

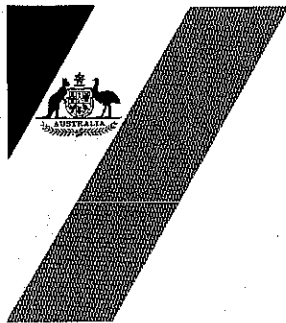
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## G Financial statements

**This appendix presents the audited financial statements for the Productivity Commission for 2005-06. The statements have been prepared on an accrual accounting basis.**

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## INDEPENDENT AUDIT REPORT

To the Treasurer

### *Scope*

#### *The financial statements and Chairman's responsibility*

The financial statements comprise:

- Statement by the Chairman and Chief Finance Officer;
- Income Statement, Balance Sheet and Statement of Cash Flows;
- Statement of Changes in Equity;
- Schedules of Commitments; and
- Notes to and forming part of the Financial Statements

of the Productivity Commission for the year ended 30 June 2006.

The Productivity Commission's Chairman is responsible for preparing financial statements that give a true and fair presentation of the financial position and performance of the Productivity Commission, and that comply with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997* and Accounting Standards and other mandatory financial reporting requirements in Australia. The Productivity Commission's Chairman is also responsible for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

### *Audit Approach*

I have conducted an independent audit of the financial statements in order to express an opinion on them to you. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive, rather than conclusive, evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

While the effectiveness of management's internal controls over financial reporting was considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

I have performed procedures to assess whether, in all material respects, the financial statements present fairly, in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997* and Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Productivity Commission's financial position, and of its financial performance and cash flows.

The audit opinion is formed on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements; and
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the Chairman.

### ***Independence***

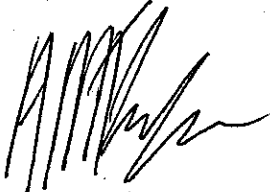
In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the ethical requirements of the Australian accounting profession.

### ***Audit Opinion***

In my opinion, the financial statements of the Productivity Commission:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*; and
- (b) give a true and fair view of the Productivity Commission's financial position as at 30 June 2006 and of its performance and cash flows for the year then ended, in accordance with:
  - (i) the matters required by the Finance Minister's Orders; and
  - (ii) applicable Accounting Standards and other mandatory financial reporting requirements in Australia.

Australian National Audit Office



Allan M. Thompson  
Executive Director

Delegate of the Auditor-General

Canberra

4 August 2006

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## Statement by the Chairman and Chief Finance Officer

### Certification

In our opinion, the attached financial statements for the year ended 30 June 2006 have been prepared based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.

Gary Banks  
Chairman

Brian Scammell  
Chief Finance Officer

4 August 2006

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## Income Statement

For the year ended 30 June 2006

		<b>2006</b>	<b>2005</b>
	<i>Note<sup>a</sup></i>	<b>\$'000</b>	<b>\$'000</b>
<b>Income</b>			
<b>Revenue</b>			
Revenues from government		<b>28,449</b>	28,293
Goods and services	5A	<u>47</u>	<u>314</u>
<b>Total Revenue</b>		<b><u>28,496</u></b>	<b><u>28,607</u></b>
<b>Gains</b>			
Resources received free of charge		<b>38</b>	34
Net gains from disposal of assets	5B	<u>9</u>	<u>4</u>
<b>Total Gains</b>		<b><u>47</u></b>	<b><u>38</u></b>
<b>Total Income</b>		<b><u>28,543</u></b>	<b><u>28,645</u></b>
<b>Expenses</b>			
Employees	6A	<b>21,045</b>	19,492
Suppliers	6B	<b>6,173</b>	6,173
Depreciation and amortisation	6C	<b>626</b>	604
Finance costs	6D	<b>22</b>	–
Write-down of assets	6E	<u>5</u>	<u>4</u>
<b>Total Expenses</b>		<b><u>27,871</u></b>	<b><u>26,273</u></b>
<b>Operating Result</b>		<b><u>672</u></b>	<b><u>2,372</u></b>

<sup>a</sup> The above statement should be read in conjunction with the accompanying notes.

## Balance Sheet

As at 30 June 2006

		2006	2005
	Note <sup>a</sup>	\$'000	\$'000
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash		172	210
Receivables	7	<u>7,580</u>	<u>6,346</u>
<b>Total financial assets</b>		<u>7,752</u>	<u>6,556</u>
<b>Non-financial assets</b>			
Buildings	8A	1,296	1,645
Plant and equipment	8A	624	535
Intangibles	8B	34	29
Prepayments		<u>337</u>	<u>186</u>
<b>Total non-financial assets</b>		<u>2,291</u>	<u>2,395</u>
<b>Total Assets</b>		<u>10,043</u>	<u>8,951</u>
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers		<u>147</u>	<u>187</u>
<b>Total payables</b>		<u>147</u>	<u>187</u>
<b>Provisions</b>			
Employees	9	7,363	6,925
Leasehold make-good		<u>722</u>	<u>700</u>
<b>Total provisions</b>		<u>8,085</u>	<u>7,625</u>
<b>Total Liabilities</b>		<u>8,232</u>	<u>7,812</u>
<b>Net Assets</b>		<u>1,811</u>	<u>1,139</u>
<b>EQUITY</b>			
Contributed equity		1,711	1,711
Reserves		1,172	1,172
(Accumulated deficits)		<u>(1,072)</u>	<u>(1,744)</u>
<b>Total Equity</b>		<u>1,811</u>	<u>1,139</u>
<b>Current assets</b>		<b>8,089</b>	6,742
<b>Non-current assets</b>		<b>1,954</b>	2,209
<b>Current liabilities</b>		<b>6,910</b>	6,648
<b>Non-current liabilities</b>		<b>1,322</b>	1,164

