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# F Financial statements

**This appendix presents the audited financial statements for the Productivity Commission for 2008-09.**

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## INDEPENDENT AUDITOR'S REPORT

To the Assistant Treasurer

### Scope

I have audited the accompanying financial statements of the Productivity Commission (the Commission) for the year ended 30 June 2009, 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; and Notes to and forming part of the Financial Statements, including a Summary of Significant Accounting Policies.

### *The Responsibility of the Chairman for the Financial Statements*

The Chairman of the Commission 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*, including the Australian Accounting Standards (which include the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls 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. I have conducted my audit 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 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 Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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.

### ***Independence***

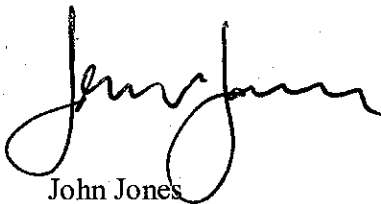
In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

### **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*, including the Australian Accounting Standards; 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 2009 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



John Jones

Executive Director

Delegate of the Auditor-General

Canberra

21 August 2009



**Australian Government**  
**Productivity Commission**

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*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 2009 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.

A handwritten signature in black ink, appearing to read 'Gary Banks'.

Gary Banks  
Chairman

20 August 2009

A handwritten signature in black ink, appearing to read 'Brian Scammell'.

Brian Scammell  
Chief Finance Officer

20 August 2009

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## Income Statement

for the period ended 30 June 2009

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|   |       | <b>2009</b>          | <b>2008</b>          |
|---|-------|----------------------|----------------------|
|   | Notes | <b>\$'000</b>        | <b>\$'000</b>        |
| <b>Income</b>                           |       |                      |                      |
| <b>Revenue</b>                          |       |                      |                      |
| Revenue from Government                 | 3A    | <b>31,621</b>        | 32,389               |
| Sale of goods and rendering of services | 3B    | <u>694</u>           | <u>226</u>           |
| <b>Total revenue</b>                    |       | <b><u>32,315</u></b> | <b><u>32,615</u></b> |
| <b>Gains</b>                            |       |                      |                      |
| Sale of assets                          | 3C    | 7                    | –                    |
| Other gains                             | 3D    | <u>34</u>            | <u>33</u>            |
| <b>Total gains</b>                      |       | <b><u>41</u></b>     | <b><u>33</u></b>     |
| <b>Total Income</b>                     |       | <b><u>32,356</u></b> | <b><u>32,648</u></b> |
| <b>Expenses</b>                         |       |                      |                      |
| Employee benefits                       | 4A    | <b>23,082</b>        | 22,984               |
| Suppliers                               | 4B    | <b>7,016</b>         | 8,244                |
| Depreciation and amortisation           | 4C    | <b>1,145</b>         | 1,052                |
| Finance costs                           | 4D    | <b>28</b>            | 34                   |
| Write-down and impairment of assets     | 4E    | <b>491</b>           | –                    |
| Losses from asset sales                 | 4F    | <u>–</u>             | <u>127</u>           |
| <b>Total Expenses</b>                   |       | <b><u>31,762</u></b> | <b><u>32,441</u></b> |
| <b>Surplus</b>                          |       | <b><u>594</u></b>    | <b><u>207</u></b>    |

