G Financial statements

This appendix presents the audited financial statements for the Productivity Commission for 2006-07. The statements have been prepared on an accrual accounting basis.

Contents

Australian National
Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Treasurer

Scope

I have audited the accompanying financial statements of the Productivity Commission for the year ended 30 June 2007, which comprise: a statement by the Chairman and Chief Finance Officer; income statement; balance sheet; statement of changes in equity; cash flow statement; schedule of commitments; a summary of significant accounting policies; and other explanatory notes.

The Responsibility of the Chairman for the Financial Statements

The Productivity Commission's Chairman is responsible for the preparation and fair presentation of the financial statements in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997* and the Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Productivity Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Productivity Commission's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Productivity Commission's Chairman, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT 2600
Phone (02) 6203 7300 Fax (02) 6203 7777

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.

Auditor's 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 the Australian Accounting Standards (including the Australian Accounting Interpretations); and

(b) give a true and fair view of the matters required by the Finance Minister's Orders including the Productivity Commission's financial position as at 30 June 2007 and of its financial performance and its cash flows for the year then ended.

Australian National Audit Office

Puspa Dash

Puspa Dash
Acting Executive Director

Delegate of the Auditor-General

Canberra

17 August 2007

Australian Government
Productivity Commission

Canberra Office
Level 3, Nature Conservation House
Cnr Emu Bank and Benjamin Way
Belconnen ACT 2617
PO Box 80
Belconnen ACT 2616
Telephone 02 6240 3202
Facsimile 02 6240 3300
Melbourne Office
Telephone 03 9653 2291
Facsimile 03 9653 2303
www.pc.gov.au

From the Chairman's Office

Statement by the Chairman and Chief Finance Officer

In our opinion, the attached financial statements for the year ended 30 June 2007 are 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

16 August 2007

Brian Scammell
Chief Finance Officer

16 August 2007

Income Statement

for the period ended 30 June 2007

		2007	*2006*
	Notes	**$'000**	$'000
Income			
Revenue			
Revenue from Government	3A	**32,251**	28,449
Sale of goods and rendering of services	3B	**33**	47
Total revenue		**32,284**	28,496
Gains			
Sale of assets	3C	**8**	9
Other gains	3D	**168**	38
Total gains		**176**	47
Total Income		**32,460**	28,543
Expenses			
Employee benefits	4A	**22,311**	21,045
Suppliers	4B	**6,177**	6,173
Depreciation and amortisation	4C	**585**	626
Finance costs	4D	**32**	22
Write-down and impairment of assets	4E	**8**	5
Total Expenses		**29,113**	27,871
Surplus		**3 347**	672

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

Balance Sheet

as at 30 June 2007

	Notes	*2007* $'000	*2006* $'000
ASSETS			
Financial Assets			
Cash and cash equivalents	5A	**225**	172
Trade and other receivables	5B	**11,930**	7,580
Total financial assets		**12,155**	7,752
Non-Financial Assets			
Land and buildings	6A	**1,286**	1,296
Infrastructure, plant and equipment	6B	**1,125**	624
Intangibles	6C	**22**	34
Other non-financial assets	6E	**310**	337
Total non-financial assets		**2,743**	2,291
Total Assets		**14 898**	10,043
LIABILITIES			
Payables			
Suppliers	7A	**434**	147
Total payables		**434**	147
Provisions			
Employee provisions	8A	**7,495**	7,363
Other provisions	8B	**573**	722
Total provisions		**8,068**	8,085
Total Liabilities		**8,502**	8,232
Net Assets		**6 396**	1,811
EQUITY			
Contributed equity		**2,396**	1,711
Reserves		**1,725**	1,172
Retained surplus (accumulated deficit)		**2,275**	(1,072)
Total Equity		**6 396**	1,811
Current Assets		**12,465**	8,089
Non-Current Assets		**2,433**	1,954
Current Liabilities		**7,487**	6,910
Non-Current Liabilities		**1,015**	1,322