<sup>a</sup> The above statement should be read in conjunction with the accompanying notes.

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## Statement of Cash Flows

For the year ended 30 June 2006

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		2006	2005
	Note <sup>a</sup>	\$'000	\$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations		27,300	24,588
Cash transferred from the Official Public Account (OPA)		–	1,000
Goods and services		47	345
Net GST received from ATO		<u>625</u>	<u>678</u>
<b>Total cash received</b>		<b><u>27,972</u></b>	<b><u>26,611</u></b>
<b>Cash used</b>			
Employees		20,721	19,028
Suppliers		<u>6,922</u>	<u>8,143</u>
<b>Total cash used</b>		<b><u>27,643</u></b>	<b><u>27,171</u></b>
<b>Net cash from (used by) operating activities</b>	10	<b><u>329</u></b>	<b><u>(560)</u></b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sale of plant and equipment		<u>11</u>	<u>4</u>
<b>Total cash received</b>		<b><u>11</u></b>	<b><u>4</u></b>
<b>Cash Used</b>			
Purchase of plant and equipment		<u>378</u>	<u>192</u>
<b>Total cash used</b>		<b><u>378</u></b>	<b><u>192</u></b>
<b>Net cash from (used by) investing activities</b>		<b><u>(367)</u></b>	<b><u>(188)</u></b>
<b>Net increase (decrease) in cash held</b>		<b>(38)</b>	<b>(748)</b>
Cash at the beginning of the reporting period		<u>210</u>	<u>958</u>
<b>Cash at the end of the reporting period</b>		<b><u>172</u></b>	<b><u>210</u></b>

<sup>a</sup> The above statement should be read in conjunction with the accompanying notes.

## Statement of Changes in Equity

For the year ended 30 June 2006

Item	Accumulated results		Asset revaluation reserve		Contributed equity		Total equity	
	2006	2005	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening Balance</b>	<b>(1,744)</b>	(4,116)	<b>1,172</b>	1,172	<b>1,711</b>	1,711	<b>1,139</b>	(1,233)
Adjustment for changes in accounting policies	—	—	—	—	—	—	—	—)
<b>Adjusted Opening Balance</b>	<b>(1,744)</b>	(4,116)	<b>1,172</b>	1,172	<b>1,711</b>	1,711	<b>1,139</b>	(1,233)
<b>Income and Expense</b>								
Net operating result	<b>672</b>	2,372	—	—	—	—	<b>672</b>	2,372
Adjustment for changes in accounting policies	—	—	—	—	—	—	—	—
<b>Total Income and Expense</b>	<b>672</b>	2,372	—	—	—	—	<b>672</b>	2,372
<b>Closing Balance at 30 June</b>	<b>(1,072)</b>	(1,744)	<b>1,172</b>	1,172	<b>1,711</b>	1,711	<b>1,811</b>	1,139



## Schedule of Commitments

As at 30 June 2006

	Note <sup>a</sup>	2006 \$'000	2005 \$'000
<b>BY TYPE</b>			
<b>Other commitments</b>			
Operating leases		8,337	10,379
Other		<u>764</u>	<u>971</u>
<b>Total other commitments</b>		<b>9,101</b>	<b>11,350</b>
<b>Commitments receivable</b>		<b><u>(827)</u></b>	<b><u>(1,032)</u></b>
<b>Net commitments by type</b>		<b><u>8,274</u></b>	<b><u>10,318</u></b>
<b>BY MATURITY</b>			
<b>Operating lease commitments</b>			
One year or less		1,757	1,818
From one to five years		5,822	6,320
Over five years		<u>—</u>	<u>1,298</u>
<b>Total operating lease commitments</b>		<b><u>7,579</u></b>	<b><u>9,436</u></b>
<b>Other commitments</b>			
One year or less		340	301
From one to five years		355	515
Over five years		<u>—</u>	<u>66</u>
<b>Total other commitments</b>		<b><u>695</u></b>	<b><u>882</u></b>
<b>Net commitments by maturity</b>		<b><u>8,274</u></b>	<b><u>10,318</u></b>

<i>Nature of Lease</i>	<i>General description of leasing arrangement</i>
Leases for office accommodation	Lease payments are subject to fixed annual increase in accordance with the lease agreement.
Agreements for the provision of motor vehicles to Senior Executive Officers	Lease payments are fixed at the commencement of each vehicle lease. Vehicles are returned on lease expiry.