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

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## Balance Sheet

as at 30 June 2009

|                                     |       | 2009                 | 2008                 |
|-------------------------------------|-------|----------------------|----------------------|
|                                     | Notes | \$'000               | \$'000               |
| <b>ASSETS</b>                       |       |                      |                      |
| <b>Financial Assets</b>             |       |                      |                      |
| Cash and cash equivalents           | 5A    | 224                  | 288                  |
| Trade and other receivables         | 5B    | <u>11,784</u>        | <u>9,188</u>         |
| <b>Total financial assets</b>       |       | <b><u>12,008</u></b> | <b><u>9,476</u></b>  |
| <b>Non-Financial Assets</b>         |       |                      |                      |
| Land and buildings                  | 6A    | 3,191                | 4,407                |
| Infrastructure, plant and equipment | 6B    | 953                  | 1,260                |
| Intangibles                         | 6C    | 100                  | 61                   |
| Other non-financial assets          | 6E    | <u>516</u>           | <u>475</u>           |
| <b>Total non-financial assets</b>   |       | <b><u>4,760</u></b>  | <b><u>6,203</u></b>  |
| <b>Total Assets</b>                 |       | <b><u>16,768</u></b> | <b><u>15,679</u></b> |
| <b>LIABILITIES</b>                  |       |                      |                      |
| <b>Payables</b>                     |       |                      |                      |
| Suppliers                           | 7A    | 463                  | 623                  |
| Other payables                      | 7B    | <u>331</u>           | <u>249</u>           |
| <b>Total payables</b>               |       | <b><u>794</u></b>    | <b><u>872</u></b>    |
| <b>Provisions</b>                   |       |                      |                      |
| Employee provisions                 | 8A    | 7,808                | 7,263                |
| Other provisions                    | 8B    | <u>507</u>           | <u>479</u>           |
| <b>Total provisions</b>             |       | <b><u>8,315</u></b>  | <b><u>7,742</u></b>  |
| <b>Total Liabilities</b>            |       | <b><u>9,109</u></b>  | <b><u>8,614</u></b>  |
| <b>Net Assets</b>                   |       | <b><u>7,659</u></b>  | <b><u>7,065</u></b>  |
| <b>EQUITY</b>                       |       |                      |                      |
| Contributed equity                  |       | 2,858                | 2,858                |
| Reserves                            |       | 1,725                | 1,725                |
| Retained earnings                   |       | <u>3,076</u>         | <u>2,482</u>         |
| <b>Total Equity</b>                 |       | <b><u>7,659</u></b>  | <b><u>7,065</u></b>  |
| <b>Current Assets</b>               |       | <b>12,524</b>        | 9,951                |
| <b>Non-Current Assets</b>           |       | <b>4,244</b>         | 5,728                |
| <b>Current Liabilities</b>          |       | <b>7,876</b>         | 7,646                |
| <b>Non-Current Liabilities</b>      |       | <b>1,233</b>         | 968                  |

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

## Statement of Changes in Equity

as at 30 June 2009

| Item  | Retained earnings |              | Asset revaluation reserve |              | Contributed equity |              | Total equity |              |
|---|-------------------|--------------|---------------------------|--------------|--------------------|--------------|--------------|--------------|
|   | 2009              | 2008         | 2009                      | 2008         | 2009               | 2008         | 2009         | 2008         |
|   | \$'000            | \$'000       | \$'000                    | \$'000       | \$'000             | \$'000       | \$'000       | \$'000       |
| <b>Opening balance</b>                            |                   |              |                           |              |                    |              |              |              |
| Balance carried forward from previous period      | 2,482             | 2,275        | 1,725                     | 1,725        | 2,858              | 2,396        | 7,065        | 6,396        |
| <b>Adjusted opening balance</b>                   | <b>2,482</b>      | <b>2,275</b> | <b>1,725</b>              | <b>1,725</b> | <b>2,858</b>       | <b>2,396</b> | <b>7,065</b> | <b>6,396</b> |
| <b>Income and expenses</b>                        |                   |              |                           |              |                    |              |              |              |
| Income and expenses recognised directly in equity | -                 | -            | -                         | -            | -                  | -            | -            | -            |
| Surplus (Deficit) for the period                  | 594               | 207          | -                         | -            | -                  | -            | 594          | 207          |
| <b>Total income and expense</b>                   | <b>594</b>        | <b>207</b>   | <b>-</b>                  | <b>-</b>     | <b>-</b>           | <b>-</b>     | <b>594</b>   | <b>207</b>   |
| <b>Transactions with owners</b>                   |                   |              |                           |              |                    |              |              |              |
| <b>Contributions by Owners</b>                    |                   |              |                           |              |                    |              |              |              |
| Appropriation (equity injection)                  | -                 | -            | -                         | -            | -                  | 462          | -            | 462          |
| <b>Sub-total transactions with owners</b>         | <b>-</b>          | <b>-</b>     | <b>-</b>                  | <b>-</b>     | <b>-</b>           | <b>462</b>   | <b>-</b>     | <b>462</b>   |
| <b>Closing balance as at 30 June</b>              | <b>3,076</b>      | <b>2,482</b> | <b>1,725</b>              | <b>1,725</b> | <b>2,858</b>       | <b>2,858</b> | <b>7,659</b> | <b>7,065</b> |