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

Statement of Changes in Equity

as at 30 June 2007

Item	*Accumulated results*		*Asset revaluation reserve*		*Contributed equity*		*Total equity*	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Opening Balance								
Balance carried forward from previous period	**(1,072)**	(1,744)	**1,172**	1,172	**1,711**	1,711	**1,811**	1,139
Adjustment for changes in accounting policies	**–**	–	**–**	–	**–**	–	**–**	–
Adjusted Opening Balance	**(1,072)**	(1,744)	**1,172**	1,172	**1,711**	1,711	**1,811**	1,139
Income and Expense								
Revaluations recognised Directly in Equity (Plant & Equipment)	**–**	–	**99**	–	**–**	–	**99**	–
Revaluations recognised Directly in Equity (Leasehold Improvements)	**–**	–	**454**	–	**–**	–	**454**	–
Sub-total income and expenses recognised Directly in Equity	**–**	–	**553**	–	**–**	–	**553**	–
Surplus (Deficit) for the period	**3,347**	672	**–**	–	**–**	–	**3,347**	672
Total Income and Expense	**3,347**	672	**553**	–	**–**	–	**3,900**	672
Transactions with owners								
Contributions by Owners								
Appropriation (equity injection)	**–**	–	**–**	–	**685**	–	**685**	–
Sub-total transactions with owners	**–**	–	**–**	–	**685**	–	**685**	–
Closing Balance at 30 June	**2,275**	(1,072)	**1,725**	1,172	**2.396**	1,711	**6,396**	1,811

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

Cash Flow Statement

for the year ended 30 June 2007

	Notes	*2007* $'000	*2006* $'000
OPERATING ACTIVITIES			
Cash received			
Goods and services		**144**	47
Appropriations		**28,580**	27,300
Net GST received from ATO		**735**	625
Total cash received		**29,459**	27,972
Cash used			
Employees		**22,364**	20,721
Suppliers		**6,375**	6,922
Total cash used		**28,739**	27,643
Net cash from (used by) operating activities	10	**720**	329
INVESTING ACTIVITIES			
Cash received			
Proceeds from sale of property, plant and equipment		**8**	11
Total cash received		**8**	11
Cash Used			
Purchase of plant and equipment		**700**	378
Total cash used		**700**	378
Net cash from (used by) investing activities		**(692)**	(367)
FINANCING ACTIVITIES			
Cash received			
Appropriations – contributed equity		**25**	-
Total cash received		**25**	-
Cash Used			
Other cash used		**-**	-
Total cash used		**-**	-
Net cash from (used by) financing activities		**25**	-
Net increase (decrease) in cash held		**53**	(38)
Cash at the beginning of the reporting period		**172**	210
Cash at the end of the reporting period		**225**	172

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

Schedule of Commitments

as at 30 June 2007

	2007	2006
	$'000	$'000
BY TYPE		
Commitments receivable		
GST recoverable on commitments	**(696)**	(827)
Total commitments receivable	**(696)**	(827)
Other commitments		
Operating leases	**6,812**	8,337
Other commitments	**848**	764
Total other commitments	**7,660**	9,101
Net commitments by type	**6,964**	8,274
BY MATURITY		
Operating lease commitments		
One year or less	**2,160**	1,757
From one to five years	**4,033**	5,822
Over five years	**–**	–
Total operating lease commitments	**6 193**	7,579
Other commitments		
One year or less	**535**	340
From one to five years	**236**	355
Over five years	**–**	–
Total other commitments	**771**	695
Net commitments by maturity	**6,964**	8 274

NB: Commitments are GST inclusive where relevant.

Other commitments are primarily contracts for office services.

Operating leases included are effectively non-cancellable and comprise:

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.

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

Notes to and forming part of the Financial Statements

Note 1: Summary of Significant Accounting Policies

1.1 Objectives of the Productivity Commission

The Productivity Commission (the Commission) is an Australian Public Service organisation. The Commission is the Australian Government's principal review and advisory body on micro economic policy and regulation.

The Commission is structured to meet a single outcome:

Outcome 1: 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 single 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.

Activities contributing toward these outcomes are classified as departmental. Departmental activities involve the use of assets, liabilities, revenues and expenses controlled or incurred by the Commission in its own right.

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.

1.2 Basis of Preparation of the Financial Report

The Financial Statements and notes are required by section 49 of the *Financial Management and Accountability Act 1997* and are a General Purpose Financial Report.

The Financial Statements and notes have been prepared in accordance with:

- Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2006; and

- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that apply for the reporting period.

The financial report has been prepared on an accrual basis and is in accordance with historical cost convention, except for certain assets 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 otherwise specified.

Unless alternative treatment is specifically required by an Accounting Standard or the FMOs, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow to the Entity 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.