<sup>a</sup> The above statement should be read in conjunction with the accompanying notes.

## Notes to and forming part of the Financial Statements for the Year Ended 30 June 2006

<b>Note</b>	<b>Description</b>
1	Objectives of the Productivity Commission
2	Summary of Significant Accounting Policies
3	The impact of the transition to AEIFRS from previous AGAAP
4	Events after the Balance Sheet Date
5	Income
6	Expenses
7	Financial Assets
8	Non-financial Assets
9	Provisions
10	Cash Flow Reconciliation
11	Appropriations
12	Reporting of Outcome
13	Remuneration of Executives
14	Remuneration of Auditors
15	Contingencies
16	Act of Grace Payments and Waivers
17	Average Staffing
18	Financial Instruments
19	Special Accounts

## **Note 1 Objectives of the Productivity Commission**

The Productivity Commission is the Australian Government's principal review and advisory body on microeconomic policy and regulation.

The Government's outcome objective for the Productivity Commission is:

Well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective.

The Commission's one outcome consists of 5 outputs:

- Output 1 – Government commissioned projects;
- Output 2 – Performance reporting and other services to government bodies;
- Output 3 – Regulation review activities;
- Output 4 – Competitive neutrality complaints activities; and
- Output 5 – Supporting research and activities and annual reporting.

The continued existence of the Commission in its present form and with its present programs is dependent on Government policy and on continuing appropriations by Parliament for the Commission's administration and programs.

## **Note 2 Summary of significant accounting policies**

### **2.1 Basis of accounting**

The financial statements are required by section 49 of the *Financial Management and Accountability Act 1997* and are a general-purpose financial report.

The statements have been prepared in accordance with:

- Finance Minister's Orders (or FMOs, being the *Financial Management and Accountability Orders (Financial Statements for reporting periods ending on or after 01 July 2005)*);
- Australian Accounting Standards issued by the Australian Accounting Standards Board that apply for the reporting period; and
- Interpretations issued by the AASB and UIG that apply for the reporting period.

The Income Statement and Balance Sheet have been prepared on an accrual basis, and are in accordance with historical cost convention, except for certain assets

which, as noted, are at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial report is presented in Australian dollars and values are rounded to the nearest thousand dollars unless disclosure of the full amount is specifically required.

Unless alternative treatment is specifically required by an accounting standard, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments (other than unquantifiable or remote contingencies, which are reported at Note 15).

Unless alternative treatment is specifically required by an accounting standard, revenues and expenses are recognised in the Income Statement when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

Overheads and other indirect expenses that cannot be attributed directly to outputs are allocated to outputs in proportion to the direct costs (principally salaries) of the activities undertaken within each output.

Revenues and expenses have been allocated to outputs based on the direct costs of the activities undertaken together with a proportion of corporate overheads.

The Commission's assets and liabilities cannot be attributed to specific outputs.

The Commission is part of the legal entity that is the Commonwealth of Australia, which is ultimately responsible for all the agency's debts.

## **2.2 Statement of Compliance**

The financial report complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AEIFRS) and is the first financial report prepared under AEIFRS. The impacts of adopting AEIFRS are disclosed in Note 3.

Australian Accounting Standards require the Commission to disclose Australian Accounting Standards that have not been applied, for standards that have been issued but are not yet effective.

The AASB has issued amendments to existing standards, these amendments are denoted by year and then number, for example 2005-1 indicates amendment 1 issued in 2005.

The table below illustrates standards and amendments that will become effective for the Commission in the future. The nature of the impending change within the table, has been out of necessity abbreviated and users should consult the full version available on the AASB's website to identify the full impact of the change. The expected impact on the financial report of adoption of these standards is based on the Commission's initial assessment at this date, but may change. The Commission intends to adopt all of standards upon their application date.

<i>Title</i>	<i>Standard affected</i>	<i>Application date*</i>	<i>Nature of impending change</i>	<i>Impact expected on financial report</i>
2005-4	AASB 139 AASB 132 AASB 1 AASB 1023 AASB 1038	1 Jan 2006	Amends AASB 139, AASB 1023 and AASB 1038 to restrict the option to fair value through profit or loss and makes consequential amendments to AASB 1 and AASB 132.	No expected impact
2005-5	AASB 1 AASB 139	1 Jan 2006	Amends AASB 1 to allow an entity to determine whether an arrangement is, or contains, a lease.  Amends AASB 139 to scope out a contractual right to receive reimbursement (in accordance with AASB 137) in the form of cash.	No expected impact
2005-6	AASB 3	1 Jan 2006	Amends the scope to exclude business combinations involving entities or businesses under common control.	No expected impact.
2005-10	AASB 132 AASB 101 AASB 114 AASB 117 AASB 133 AASB 139 AASB 1 AASB 4 AASB 1023 AASB 1038	1 Jan 2007	Amended requirements subsequent to the issuing of AASB 7.1	No expected impact.
2006-1	AASB7 Financial Instruments: Disclosures	1 Jan 2007	Revise the disclosure requirements for financial instruments from AASB 132 requirements.	No expected impact.