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

## Cash Flow Statement

for the period ended 30 June 2009

|   |           | <b>2009</b>          | <b>2008</b>           |
|---|-----------|----------------------|-----------------------|
|   | Notes     | <b>\$'000</b>        | <b>\$'000</b>         |
| <b>OPERATING ACTIVITIES</b>   |           |                      |                       |
| <b>Cash received</b>  |           |                      |                       |
| Goods and services  |           | 743                  | 1,453                 |
| Appropriations  |           | 29,030               | 33,675                |
| Net GST received from ATO   |           | <u>729</u>           | <u>1,249</u>          |
| <b>Total cash received</b>  |           | <b><u>30,502</u></b> | <b><u>36,377</u></b>  |
| <b>Cash used</b>  |           |                      |                       |
| Employees   |           | 22,465               | 23,069                |
| Suppliers   |           | <u>7,956</u>         | <u>9,918</u>          |
| <b>Total cash used</b>  |           | <b><u>30,421</u></b> | <b><u>32,987</u></b>  |
| <b>Net cash from (used by) operating activities</b>                 | 9         | <b><u>81</u></b>     | <b><u>3,390</u></b>   |
| <b>INVESTING ACTIVITIES</b>   |           |                      |                       |
| <b>Cash received</b>  |           |                      |                       |
| Proceeds from sale of property, plant and equipment                 |           | <u>7</u>             | <u>16</u>             |
| <b>Total cash received</b>  |           | <b><u>7</u></b>      | <b><u>16</u></b>      |
| <b>Cash Used</b>  |           |                      |                       |
| Purchase of property, plant and equipment                           |           | <u>152</u>           | <u>4,490</u>          |
| <b>Total cash used</b>  |           | <b><u>152</u></b>    | <b><u>4,490</u></b>   |
| <b>Net cash from (used by) investing activities</b>                 |           | <b><u>(145)</u></b>  | <b><u>(4,474)</u></b> |
| <b>FINANCING ACTIVITIES</b>   |           |                      |                       |
| <b>Cash received</b>  |           |                      |                       |
| Appropriations – contributed equity                                 |           | <u>-</u>             | <u>1,147</u>          |
| <b>Total cash received</b>  |           | <b><u>-</u></b>      | <b><u>1,147</u></b>   |
| <b>Cash Used</b>  |           |                      |                       |
| Other cash used   |           | <u>-</u>             | <u>-</u>              |
| <b>Total cash used</b>  |           | <b><u>-</u></b>      | <b><u>-</u></b>       |
| <b>Net cash from (used by) financing activities</b>                 |           | <b><u>-</u></b>      | <b><u>1,147</u></b>   |
| <b>Net increase (decrease) in cash held</b>                         |           | <b>(64)</b>          | <b>63</b>             |
| Cash and cash equivalents at the beginning of the reporting period  |           | <u>288</u>           | <u>225</u>            |
| <b>Cash and cash equivalents at the end of the reporting period</b> | <b>5A</b> | <b><u>224</u></b>    | <b><u>288</u></b>     |

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



## Schedule of Commitments

as at 30 June 2009

|   | 2009           | 2008           |
|---|----------------|----------------|
|   | \$'000         | \$'000         |
| <b>BY TYPE</b>                              |                |                |
| <b>Commitments receivable</b>               |                |                |
| GST recoverable on commitments              | <u>(1,551)</u> | <u>(1,885)</u> |
| <b>Total commitments receivable</b>         | <u>(1,551)</u> | <u>(1,885)</u> |
| <b>Other commitments</b>                    |                |                |
| Operating leases <sup>1</sup>               | 16,091         | 19,239         |
| Other commitments <sup>2</sup>              | <u>975</u>     | <u>1,499</u>   |
| <b>Total other commitments</b>              | <u>17,066</u>  | <u>20,738</u>  |
| <b>Net commitments by type</b>              | <u>15,515</u>  | <u>18,853</u>  |
| <b>BY MATURITY</b>                          |                |                |
| <b>Commitments receivable</b>               |                |                |
| <b>GST recoverable on commitments</b>       |                |                |
| One year or less                            | (285)          | (293)          |
| From one to five years                      | (769)          | (866)          |
| Over five years                             | <u>(497)</u>   | <u>(726)</u>   |
| <b>Total GST recoverable on commitments</b> | <u>(1,551)</u> | <u>(1,885)</u> |
| <b>Operating lease commitments</b>          |                |                |
| One year or less                            | 2,683          | 2,689          |
| From one to five years                      | 7,938          | 9,099          |
| Over five years                             | <u>5,470</u>   | <u>7,451</u>   |
| <b>Total operating lease commitments</b>    | <u>16,091</u>  | <u>19,239</u>  |
| <b>Other commitments</b>                    |                |                |
| One year or less                            | 454            | 538            |
| From one to five years                      | 521            | 427            |
| Over five years                             | <u>-</u>       | <u>534</u>     |
| <b>Total other commitments</b>              | <u>975</u>     | <u>1,499</u>   |
| <b>Net commitments by maturity</b>          | <u>15,515</u>  | <u>18,853</u>  |

NB: Commitments are GST inclusive where relevant.