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.

1.3 Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, the Commission has made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

- The fair value of leasehold improvements has been taken to be the fair value of similar leasehold improvements as determined by an independent valuer.

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

1.4 Statement of Compliance

Accounting Standards require a statement of compliance with International Financial Reporting Standards (IFRSs) to be made where the financial report complies with these standards. Some Australian equivalents to IFRSs and other

Australian Accounting Standards contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements. The Commission is a not for profit entity and has applied these requirements, so while this financial report complies with Australian Accounting Standards including Australian Equivalents to International Financial Reporting Standards (AEIFRSs) it cannot make this statement.

Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the effective date in the current period.

The following amendments, revised standards or interpretations have become effective but have had no financial impact or do not apply to the operations of the Commission.

Amendments:

- 2005-1 Amendments to Australian Accounting Standards [AASBs 1, 101, 124]
- 2005-4 Amendments to Australian Accounting Standards [AASBs 139, 132, 1, 1023 and 1038]
- 2005-5 Amendments to Australian Accounting Standards [AASBs 1 and 139]
- 2005-6 Amendments to Australian Accounting Standards [AASB 3]
- 2005-9 Amendments to Australian Accounting Standards [AASBs 4, 1023, 139 and 132]
- 2006-1 Amendments to Australian Accounting Standards [AASB 121]
- 2006-3 Amendments to Australian Accounting Standards [AASB 1045]
- 2007-7 Amendments to Australian Accounting Standards [AASBs 1, 2, 4,5, 107 and 128]

Interpretations:

- UIG 4 Determining whether an Arrangement contains a Lease
- UIG 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- UIG 7 Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies

- UIG 8 Scope of AASB 2
- UIG 9 Reassessment of Embedded Derivatives

UIG 4 and UIG 9 might have impacts in futrue periods, subject to exisiting contracts being renegotiated.

Future Australian Accounting Standard requirements

The following new standards, amendments to standards or interpretations have been issued by the Australian Accounting Standards Board but are effective for future reporting periods. It is estimated that the impact of adopting these pronouncements when effective will have no material financial impact on future reporting periods.

Financial instrument disclosure

'AASB 7 Financial Instruments: Disclosures' is effective for reporting periods beginning on or after 1 January 2007 (the 2007-08 financial year) and amends the disclosure requirements for financial instruments. In general AASB 7 requires greater disclosure than that presently. Associated with the introduction of AASB 7, a number of accounting standards were amended to reference the new standard or remove the present disclosure requirements through 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]. These changes have no financial impact but will affect the disclosure presented in future financial reports.

Other

The following standards and interpretations have been issued but are not applicable to the operations of the Commission.

- AASB 1049 Financial Reporting of General Government Sectors by Governments
- UIG 10 Interim Financial Reporting and Impairment

1.5 Revenue

Revenue from Government

Amounts appropriated for departmental outputs appropriations for the year (adjusted for any formal additions and reductions) are recognised as revenue, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

Other Types of Revenue

Revenue from the sale of goods is recognised when:

- The risks and rewards of ownership have been transferred to the buyer;
- The seller retains no managerial involvement nor effective control over the goods;
- The revenue and transactions costs incurred can be reliably measured; and
- It is probable that the economic benefits associated with the transaction will flow to the Entity.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- The amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- The probable economic benefits associated with the transaction will flow to the Entity.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

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.

1.6 Gains

Other Resources Received Free of Charge

Resources 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.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government Agency or Authority as a consequence of a restructuring of administrative arrangements (Refer to Note 1.7 and 9).

Resources received free of charge are recorded as either revenue or gains depending on their nature.

Sale of Assets

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

1.7 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.

Restructuring of Administrative Arrangements

Net assets received from or relinquished to another Australian Government Agency or Authority under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

1.8 Employee benefits

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 at 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. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

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 2007.

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 Australian Government. The PSSap is a defined contribution scheme.

The liability for defined 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 Employee Superannuation Scheme 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. The Commission accounts for the contributions as if they were contributuion to defined contribution plans.

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 for the final fortnight of the year.

1.9 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 rewards 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.

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

1.10 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.

1.11 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.

1.12 Derecognition of Financial Assets and Liabilities

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or the asset is transferred to another Entity. In the case of a transfer to another Entity, it is necessary that the risks and rewards of ownership are also transferred.