\* Application date is for annual reporting periods beginning on or after the shown date.

## **2.3 Revenue and Receivables**

The revenues described in this Note are revenues relating to the outputs of the Commission.

### *(a) Revenues from Government — Appropriations*

The Commission's outputs appropriations for the year are recognised as revenue, except for certain amounts which relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. The Commission had no reciprocal arrangements in place in 2005-06.

Appropriations receivable are recognised at their nominal amounts.

### *(b) Other revenue*

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Revenue from disposal of non-current assets is recognised when control of the asset has passed to the buyer.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collectability of the debt is no longer probable.

## **2.4 Gains**

### *(a) Resources received free of charge*

Services received free of charge are recognised as gains when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

### *(b) Other gains*

Gains from disposal of non-current assets are recognised when control of the asset has passed to the buyer.

## **2.5 Transactions with the Government as owner**

### *Equity injections*

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) are recognised directly in Contributed Equity in that year.

## **2.6 Employee benefits**

As required by the Finance Minister's Orders, the Commission has early adopted AASB 119 Employee Benefits as issued in December 2004.

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for 'short-term employee benefits' (as defined in AASB 119) and termination benefits due within 12 months of balance date are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

### *Leave*

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave in future years by employees of the Commission is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration, including the Commission's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by use of the Australian Government Actuary's shorthand method using the Standard Commonwealth sector probability profile.

Leave that is not expected to be taken within 12 months of balance date is classified as non-current and is measured at the present value of estimated future cash outflows using market yields as at the reporting date on 'national government bonds'.

### *Separation and redundancy*

No provision has been made for separation and redundancy payments as the Commission has not formally identified any positions as excess to requirements at 30 June 2006.

### *Superannuation*

Staff of the Commission are members of the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap). The CSS and PSS are defined benefit schemes for the Commonwealth. The PSSap is a defined contribution scheme. The liability for their superannuation benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course.

The Commission makes employer contributions to the Australian Government at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of the Commission's employees. From 1 July 2005, new employees are eligible to join the PSSap scheme.

The liability for superannuation recognised as at 30 June represents outstanding contributions in respect of accrued pay at 30 June 2006.

## **2.7 Leases**

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property, or, if lower the present value of minimum lease payments at the inception of the contract and a liability recognised at the same time and for the same amount. The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the



lease. Lease payments are allocated between the principal component and the interest expense. The Commission has no finance leases.

Operating lease payments are expensed on a basis that is representative of the pattern of benefits derived from the leased assets.

## **2.8 Cash**

Cash means notes and coins held and any deposits held at call with a bank or financial institution. Cash is recognised at its nominal amount.

## **2.9 Financial Risk Management**

The Commission's activities expose it to normal commercial financial risk. As a result of the nature of the Commission's business and internal and Australian Government policies, dealing with the management of financial risk, the Commission's exposure to market, credit, liquidity and cash flow and fair value interest rate risk is considered to be low.

## **2.10 Trade Creditors**

Trade creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

## **2.11 Acquisition of assets**

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

## **2.12 Property, plant and equipment**

### *Asset recognition threshold*

Purchases of property, plant and equipment are recognised initially at cost in the Balance Sheet, except for purchases costing less than \$2 000, which are expensed in

the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'makegood' provisions in property leases taken up by the Commission where there exists an obligation to restore the property to its original condition. These costs are included in the value of the Commission's leasehold improvements with a corresponding provision for the 'makegood' taken up.

### *Revaluation basis*

Buildings, plant and equipment are carried at fair value, being revalued with sufficient frequency such that the carrying amount of each asset class is not materially different, at reporting date, from its fair value

Fair values for each class of asset are determined as shown below:

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<i>Asset class</i>	<i>Fair value measured at</i>
Leasehold improvements	Depreciated replacement cost
Plant and equipment	Market selling price

---

Following initial recognition at cost, valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets are not materially different from the assets' fair values at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through profit and loss. Revaluation decrements for a class of asset are recognised directly through profit and loss except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Under 'fair value' assets which are surplus to requirements are measured at their net realisable value. At 30 June 2006, the Commission did not have any assets in this situation.

*Impairment*

All property, plant and equipment assets were assessed for impairment at 30 June 2006. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its *fair value less costs to sell* and its *value in use*. *Value in use* is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Commission were deprived of the asset, its *value in use* is taken to be its depreciated replacement cost.

No indicators of impairment were found for assets at fair value.

All software assets were assessed for indicators of impairment at 30 June 2006. None were found to be impaired.

