following disclosures are made regarding responsible persons for the reporting period.

### Names

The persons who held these positions during the financial year are as follows:

#### Responsible Minister:

The Hon John Thwaites MLC, Minister for Energy and Resources

#### Governing Board:

G. Bourne; M. Hill; F. Lee; C. Lloyd (retired June 2005); J. Marshall; S. O'Sullivan; D Young (resigned October 2004)

#### Accountable Officer:

D. Young (resigned October 2004) Sharon Miles (Acting role with effect from October 2004)

## 14 Remuneration

### Remuneration of responsible persons

Remuneration received or receivable by Responsible Officers and Accountable Officers under their relevant band was:

Income band	Total Remuneration	
	No.	No.
\$ –	–	1
\$1–\$10 000	4	5
\$10 001–\$20 000	2	–
\$80 001–\$90 000	1	–
\$150 001–\$160 000	–	1
<b>Total numbers</b>	<b>7</b>	<b>7</b>
<b>Total amount</b>	<b>\$139 110</b>	<b>\$196 057</b>

Amounts relating to the Minister is reported in the Financial Statements of the Department of Premier and Cabinet.

## 14 Remuneration (continued)

### Remuneration of Executives

The number of Executive Officers, other than Ministers, Responsible Officers and Accountable Officers, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

Several factors have affected total remuneration payable to executives over the year including payments for long service leave entitlements and performance bonuses received in accordance with the terms of individual employment contracts.

Income band	2005		2004	
	Total remuneration		Base remuneration	
	No.	No.	No.	No.
\$100 001–\$110 000	–	1	–	1
\$110 001–\$120 000	–	1	–	1
\$120 001–\$130 000	4	–	3	1
\$150 001–\$160 000	–	1	–	–
<b>Total numbers</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Total amount</b>	<b>\$513 488</b>	<b>\$379 425</b>	<b>\$370 662</b>	<b>\$346 898</b>

	2005	2004
<b>Remuneration of auditors</b>	\$	\$
Audit fees paid or payable		
External audit–Auditor-General's Office		
Annual financial statements	9 000	8 330

### Other transactions

Other related transactions and loans requiring disclosure under the Directions of the Minister of Finance have been considered and there are no matters to report.

# Notes to and forming part of the financial statements

## 15 Financial Instruments

### (a) Terms, conditions and accounting policies

The Authority's accounting policies, including the terms and conditions of each class of financial asset and financial liability, recognised at balance date, are as follows:

Recognised financial instruments	Notes	Accounting policies	Terms and conditions
<b>Financial assets</b>			
Cash assets:	4	Cash assets include cash on hand, cash at bank, deposits at call and short-term fixed deposits which are readily convertible to cash and are subject to insignificant risk of changes to money values.  Surplus funds that are not required to meet the day to day obligations of the Authority are placed with Treasury Corporation Victoria. Interest on the funds is brought to account and reported when earned.	Cash on hand, cash at bank and funds at call are used to meet the day to day obligations of the Authority as required.
Receivables:	5	Trade receivables are carried at normal amounts due less any provision for doubtful debts. A provision is recognised when collection of the full amount is no longer probable.	Credit sales are 30 days terms
<b>Financial Liabilities</b>			
Payables	7	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Authority.	Trade liabilities are settled on Government 30 day terms

### (b) Interest rate risk

The Authority's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, recognised at balance date, are as follows:

2005	Floating interest rate	Fixed interest rate maturing in 1 year or less	Non-interest bearing	Total carrying amount as per Statement of Financial Position	Weighted Ave. effective interest rate
	\$	\$	\$	\$	%
<b>Financial assets</b>					
Cash assets		9 975 848	646 015	10 621 863	5.40
Receivables		–	591 567	591 567	N/A
<b>Total financial assets</b>		<b>9 975 848</b>	<b>1 237 582</b>	<b>11 213 430</b>	
<b>Financial liabilities</b>					
Payables		–	2 131 288	2 131 288	N/A
<b>Total financial liabilities</b>		<b>–</b>	<b>2 131 288</b>	<b>2 131 288</b>	

## 15 Financial Instruments (continued)

### (c) Net fair values

The aggregate fair values of financial assets and financial liabilities, recognised at balance date are as follows:

	Total carrying amount as per Statement of Financial Position	Aggregate net fair value
	2005	2005
<b>Financial assets</b>	<b>\$</b>	<b>\$</b>
Cash assets	10 621 863	10 621 863
Receivables	591 567	591 567
<b>Total financial assets</b>	<b>11 213 430</b>	<b>11 213 430</b>
<b>Financial liabilities</b>		
Payables	2 131 288	2 131 288
<b>Total financial liabilities</b>	<b>2 131 288</b>	<b>2 131 288</b>

## 16 Contingent liabilities

Contingent liabilities relating to estimated unbilled legal costs as at 30 June 2005 amounted to \$1 258 (2004:\$600).