Financial liabilities are derecognised when the obligation under the contract is discharged, cancelled or expires.

1.13 Impairment of Financial Assets

Financial assets are assessed for impairment at each balance date.

Financial Assets held at Amortised Cost

If there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Income Statement.

Financial Assets held at Cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because it cannot be reliably measured, or a derivative asset that is linked to and must be settled by

delivery of such an unquoted equity instrument, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

Available for Sale Financial Assets

If there is objective evidence that an impairment loss on an available for sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the Income Statement.

1.14 Supplier and other payables

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

1.15 Contingent Liabilities and Contingent Assets

Contingent Liabilities and Contingent Assets are not recognised in the Balance Sheet but are reported in the relevant notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an existing liability or asset in respect of which settlement is not probable or the amount cannot be reliably measured. Contingent assets are reported when settlement is probable, and contingent liabilities are recognised when settlement is greater than remote.

Details of each class of contingent liabilities and contingent assets are disclosed in Note 11: Contingent Liabilities and Assets.

1.16 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. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor Agency's accounts immediately prior to the restructuring.

1.17 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 'makegood' premises. These costs are included in the value of the Commission's leasehold improvements with a corresponding provision for the 'makegood' taken up.

Revaluations

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

Asset class	*Fair value measured at*
Leasehold improvements	Depreciated replacement cost
Plant and equipment	Market selling price

Following initial recognition at cost, property, plant and equipment are carreid at fair value less accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially 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 the operating result. Revaluation decrements for a class of asset are recognised directly through the operating result 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.

Depreciation

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.

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.

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

	2007	*2006*
Leasehold improvements	**Lease term**	Lease term
Plant and equipment	**3 to 10 years**	3 to 10 years
Intangibles (Computer Software)	**5 years**	5 years
Leasehold make-good	**Lease term**	Lease term

Impairment

All assets were assessed for impairment at 30 June 2007. 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.

1.18 Intangibles

The Commission's intangibles comprise commercially purchased software. These assets are carried at cost.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Commission's software are 5 years (2005-06: 5 years).

All software assets were assessed for indicators of impairment as at 30 June 2007.

1.19 Taxation

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

Revenues, expenses and assets are recognised net of GST:

- except where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- except for receivables and payables.

Note 2: 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 3: Income

Revenue

Note 3A: Revenue from Government

	2007	2006
	$'000	$'000
Appropriation:		
Departmental Outputs	**32,251**	28,449
Total revenue from Government	**32,251**	28,449

Note 3B: Sale of goods and rendering of services

	2007	2006
	$'000	$'000
Provision of goods - related entities	**–**	–
Provision of goods - external entities	**3**	2
Total sales of goods	**3**	2
Rendering of services - related entities	**16**	18
Rendering of services - external entities	**14**	27
Total rendering of services	**30**	45
Total sales of goods and rendering of services	**33**	47

Gains

Note 3C: Sale of assets

	2007	2006
	$'000	$'000
Infrastructure, plant and equipment		
Proceeds from sale	**8**	11
Carrying value of assets sold	**-**	(2)
Selling expense	**-**	-
Net gain from sale of assets	**8**	9

Note 3D: Other gains

	2007	2006
	$'000	$'000
Resources received free of charge	**168**	38
Total other gains	**168**	38

Note 4: Expenses

Note 4A: Employee benefits

	2007	2006
	$'000	$'000
Wages and salaries	**17,810**	16,664
Superannuation	**3,022**	2,801
Leave and other entitlements	**1,479**	1,545
Separation and redundancies	**-**	35
Total employee expenses	**22,311**	21,045

Note 4B: Suppliers

	2007	2006
	$'000	$'000
Provision of goods - related entities	**25**	4
Provision of goods - external entities	**397**	304
Rendering of services - related entities	**130**	453
Rendering of services - external entities	**3,654**	3,485
Operating lease rentals:		
Minimum lease payments	**1,866**	1,813
Workers compensation premiums	**105**	114
Total supplier expenses	**6 177**	6,173

Note 4C: Depreciation and amortisation

	2007	2006
	$'000	$'000
Depreciation:		
Infrastructure, plant and equipment	**290**	266
Total depreciation	**290**	266
Amortisation:		
Leasehold improvements	**224**	223
Leasehold make-good	**59**	126
Intangibles:		
Computer software	**12**	11
Total amortisation	**295**	360
Total depreciation and amortisation	**585**	626

Note 4D: Finance costs

	2007	2006
	$'000	$'000
Unwinding of discount	**32**	22
Total finance costs	**32**	22

Note 4E: Write-down and impairment of assets

	2007	2006
	$'000	$'000
Impairment / write-down of non-financial assets		
Plant & equipment	**8**	5
Computer software	**-**	-
Total write-down and impairment of assets	**8**	5

Some items of plant and equipment and software became obsolete during 2006-07 when it became apparent that there were assets on the fixed asset register which were no longer in use. The recoverable amount of these assets was determined as nil.