*Depreciation and amortisation*

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Commission using, in all cases, the straight-line method of depreciation. Leasehold improvements are amortised on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation rates (useful lives) and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future, reporting periods as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

Depreciation and amortisation rates applying to each class of depreciable asset are based on the following useful lives:

	<b>2006</b>	<b>2005</b>
Leasehold improvements	<b>Lease term</b>	Lease term
Plant and equipment	<b>3 to 10 years</b>	3 to 10 years
Intangibles (Computer Software)	<b>5 years</b>	5 years
Leasehold make-good	<b>Lease term</b>	Lease term

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 6C.

### **2.13 Taxation**

The Commission is exempt from all forms of taxation except fringe benefits tax and the goods and services tax (GST).

### **2.14 Insurance**

The Commission has insured for risks through the Government's insurable risk managed fund, ComCover. Workers' Compensation is insured through ComCare Australia.

### **2.15 Comparative figures**

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

### **2.16 Rounding**

Amounts have been rounded to the nearest \$1,000 except in relation to the following:

- remuneration of executives; and
- remuneration of auditors.

**Note 3 The impact of the transition to AEIFRS from previous AGAAP**

	2005	2004
	\$'000	\$'000
<b>Reconciliation of total equity as presented under previous AGAAP to that under AEIFRS</b>		
Total equity under previous AGAAP	1,112	(1,189)
Adjustments to retained earnings:		
Employee provisions <sup>1</sup>	127	–
'Makegood' assets <sup>2</sup>	<u>(100)</u>	<u>(44)</u>
<b>Total equity translated to AEIFRS</b>	<b><u>1,139</u></b>	<b><u>(1,233)</u></b>
<b>Reconciliation of profit or loss as presented under previous AGAAP to AEIFRS</b>		
Prior year profit as previously reported	<u>2,301</u>	
Adjustments:		
Employee provisions <sup>1</sup>	127	
Depreciation <sup>3</sup>	<u>(56)</u>	
<b>Prior year profit translated to AEIFRS</b>	<b><u>2,372</u></b>	

<sup>1</sup> Discounting of the non-current portions of the annual leave provision

<sup>2</sup> AEIFRS requires the recording of assets reflecting future estimated restoration costs. Amounts for 'makegood' provisions in existing accommodation leases (operating) have been taken up accordingly

<sup>3</sup> The operating result has been adjusted due to the additional depreciation on 'makegood' assets

**Note 4 Events after the balance sheet date**

No significant events requiring disclosure in, or adjustment to, these financial statements have occurred subsequent to balance date.

## Note 5 Income

### Note 5A – Goods and services

	2006	2005
	\$'000	\$'000
Goods	2	13
Services	<u>45</u>	<u>301</u>
<b>Total sales of goods and services</b>	<b><u>47</u></b>	<b><u>314</u></b>
Provision of goods to:		
Related entities	–	–
External entities	<u>2</u>	<u>13</u>
<b>Total sales of goods</b>	<b><u>2</u></b>	<b><u>13</u></b>
Rendering of services to:		
Related entities	18	13
External entities	<u>27</u>	<u>288</u>
<b>Total rendering of services</b>	<b><u>45</u></b>	<b><u>301</u></b>

### Note 5B – Net gains (losses) from disposal of plant and equipment

	2006	2005
	\$'000	\$'000
Plant and equipment		
Proceeds from disposals	11	4
Net book value of assets disposed	<u>(2)</u>	<u>–</u>
<b>Net gain or (loss) from disposal of plant and equipment</b>	<b><u>9</u></b>	<b><u>4</u></b>

**Note 6 Expenses***Note 6A – Employee expenses*

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Wages and salaries	<b>16,664</b>	15,684
Superannuation	<b>2,801</b>	2,737
Leave and other entitlements	<b>1,092</b>	624
Separation and redundancies	<b>35</b>	–
Other employee expenses	<b>453</b>	447
<b>Total employee expenses</b>	<b><u>21,045</u></b>	<b><u>19,492</u></b>

*Note 6B – Suppliers expenses*

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Provision of goods:		
Related entities	<b>4</b>	25
External entities	<b>304</b>	423
Rendering of services:		
Related entities	<b>453</b>	292
External entities	<b>3,485</b>	3,293
Operating Lease rentals	<b>1,813</b>	2,069
Workers' compensation premiums	<b>114</b>	71
<b>Total supplier expenses</b>	<b><u>6,173</u></b>	<b><u>6,173</u></b>

*Note 6C – Depreciation and amortisation*

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Depreciation		
– Plant and equipment	489	528
Amortisation		
– Intangibles – computer software	11	20
– Leasehold make-good	<u>126</u>	<u>56</u>
<b>Total depreciation and amortisation</b>	<b><u>626</u></b>	<b><u>604</u></b>

*Note 6D – Finance costs*

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Unwinding of discount on make-good provision	<u>22</u>	–
<b>Total finance cost expense</b>	<b><u>22</u></b>	<b><u>–</u></b>

*Note 6E – Write-down of assets*

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Non-financial assets		
Plant & equipment – write-down on disposal	<u>5</u>	<u>4</u>
<b>Total write-down of assets</b>	<b><u>5</u></b>	<b><u>4</u></b>

**Note 7 Financial assets**

*Receivables*

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Appropriations receivable – for existing outputs	7,279	6,130
Goods and services	159	134
GST receivable	<u>142</u>	<u>82</u>
<b>Total receivables</b>	<b><u>7,580</u></b>	<b><u>6,346</u></b>
Receivables (gross) are aged as follows:		
Current	7,580	6,346

As the recovery of these receivables is not in question, the Commission has determined that a provision for doubtful debts is not required.