<sup>1</sup> 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. In Melbourne, the current lease expiry is 30 June 2011. In Canberra the current lease commenced on 1 August 2007 and expires on 30 April 2017, with a five year option.

**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>2</sup> Other commitments are primarily contracts for office services.

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

## Notes to and forming part of the Financial Statements

| <b>Note</b> | <b>Description</b>                         |
|-------------|--|
| 1           | Summary of Significant Accounting Policies |
| 2           | Events after the Balance Sheet Date        |
| 3           | Income                                     |
| 4           | Expenses                                   |
| 5           | Financial Assets                           |
| 6           | Non-Financial Assets                       |
| 7           | Payables                                   |
| 8           | Provisions                                 |
| 9           | Cash Flow Reconciliation                   |
| 10          | Contingent Liabilities and Assets          |
| 11          | Executive Remuneration                     |
| 12          | Remuneration of Auditors                   |
| 13          | Financial Instruments                      |
| 14          | Appropriations                             |
| 15          | Special Accounts                           |
| 16          | Compensation and Debt Relief               |
| 17          | Reporting of Outcomes                      |

## **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 microeconomic 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 4 outputs:

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

Activities contributing toward these outcomes are classified as departmental. Departmental activities involve the use of assets, liabilities, income 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 2008; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) 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 Commission or a future sacrifice of economic benefits will be required 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 and the Schedule of Contingencies.

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the Income Statement when and only when the flow, 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 Changes in Australian Accounting Standards**

### Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard.

### Future Australian Accounting Standard Requirements

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.

## **1.5 Revenue**

### Revenue from Government

Amounts appropriated for departmental output appropriations for the year (adjusted for any formal additions and reductions) are recognised as revenue when the Commission gains control of the appropriation, 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 Commission.

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 Commission.

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 impairment allowance account. Collectability of debts is reviewed at balance date. Allowances 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).

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 *Employee Benefits*) and termination benefits due within twelve 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 taken 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 at the estimated salary rates that applied at the time the leave is taken, 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 2009.

### Superannuation

Staff of the Commission are members of the Commonwealth Superannuation Scheme (CSS), 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. This liability is reported by the Department of Finance and Deregulation as an administered item.

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 contributions to defined contribution plans.

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 and cash equivalents includes notes and coins held and any deposits in bank accounts with original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount.

### **1.11 Financial Assets**

The Commission classifies its financial assets in the following categories:

- financial assets as at fair value through profit or loss;
- held-to-maturity investments;
- available-for-sale financial assets; and
- loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets are recognised and derecognised upon trade date.

#### **Effective Interest Method**

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit or loss.

### Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as ‘loans and receivables’. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non current assets. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

### 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.

## **1.12 Financial Liabilities**

Financial liabilities are classified as either financial liabilities ‘at fair value through profit or loss’ or other financial liabilities.

Financial liabilities are recognised and derecognised upon ‘trade date’.

### 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).

### **1.13 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 an asset or liability or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

Details of each class of contingent liabilities and contingent assets are disclosed in Note 10: Contingent Liabilities and Assets.

### **1.14 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 income 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.

### **1.15 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’ recognised.

### Revaluations

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

| <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, property, plant and equipment are carried 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:

|                                 | <b>2009</b>          | <b>2008</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    |

### Impairment

All assets were assessed for impairment at 30 June 2009. 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.

## **1.16 Intangibles**

The Commission's intangibles comprise commercially purchased software. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Commission's software are 5 years (2007-08: 5 years).

All software assets were assessed for indicators of impairment as at 30 June 2009.

## **1.17 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*

|                                      | <b>2009</b>          | <b>2008</b>          |
|--------------------------------------|----------------------|----------------------|
|                                      | <b>\$'000</b>        | <b>\$'000</b>        |
| Appropriation:                       |                      |                      |
| Departmental outputs                 | <b><u>31,621</u></b> | <b><u>32,389</u></b> |
| <b>Total revenue from Government</b> | <b><u>31 621</u></b> | <b><u>32,389</u></b> |

*Note 3B: Sale of goods and rendering of services*

|   | <b>2009</b>       | <b>2008</b>       |
|---|-------------------|-------------------|
|   | <b>\$'000</b>     | <b>\$'000</b>     |
| Provision of goods - related entities                 | -                 | -                 |
| Provision of goods - external parties                 | 1                 | 22                |
| Rendering of services - related entities              | 642               | 58                |
| Rendering of services - external parties              | <u>51</u>         | <u>146</u>        |
| <b>Total sales of goods and rendering of services</b> | <b><u>694</u></b> | <b><u>226</u></b> |