Note 5: Financial Assets

Note 5A: Cash and cash equivalents

	2007	2006
	$'000	$'000
Cash on hand or on deposit	**225**	172
Total cash and cash equivalents	**225**	172

Note 5B: Trade and other receivables

	2007	2006
	$'000	$'000
Goods and services	**233**	159
Appropriations receivable:		
for existing outputs	**11,610**	7,279
Total appropriations receivable	**11,610**	7,279
GST receivable from the Australian Taxation Office	**87**	142
Total trade and other receivables	**11,930**	7,580
Receivables are aged as follows:		
Not overdue	**11,886**	7,580
Overdue by:		
30 to 60 days	**41**	-
More than 90 days	**3**	-
Total receivables	**11,930**	7,580
Receivables are represented by:		
Current	**11,930**	7,580
Non-current	**-**	-
Total trade and other receivables	**11,930**	7,580

Note 6: Non-Financial Assets

Note 6A: Land and buildings

	2007	2006
	$'000	$'000
Leasehold improvements		
- fair value	**1,286**	1,969
- accumulated amortisation	**-**	(673)
Total leasehold improvements	**1,286**	1,296
Total land and buildings (non-current)	**1,286**	1,296

All revaluations are conducted in accordance with the revaluation policy stated at Note 1. In 2006-07, an independent valuer, Kyle Baxter JP (Qualified), AVAA, SAPI, of the Australian Valuation Office conducted the valuations. Revaluation increment of $454,000 for leasehold improvements was credited to the asset revaluation reserve by asset class and included in the equity section of the balance sheet, no decrements were expensed. (2006: nil).

No indicators of impairment were found for leasehold improvements.

Note 6B: Infrastructure, plant and equipment

	2007	2006
	$'000	$'000
Infrastructure, plant and equipment		
- fair value	**1,125**	2,661
- accumulated depreciation	**-**	(2,037)
Total infrastructure ,plant and equipment	**1,125**	624
Total infrastructure, plant and equipment (non-current)	**1 125**	624

All revaluations are conducted in accordance with the revaluation policy stated at Note 1. In 2006-07, an independent valuer, Kyle Baxter JP (Qualified), AVAA, SAPI, of the Australian Valuation Office conducted the valuations. Revaluation increment of $99,000 for infrastructure, plant and equipment was credited to the asset revaluation reserve by asset class and included in the equity section of the balance sheet, no decrements were expensed. (2006: nil).

No indicators of impairment were found for infrastructure, plant and equipment.

Note 6C: Intangibles

	2007	2006
	$'000	$'000
Computer software at cost		
Purchased	**463**	575
Accumulated amortisation	**(441)**	(541)
Total intangibles (non-current)	**22**	34

No indicators of impairment were found for intangibles.

Note 6D: Analysis of property, plant and equipment, and intangibles

TABLE A - Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (2006-07)

Item	*Leasehold improvements*	*Plant and equipment*	*Computer software purchased*	*Total*
	$'000	**$'000**	**$'000**	**$'000**
As at 1 July 2006				
Gross book value	**1,969**	**2,661**	**575**	**5,205**
Accumulated depreciation/amortisation	**(673)**	**(2,037)**	**(541)**	**(3,251)**
Net book value 1 July 2006	**1,296**	**624**	**34**	**1,954**
Additions - by purchase	**–**	**700**	**–**	**700**
Revaluations and impairments through equity	**454**	**99**	**–**	**553**
Depreciation/amortisation expense	**(283)**	**(290)**	**(12)**	**(585)**
Impairments recognised in the operating result	**–**	**(8)**	**–**	**(8)**
Other movements - adjustment to provision for makegood	**(181)**	**–**	**–**	**(181)**
Net book value 30 June 2007	**1,286**	**1,125**	**22**	**2,433**
Net book value as of 30 June 2007 represented by:				
Gross book value	**1,286**	**1,125**	**463**	**2,874**
Accumulated depreciation/amortisation	**–**	**–**	**(441)**	**(441)**
	1,286	**1,125**	**22**	**2,433**