**Note 8 Non-financial assets***Note 8A – Buildings, Plant and Equipment*

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Buildings</b>		
Leasehold improvements – at fair value	<b>1,969</b>	1,969
Accumulated amortisation	<u><b>(673)</b></u>	<u>(324)</u>
<b>Total buildings</b>	<u><b>1,296</b></u>	<u>1,645</u>
<b>Plant and equipment</b>		
Plant and equipment – at fair value	<b>2,661</b>	2,529
Accumulated depreciation	<u><b>(2,037)</b></u>	<u>(1,994)</u>
<b>Total plant and equipment</b>	<u><b>624</b></u>	<u>535</u>
<b>Total buildings, plant and equipment</b>	<u><b>1,920</b></u>	<u>2,180</u>

*Note 8B – Intangibles*

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Intangibles</b>		
Computer software at cost	<b>575</b>	559
Accumulated amortisation	<u><b>541</b></u>	<u>(530)</u>
<b>Total intangibles</b>	<u><b>34</b></u>	<u>29</u>

**Note 8C – Reconciliation of the opening and closing balances of buildings (leasehold improvements) and plant and equipment**

<i>Item</i>	<i>Leasehold improvements</i>	<i>Plant and equipment</i>	<i>Intangibles</i>	<i>Total</i>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>As at 1 July 2005</b>				
Gross book value	1,969	2,529	559	5,057
Accumulated depreciation/amortisation	<u>(324)</u>	<u>(1,994)</u>	<u>(530)</u>	<u>(2,848)</u>
Opening net book value	<u>1,645</u>	<u>535</u>	<u>29</u>	<u>2,209</u>
Additions by purchase	–	362	16	378
Depreciation/amortisation expense	(349)	(265)	(11)	(625)
Write-downs	–	(5)	–	(5)
<b>As at 30 June 2006</b>				
Gross book value	1,969	2,661	575	5,205
Accumulated depreciation/amortisation	<u>(673)</u>	<u>(2,037)</u>	<u>(541)</u>	<u>(3,251)</u>
<b>Closing net book value</b>	<u>1,296</u>	<u>624</u>	<u>34</u>	<u>1,954</u>

In 2003-04, leasehold improvements revaluations were conducted by independent valuers M. Lancellotte, AAPI and R. Rixon, AAPI, ASIA of the Australian Valuation Office. Plant and equipment assets which were previously valued at 'deprival' and 'cost' are now valued at fair value which is not considered to be materially different from the carrying amount at balance date.

**Note 9 Provisions***Employee provisions*

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries and wages	271	328
Annual leave	2,687	2,422
Long service leave	4,380	4,166
Superannuation	<u>25</u>	<u>9</u>
<b>Aggregate employee entitlement liability</b>	<u>7,363</u>	<u>6,925</u>
Current	6,763	6,461
Non-current	600	464

**Note 10 Cash flow reconciliation**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
<b>Reconciliation of net surplus to net cash from operating activities</b>		
Operating Result	<b>672</b>	2,372
Depreciation/Amortisation	<b>626</b>	604
Loss (profit) on sale of non-current assets	<b>(9)</b>	(4)
Write-down of assets	<b>5</b>	4
Decrease (increase) in receivables	<b>(1,234)</b>	(2,848)
Decrease (increase) in prepayments	<b>(151)</b>	110
Increase (decrease) in employee liabilities	<b>460</b>	(261)
Increase (decrease) in suppliers liability	<b>(40)</b>	(537)
<b>Net cash from (used by) operating activities</b>	<b><u>329</u></b>	<u>(560)</u>

**Note 11 Appropriations**

*Note 11A – Acquittal of authority to draw cash from the Consolidated Revenue Fund (CRF) for Ordinary Annual Service Appropriations*

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Balance carried forward from previous period	<b>6,397</b>	4,358
Appropriation Act (No 1)	<b>28,247</b>	24,588
Appropriation Act (No 3)	<b>202</b>	3,705
Appropriations to take account of recoverable GST (FMAA s 30A)	<b>685</b>	760
Annotations to 'net appropriations' (FMAA s 31)	<b><u>58</u></b>	<u>349</u>
Total appropriations available for payments	<b>35,589</b>	33,760
Cash payments made during the year (GST inclusive)	<b><u>(28,021)</u></b>	<u>(27,363)</u>
<b>Balance of authority to draw cash from the CRF for ordinary annual service appropriations</b>	<b><u>7,568</u></b>	<u>6,397</u>
<i>Represented by:</i>		
Cash at bank and on hand	<b>172</b>	210
GST receivable	<b>142</b>	82
Receivables – appropriations held in the OPA	<b><u>7,254</u></b>	<u>6,105</u>
Total	<b><u>7,568</u></b>	<u>6,397</u>