## 17 Contingent Asset

The Authority has a contingent asset at 30 June 2005, relating to its holding of Renewable Energy Certificates (RECs) registered in the Authority's name with the Renewable Energy Regulator (ORER) established under the *Commonwealth Renewable Energy (electricity) Act 2000*. RECs entitlement is based on the number of solar water heaters installed under the Victorian government Solar Hot Water Rebate Program (SHRP). The Authority administers the SHRP scheme on behalf of the Victorian Government.

RECs held by the Authority at 30 June 2005 have been valued at \$nil (2004:\$nil) based on the following grounds:

- (a) The RECs market in respect of solar water heaters is emerging, fairly illiquid and difficult to value;
- (b) The Authority has not entered into any financial transactions during the course of the financial year in acquiring RECs; and
- (c) The Authority has not conducted any trading in RECs during the year ended 30 June 2005;

## 18 Income Tax Status

The activities of the Authority are exempt from Income Tax.

## 19 Australian Greenhouse Office (AGO) Photovoltaic funds held in trust for rebate program

The Authority administers the following funds for the AGO Photovoltaic rebate program. These funds are excluded from the financial statements as the Authority acts in a trustee capacity only in respect of administering the program and funds.

	2005	2004
	<b>\$</b>	<b>\$</b>
Opening balance	851 881	676 161
Add: receipts	980 086	1 578 655
Less: payments for rebates	748 683	1 402 935
Less: funds returned to AGO	-	-
<b>Closing balance</b>	<b>1 083 284</b>	<b>851 881</b>

# Notes to and forming part of the financial statements

## 20 Events occurring after reporting date

The Victorian Government announced its intention to form a new statutory authority – Sustainability Victoria. The new organisation will integrate the knowledge and expertise of both the Sustainable Energy Authority Victoria and EcoRecycle Victoria to achieve the Government's framework on environmental sustainability. The enabling legislation is expected to be introduced into Parliament in spring 2005 and Sustainability Victoria may commence operation on 1 October 2005. The financial effect of this announcement has not been recognised in the financial report at 30 June 2005 as it is not possible to reliably estimate the effect the Authority's financial position and performance from the merger until the enabling legislation has been passed in Parliament.

## 21 Impacts of adopting AASB 1047 equivalents IASB standards

Following the adoption of Australian equivalents to International Financial Reporting Standards (A-IFRS), the Authority will report for the first time in compliance with A-IFRS when results for the financial year ended 30 June 2006 are released or at an earlier date as required for the merger of the organisation into Sustainability Victoria.

Under A-IFRS, there are requirements that apply specifically to not-for-profit entities that are not consistent with IFRS requirements. The Authority is established to achieve the objectives of government in providing services free of charge or at prices significantly below their cost of production for the collective consumption by the community, which is incompatible with generating profit as a principal objective. Consequently, where appropriate, the Authority applies those paragraphs in accounting standards applicable to not-for-profit entities.

An A-IFRS compliant financial report will comprise a new statement of changes in equity in addition to the three existing financial statements, which will all be renamed. The Statement of Financial Performance will be renamed as the Operating Statement, the Statement of Financial Position will revert to its previous title as the Balance Sheet and the Statement of Cash Flows will be simplified as the Cash Flow Statement. However, for the purpose of disclosing the impact of adopting A-IFRS in the 2004–05 financial report, which is prepared under existing accounting standards, existing titles and terminologies will be retained.