TABLE A - Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (2005-06)

Item	*Leasehold improvements*	*Plant and equipment*	*Computer software purchased*	*Total*
	$'000	$'000	$'000	$'000
As at 1 July 2005				
Gross book value	1,969	2,529	559	5,057
Accumulated depreciation/amortisation	(324)	(1,994)	(530)	(2,848)
Net book value 1 July 2005	1,645	535	29	2,209
Additions - by purchase	–	362	16	378
Depreciation/amortisation expense	(349)	(266)	(11)	(626)
Impairments recognised in the operating result	–	(5)	–	(5)
Disposals - Other disposals	–	(2)	–	(2)
Net book value 30 June 2006	1,296	624	34	1,954
Net book value as of 30 June 2006 represented by:				
Gross book value	1,969	2,661	575	5,205
Accumulated depreciation/amortisation	(673)	(2,037)	(541)	(3,251)
	1,296	624	34	1,954

Note 6E: Other non-financial assets

	2007	2006
	$'000	$'000
Prepayments	**310**	337
Total other non-financial assets	**310**	337

All other non-financial assets are current assets.

No indicators of impairment were found for other non-financial assets.

Note 7: Payables

Note 7A: Suppliers

	2007	2006
	$'000	$'000
Trade creditors	**434**	147
Total supplier payables	**434**	147
Supplier payables represented by:		
Current	**434**	147
Non-current	**-**	-
Total supplier payables	**434**	147

Settlement is usually made net 30 days.

Note 8: Provisions

Note 8A: Employee provisions

	2007	2006
	$'000	$'000
Salaries and wages	**161**	271
Leave	**7,304**	7,067
Superannuation	**30**	25
Total employee provisions	**7 495**	7,363
Employee provisions are represented by:		
Current	**7,053**	6,763
Non-current	**442**	600
Total employee provisions	**7 495**	7,363

The classification of current includes amounts for which there is not an unconditional right of deferral of one year, hence in the case of employee provisions the above classification does not equal the amount expected to be settled within twelve months from the reporting date. Employee provisions expected to be settled in one year $3,472,000 (2006: $3,313,000), in excess of one year $3,693,000 (2006: $4,050,000).

Note 8B: Other provisions

	2007	2006
	$'000	$'000
Restoration obligations	**573**	722
Total other provisions	**573**	722
Other provisions are represented by:		
Current	**-**	-
Non-current	**573**	722
Total supplier payables	**573**	722

	Provision for restoration
	$'000
Carrying amount 1 July 2006	**722**
Amounts reversed	**(181)**
Unwinding of discount or change in discount rate	**32**
Closing balance 2007	**573**
Non-current	**573**
Total supplier payables	**573**

The Commission currently has 2 agreements for the leasing of premises which have provisions requiring the Commission to restore the premises to their original condition at the conclusion of the lease. The Commission has made provision to reflect the present value of this obligation.

Note 9: Restructuring

Departmental Restructuring

As a result of a restructuring of administrative arrangements, the Commission assumed responsibility for the following functions:

Business Cost Calculator

In respect of functions assumed, there were no assets or liabilities transferred to the Commission.

	2007	*2006*
	$'000	$'000
Revenues and Expenses of the Business Cost Calculator		
Revenues		
Recognised by the Commission	**712**	-
Recognised by the Department of Industry, Tourism and Resources	**211**	-
Total Revenues	**923**	-
Expenses		
Recognised by the Commission	**479**	-
Recognised by the Department of Industry, Tourism and Resources	**211**	-
Total Expenses	**690**	-

Note 10: Cash Flow Reconciliation

	2007	*2006*
	$'000	$'000
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Report Cash and Cash Equivalents as per:		
Cash Flow Statement	**225**	172
Balance Sheet	**225**	172
Difference	**-**	-
Reconciliation of operating result to net cash from operating activities:		
Operating result	**3,347**	672
Depreciation / amortisation	**585**	626
Finance costs	**32**	22
Net write-down of non-financial assets	**8**	5
(Gain) / loss on disposal assets	**(8)**	(9)
(Increase) / decrease in net receivables	**(3,690)**	(1,234)
(Increase) / decrease in prepayments	**27**	(151)
Increase / (decrease) in employee provisions	**132**	438
Increase / (decrease) in supplier payables	**287**	(40)
Net cash from / (used by) operating activities	**720**	329

Note 11: Contingent Liabilities and Assets

At 30 June 2007, to the best of its knowledge, the Commission was not exposed to any unrecognised contingencies that would have any material effect on the financial statements.