*Note 11B – Acquittal of authority to draw cash from the Consolidated Revenue Fund (CRF) for other than Ordinary Annual Services Appropriations*

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance carried forward from previous year	25	25
Appropriation Act (No 4)	<u>—</u>	<u>—</u>
Total appropriations available for payments	25	25
Cash payments made during the year	<u>—</u>	<u>—</u>
<b>Balance of authority to draw cash from the CRF for other than ordinary annual services appropriations</b>	<b>25</b>	<b>25</b>
Represented by:		
Receivables – appropriations held in the OPA	<u><u>25</u></u>	<u><u>25</u></u>

**Note 12 Reporting of outcome**

*Note 12A – Net cost of outcome delivery*

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Total expenses	<u><b>27,871</b></u>	<u>26,273</u>
Costs recovered	<u>29</u>	<u>301</u>
Other external revenue		
Goods and services revenue from related entities	18	13
Gains from disposal of assets	<u>9</u>	<u>4</u>
Total external revenues	<u>27</u>	<u>17</u>
<b>Net cost of outcome</b>	<u><b>27,815</b></u>	<u>25,955</u>

	<i>Output 1</i>		<i>Output 2</i>		<i>Output 3</i>		<i>Output 4</i>		<i>Output 5</i>		<i>Total</i>	
	<b>2006</b>	2005	<b>2006</b>	2005	<b>2006</b>	2005	<b>2006</b>	2005	<b>2006</b>	2005	<b>2006</b>	2005
<b>Expenses</b>	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Employees	<b>10,563</b>	9,677	<b>3,018</b>	3,143	<b>2,235</b>	2,084	<b>180</b>	80	<b>5,049</b>	4,508	<b>21,045</b>	19,492
Suppliers	<b>3,201</b>	2,977	<b>910</b>	1,022	<b>494</b>	541	<b>37</b>	23	<b>1,531</b>	1,610	<b>6,173</b>	6,173
Depreciation and amortisation	<b>314</b>	300	<b>90</b>	97	<b>66</b>	65	<b>5</b>	2	<b>151</b>	140	<b>626</b>	604
Other	<b>14</b>	<u>2</u>	<b>4</b>	<u>1</u>	<b>3</b>	<u>—</u>	<b>—</b>	<u>—</u>	<b>6</b>	<u>1</u>	<b>27</b>	<u>4</u>
<b>Total expenses</b>	<b><u>14,092</u></b>	<u>12,956</u>	<b><u>4,022</u></b>	<u>4,263</u>	<b><u>2,798</u></b>	<u>2,690</u>	<b><u>222</u></b>	<u>105</u>	<b><u>6,737</u></b>	<u>6,259</u>	<b><u>27,871</u></b>	<u>26,273</u>
<b>Funded by:</b>												
Revenues from government	<b>14,384</b>	13,952	<b>4,105</b>	4,591	<b>2,856</b>	2,898	<b>227</b>	113	<b>6,877</b>	6,739	<b>28,449</b>	28,293
Sales of goods and services	<b>24</b>	155	<b>7</b>	51	<b>5</b>	32	<b>—</b>	1	<b>11</b>	75	<b>47</b>	314
Other non-taxation revenues	<b>24</b>	<u>19</u>	<b>7</b>	<u>6</u>	<b>5</b>	<u>4</u>	<b>—</b>	<u>—</u>	<b>11</b>	<u>9</u>	<b>47</b>	<u>38</u>
<b>Total revenues</b>	<b><u>14,432</u></b>	<u>14,126</u>	<b><u>4,119</u></b>	<u>4,648</u>	<b><u>2,866</u></b>	<u>2,934</u>	<b><u>227</u></b>	<u>114</u>	<b><u>6,899</u></b>	<u>6,823</u>	<b><u>28,543</u></b>	<u>28,645</u>

Outcome 1, and the five contributing outputs, are described in Note 1. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget outcome.

### Note 13 Remuneration of executives

The amounts of total remuneration received/receivable by Holders of Public Office and Senior Executive Service staff, where such amounts exceed \$130,000 during the year, are shown in the table.

Total remuneration includes salary, superannuation, performance pay, changes in the value of accrued leave and other package components such as executive vehicles.