With certain exceptions, an entity that has adopted A-IFRS must record transactions that are reported in the financial report as though A-IFRS had always applied. This requirement also extends to any comparative information included within the financial report. Most accounting policy adjustments to apply A-IFRS retrospectively will be made against accumulated funds at the 1 July 2004 opening balance sheet date for the comparative period. The exceptions include deferral until 1 July 2005 of the application and adjustments for:

- > AASB 132 *Financial Instruments: Disclosure and Presentation*;
- > AASB 139 *Financial Instruments: Recognition and Measurement*;
- > AASB 4 *Insurance Contracts*;
- > AASB 1023 *General Insurance Contracts (revised July 2004)*; and
- > AASB 1038 *Life Insurance Contracts (revised July 2004)*.

The comparative information for transactions affected by these standards will be accounted for in accordance with existing accounting standards.

The Authority has taken the following steps in managing the transition to A-IFRS and has achieved the following scheduled milestones:

- > established a steering committee to oversee the transition to and implementation of the A-IFRS;
- > established an A-IFRS project team to review the new accounting standards to identify key issues and the likely impacts resulting from the adoption of the A-IFRS and any relevant Financial Reporting Directions as issued by the Minister for Finance;
- > participated in an education and training process to raise awareness of the changes in reporting requirements and the processes to be undertaken; and
- > initiated reconfiguration and testing of user systems and processes to meet new requirements.

This financial report has been prepared in accordance with current Australian accounting standards and other financial reporting requirements (Australian GAAP). Following the completion of its business impact analysis and evaluation of policy alternatives, the Authority has concluded that there will not be a significant impact on the Authority's financial position and financial performance following the adoption of A-IFRS.

It should be noted that the actual effects of transition to A-IFRS may differ from that disclosed due to:

- a) change in facts and circumstances;
- b) ongoing work being undertaken by the A-IFRS project team;
- c) potential amendments to A-IFRS and Interpretations; and
- d) emerging accepted practice in the interpretation and application of A-IFRS and UIG Interpretations.

# Accountable officers' declaration

We certify that the attached Financial Statements for the Sustainable Energy Authority Victoria have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2005 and financial position of the Authority as at 30 June 2005.

At the date of signing, we are not aware of any circumstances which would render any particulars in the Financial Statements misleading or inaccurate.

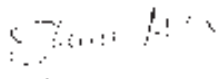


**Greg Bourne**

Chair

Melbourne

19 September 2005



**Sharon Miles**

Acting Chief Executive

Melbourne

19 September 2005

**Travis Neal**

Chief Finance & Accounting Officer

Melbourne

19 September 2005

# › Auditor General's Report



## AUDITOR GENERAL VICTORIA

### INDEPENDENT AUDIT REPORT

#### Sustainable Energy Authority Victoria

To the Members of the Parliament of Victoria and Members of the Board of the Authority

#### Scope

##### *The Financial Report*

The accompanying financial report for the year ended 30 June 2005 of Sustainable Energy Authority Victoria consists of the statement of financial performance, statement of financial position, statement of cash flows, notes to and forming part of the financial report, and the supporting declaration.

##### *Members' Responsibility*

The Members of the Board of Sustainable Energy Authority Victoria are responsible for:

- the preparation and presentation of the financial report and the information it contains, including accounting policies and accounting estimates
- the maintenance of adequate accounting records and internal controls that are designed to record its transactions and affairs, and prevent and detect fraud and errors.

##### *Audit Approach*

As required by the *Audit Act 1994*, an independent audit has been carried out in order to express an opinion on the financial report. The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement.

The audit procedures included:

- examining information on a test basis to provide evidence supporting the amounts and disclosures in the financial report
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the members
- obtaining written confirmation regarding the material representations made in conjunction with the audit
- reviewing the overall presentation of information in the financial report.

These procedures have been undertaken to form an opinion as to whether the financial report is presented in all material respects fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the *Financial Management Act 1994*, so as to present a view which is consistent with my understanding of the Authority's financial position, and its financial performance and cash flows.

The audit opinion expressed in this report has been formed on the above basis.

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Auditing in the Public Interest



AUDITOR GENERAL  
VICTORIA

**Independent Audit Report (continued)**

**Independence**

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers are to be exercised. The Auditor-General and his staff and delegates comply with all applicable independence requirements of the Australian accounting profession.

**Audit Opinion**

In my opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the *Financial Management Act 1994*, the financial position of Sustainable Energy Authority Victoria as at 30 June 2005 and its financial performance and cash flows for the year then ended.

MELBOURNE  
19 September 2005



JW CAMERON  
Auditor-General