Note 12: Executive Remuneration

	2007	*2006*
The number of executives who received or were due to receive total remuneration of $130,000 or more:		
$130,000 to $144,999	**3**	1
$145,000 to $159,999	**2**	1
$160,000 to $174,999	**–**	1
$175,000 to $189,999	**6**	–
$190,000 to $204,999	**3**	6
$205,000 to $219,999	**2**	4
$220,000 to $234,999	**3**	4
$235,000 to $249,999	**1**	2
$250,000 to $264,999	**2**	3
$265,000 to $279,999	**2**	3
$280,000 to $294,999	**1**	–
$310,000 to $324,999	**1**	–
$325,000 to $339,999	**-**	1
Total	**26**	26
Aggregate amount of total remuneration of executives shown above	**$5,413,701**	$5,783,850
Aggregate amount of separation and redundancy payments during the year to executives shown above	**-**	$175,318

Note 13: Remuneration of Auditors

	2007	2006
	$'000	$'000
Financial statement audit services are provided free of charge to the Commission.		
The value of the services provided was:	**32**	38
	32	38

No other services were provided by the Auditor-General.

Note 14: Average Staffing Levels

	2007	2006
The average staffing levels for the Commission during the year were:	**202**	193

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

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

Note 15: Financial Instruments

Note 15A: Interest Rate Risk

	Note	Floating Interest Rate		Fixed Interest Rate		Non Interest Bearing		Total		Effective Interest Rate[a]	
		2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
		$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000		%
Financial Assets											
Cash and cash equivalents	5A	**–**	–	**–**	–	**225**	172	**225**	172	**n/a**	n/a
Receivables for goods and services	5B	**–**	–	**–**	–	**233**	159	**223**	159	**n/a**	n/a
Total		**–**	–	**–**	–	**458**	331	**458**	331		
Total assets		**–**	–	**–**	–			**14,988**	10,043		
Financial Liabilities											
Trade creditors	7A	**–**	–	**–**	–	**434**	147	**434**	147	**n/a**	n/a
Total		**–**	–	**–**	–	**434**	147	**434**	147		
Total liabilities		**–**	–	**–**	–			**8,502**	8,232		

[a] Weighted average.

Note 15B: Fair Values of Financial Assets and Liabilities

		2007		*2006*	
	Notse	***Total Carrying Amount***	***Aggregate Fair Value***	*Total Carrying Amount*	*Aggregate Fair Value*
		$'000	**$'000**	$'000	$'000
Department					
Financial Assets					
Cash and cash equivalents	5A	**225**	**225**	172	172
Receivables for goods and services	5B	**233**	**233**	159	159
Total Financial Assets		**458**	**458**	331	331
Financial Liabilities (Recognised)					
Trade creditors	7A	**434**	**434**	147	147
Total Financial Liabilities (Recognised)		**434**	**434**	147	147
Financial Liabilities (Unrecognised)					
		–	**–**	–	–
Total Financial Liabilities (Unrecognised)		**-**	**-**	-	-

Note 15C: 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.

All figures for credit risk referred to do not take into account the value of any collateral or other security.

Note 16: Appropriations

Table A: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund (CRF) for Ordinary Annual Services Appropriations and borrowings

	Departmental Outputs	
Particulars	***2007***	*2006*
	$'000	$'000
Balance carried forward from previous period	**7,568**	6,397
Appropriation Act:		
Appropriation Act (No 1)	**28,471**	28,247
Appropriation Act (No 3)	**3,068**	202
FMA Act:		
Appropriations to take account of recoverable GST (FMA s 30A)	**680**	685
Annotations to 'net appropriations' (FMA s 31)	**152**	58
Adjustment of appropriations on change of entity function (FMA s 32)	**712**	-
Total appropriations available for payments	**40,651**	35,589
Cash payments made during the year (GST inclusive)	**(29,414)**	(28,021)
Balance of authority to draw cash from the CRF for Ordinary Annual Services Appropriations	**11 237**	7,568
Represented by:		
Cash at bank and on hand	**225**	172
Departmental appropriations receivable	**10,925**	7,254
GST receivable from the ATO	**87**	142
Total	**11,237**	7,568

Departmental and non-operating appropriations do not lapse at financial year end. However, the responsible Minister may decide that part or all of a departmental or non-operating appropriation is not required and request the Finance Minister to reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament.