	2006	2005
The number of executives who received or were due to receive total remuneration of \$130,000 or more:		
\$130,000 to \$144,999	1	1
\$145,000 to \$159,999	1	2
\$160,000 to \$174,999	1	3
\$175,000 to \$189,999	–	6
\$190,000 to \$204,999	6	4
\$205,000 to \$219,999	4	1
\$220,000 to \$234,999	4	1
\$235,000 to \$249,999	2	3
\$250,000 to \$264,999	3	1
\$265,000 to \$279,999	3	–
\$280,000 to \$294,999	–	1
\$310,000 to \$324,999	–	1
\$325,000 to \$339,999	<u>1</u>	<u>–</u>
	<u><b>26</b></u>	<u><b>24</b></u>
<b>Aggregate amount of total remuneration of executives shown above</b>	<b>\$5,783,850</b>	<b>\$4,843,789</b>
<b>Aggregate amount of separation and redundancy payments during the year to executives shown above</b>	<b>\$175,318</b>	<b>\$165,886</b>

### Note 14 Remuneration of auditors

	2006	2005
Financial statement audit services are provided free of charge to the Commission. The value of the services provided was:	<b>\$38,000</b>	<b>\$33,500</b>

No other services were provided by the Auditor-General.

**Note 15 Contingencies**

To the best of its knowledge, the Commission was not exposed to any unrecognised liabilities that would have any material effect on the financial statements.

**Note 16 Specific disclosures**

In both 2005-06 and 2004-05 there were no expenses and/or provisions in relation to each of the following compensation and debt relief mechanisms were made during the reporting period:

- (a) act of grace payments, pursuant to subsection 33(1) of the *Financial Management and Accountability Act 1997* (FMA Act);
- (b) waivers of debt owing to the Australian Government (being amounts that the entity would, but for the waiver, have been entitled to receive on behalf of the Australian Government);
  - (i) pursuant to subsection 34(1) of the FMA Act; and
  - (ii) pursuant to other legislation, which must be specified;
- (c) payments under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme;
- (d) payments under approved ex-gratia programs, the nature of which must be identified; and
- (e) payments in special circumstances relating to APS employment pursuant to section 73 of the *Public Service Act 1999* (PS Act).

**Note 17 Average staffing**

The average staffing level is in respect of all employees of the Commission, including Holders of Public Office.

	<b>2006</b>	<b>2005</b>
Average staffing level numbers	<b>193</b>	192

Further information on staffing levels is provided in Appendix A of the Annual Report.

## Note 18 Financial instruments

### Note 18A – Terms, conditions and accounting policies

<i>Financial Instrument</i>	<i>Accounting Policies and Methods (including recognition criteria and measurement basis)</i>	<i>Nature of underlying instrument (including significant terms &amp; conditions affecting amount, timing and certainty of cash flows)</i>
Financial Assets	Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash	Deposits are recognised at their nominal amounts.	The Commission maintains its bank accounts with the Reserve Bank of Australia at call. Monies in the Commission's bank accounts are swept into the Official Public Account nightly.
Receivables	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely.	All receivables are with both entities related and external to the Commission. Credit terms for external entities are generally net 30 days.
Financial Liabilities	Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Trade creditors	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).	The majority of creditors are entities that are not part of the Commonwealth legal entity.



*Note 18B – Interest rate risk*

	Note	Floating Interest Rate		Fixed Interest Rate		Non Interest Bearing		Total		Effective Interest Rate <sup>a</sup>	
		2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		%
<b>Financial assets</b>											
Cash at bank		–	–	–	–	172	210	172	210		n/a
Receivables	7	–	–	–	–	<u>7,580</u>	<u>6,346</u>	<u>7,580</u>	<u>6,346</u>		n/a
<b>Total financial assets</b>		–	–	–	–	<u>7,752</u>	<u>6,556</u>	<u>7,752</u>	<u>6,556</u>		
Total assets		–	–	–	–	<u>10,043</u>	<u>8,951</u>	<u>10,043</u>	<u>8,951</u>		
<b>Financial liabilities</b>											
Suppliers		–	–	–	–	<u>147</u>	<u>187</u>	<u>147</u>	<u>187</u>		n/a
<b>Total financial liabilities</b>		–	–	–	–	<u>147</u>	<u>187</u>	<u>147</u>	<u>187</u>		
Total liabilities		–	–	–	–	<u>8,232</u>	<u>7,812</u>	<u>8,232</u>	<u>7,812</u>		

<sup>a</sup> Weighted average.

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*Note 18C – Net fair values of financial assets and liabilities*

The net fair values of cash and non-interest-bearing monetary financial assets, approximate their carrying amounts.

The net fair values for trade creditors are approximated by their carrying amounts.

*Note 18D – Credit risk exposures*

The Commission's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Balance Sheet.

The Commission has no significant exposures to any concentrations of credit risk.

**Note 19 Special accounts**

The Commission has an Other Trust Monies Special Account and a Services for other Governments and Non-Agency Bodies Account. Both accounts were established under section 20 of the *Financial Management and Accountability Act 1997*. For the years ended 30 June 2000-2006 the accounts had nil balances and there were no transactions debited or credited to them.

The purpose of the Other Trust Monies Special Account is for expenditure of monies temporarily held on trust or otherwise for the benefit of a person other than the Commonwealth. Any money held is thus special public money under section 16 of the *FMA Act 1997*.

The purpose of the Services for other Governments & Non Agency Bodies Special Account is for expenditure in connection with services performed on behalf of other Governments and bodies that are not Agencies under the *Financial Management and Accountability Act 1997*.