Table B Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund (CRF) for Other than Ordinary Annual Services Appropriations

	Non-operating	
	Equity	
Particulars	***2006***	*2006*
	$'000	$'000
Balance carried forward from previous period	**25**	25
Appropriation Act:		
Appropriation Act (No 2)	**-**	-
Appropriation Act (No 4)	**685**	-
FMA Act:		
Appropriations to take account of recoverable GST (FMA s 30A)	**-**	-
Total appropriations available for payments	**710**	25
Cash payments made during the year (GST inclusive)	**(25)**	-
Balance of authority to draw cash from the CRF for Ordinary Annual Services Appropriations	**685**	25
Represented by:		
Cash at bank and on hand	**-**	-
Appropriations receivable	**685**	25
Total	**685**	25

Departmental and non-operating appropriations do not lapse at financial year end. However, the responsible Minister may decide that part or all of a departmental or non-operating appropriation is not required and request the Finance Minister to reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament.

Note 17: 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 2000-2007 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 *Financial Management and Accountability Act 1997*.

The purpose of the Services for other Governments and 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*.

Note 18: Compensation and Debt Relief

In both 2006-07 and 2005-06, no expenses and/or provisions in relation to the following compensation and debt relief mechanisms were made during the reporting period:

(a) ‘Act of Grace’ expenses;

(b) waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the *Financial Management and Accountability Act 1997*;

(c) ex-gratia payments;

(d) payments under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme; and

(e) payments in special circumstances relating to APS employment pursuant to section 73 of the *Public Service Act 1999*.

Note 19: Reporting of Outcomes

Note 19A: Net Cost of Outcome Delivery

	Outcome 1	
	2007	*2006*
	$'000	$'000
Expenses		
Departmental	**29,113**	27,871
Total expenses	**29,113**	27,871
Costs recovered from provision of goods and service to the non government sector		
Departmental	**17**	29
Total costs recovered	**17**	29
Other external revenues		
Departmental	**24**	27
Total other external revenues	**24**	27
Net cost of outcome	**29 072**	27,815

Outcome 1 is described in Note 1.1. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget Outcome.

Note 19B: Major Classes of Departmental Revenues and Expenses by Output Groups and Outputs

Outcome 1	*Output Group 1.1*										*Outcome 1*	
	Output 1.1.1		*Output 1.1.2*		*Output 1.1.3*		*Output 1.1.4*		*Output 1.1.5*		*Total*	
	2007	*2006*	***2007***	*2006*	***2007***	*2006*	***2007***	*2006*	***2007***	*2006*	***2007***	*2006*
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Departmental expenses												
Employees	**11,174**	10,563	**3,123**	3,018	**2,980**	2,235	**178**	180	**4,856**	5,049	**22,311**	21,045
Suppliers	**3,035**	3,201	**1,006**	910	**874**	494	**37**	37	**1,225**	1,531	**6,177**	6,173
Depreciation and amortisation	**282**	314	**86**	90	**82**	66	**5**	5	**130**	151	**585**	626
Other	**19**	14	**6**	4	**6**	3	**–**	–	**9**	6	**40**	27
Total expenses	**14,510**	14 092	**4,221**	4 022	**3,942**	2 798	**220**	222	**6,220**	6 737	**29,113**	27 871
Funded by:												
Revenues from government	**14,100**	14,384	**4,700**	4,105	**6,580**	2,856	**200**	227	**6,671**	6,877	**32,251**	28,449
Sales of goods and services	**15**	24	**5**	7	**6**	5	**–**	–	**7**	11	**33**	47
Other non-taxation revenues	**86**	24	**6**	7	**8**	5	**–**	–	**76**	11	**176**	47
Total revenues	**14,201**	14,432	**4,711**	4,119	**6,594**	2,866	**200**	227	**6,754**	6,899	**32,460**	28,543

Outcome 1 is described in Note 1.1. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget Outcome.