**Gains***Note 3C: Sale of assets*

|                                     | <b>2009</b>     | <b>2008</b>     |
|-------------------------------------|-----------------|-----------------|
|                                     | <b>\$'000</b>   | <b>\$'000</b>   |
| Infrastructure, plant and equipment |                 |                 |
| Proceeds from sale                  | 7               | -               |
| Carrying value of assets sold       | -               | -               |
| Selling expense                     | <u>-</u>        | <u>-</u>        |
| <b>Net gain from sale of assets</b> | <b><u>7</u></b> | <b><u>-</u></b> |

*Note 3D: Other gains*

|                                   | <b>2009</b>      | <b>2008</b>      |
|-----------------------------------|------------------|------------------|
|                                   | <b>\$'000</b>    | <b>\$'000</b>    |
| Resources received free of charge | <u>34</u>        | <u>33</u>        |
| <b>Total other gains</b>          | <b><u>34</u></b> | <b><u>33</u></b> |

**Note 4: Expenses**

*Note 4A: Employee benefits*

|                                | <b>2009</b>          | <b>2008</b>          |
|--------------------------------|----------------------|----------------------|
|                                | <b>\$'000</b>        | <b>\$'000</b>        |
| Wages and salaries             | <b>18,326</b>        | 18,494               |
| Superannuation                 |                      |                      |
| Defined contribution plans     | <b>499</b>           | 431                  |
| Defined benefit plans          | <b>2,541</b>         | 2,594                |
| Leave and other entitlements   | <b>1,716</b>         | 1,465                |
| Separation and redundancies    | <u>-</u>             | <u>-</u>             |
| <b>Total employee benefits</b> | <b><u>23,082</u></b> | <b><u>22,984</u></b> |

*Note 4B: Suppliers*

|   | <b>2009</b>         | <b>2008</b>         |
|---|---------------------|---------------------|
|   | <b>\$'000</b>       | <b>\$'000</b>       |
| Provision of goods - related entities       | -                   | 1                   |
| Provision of goods - external parties       | <b>236</b>          | 488                 |
| Rendering of services - related entities    | <b>418</b>          | 148                 |
| Rendering of services - external parties    | <b>3,697</b>        | 4,806               |
| Operating lease rentals – external parties: |                     |                     |
| Minimum lease payments                      | <b>2,632</b>        | 2,731               |
| Workers compensation premiums               | <u>33</u>           | <u>70</u>           |
| <b>Total supplier expenses</b>              | <b><u>7,016</u></b> | <b><u>8,244</u></b> |



**Note 4C: Depreciation and amortisation**

|  | <b>2009</b>                | <b>2008</b>         |
|--|----------------------------|---------------------|
|  | <b>\$'000</b>              | <b>\$'000</b>       |
| Depreciation:                              |                            |                     |
| Leasehold improvements                     | <b>667</b>                 | 533                 |
| Infrastructure, plant and equipment        | <b>402</b>                 | 445                 |
| <b>Total depreciation</b>                  | <b><u>1,069</u></b>        | <u>978</u>          |
| Amortisation:                              |                            |                     |
| Leasehold make-good                        | <b>58</b>                  | 59                  |
| Intangibles:                               |                            |                     |
| Computer software                          | <b>18</b>                  | 15                  |
| <b>Total amortisation</b>                  | <b><u>76</u></b>           | <u>74</u>           |
| <b>Total depreciation and amortisation</b> | <b><u><u>1,145</u></u></b> | <u><u>1,052</u></u> |

**Note 4D: Finance costs**

|                            | <b>2009</b>      | <b>2008</b>   |
|----------------------------|------------------|---------------|
|                            | <b>\$'000</b>    | <b>\$'000</b> |
| Unwinding of discount      | <b>28</b>        | 34            |
| <b>Total finance costs</b> | <b><u>28</u></b> | <u>34</u>     |

**Note 4E: Write-down and impairment of assets**

|  | <b>2009</b>       | <b>2008</b>   |
|--|-------------------|---------------|
|  | <b>\$'000</b>     | <b>\$'000</b> |
| Asset writedowns from:                           |                   |               |
| Impairment of property, plant & equipment        | <b>491</b>        | -             |
| Impairment of intangible assets                  | <b>-</b>          | -             |
| <b>Total write-down and impairment of assets</b> | <b><u>491</u></b> | <u>-</u>      |

An impairment of property, plant & equipment (leasehold improvement) was recognised in respect of office space no longer occupied by the Commission.

**Note 4F: Losses from asset sales**

|                                      | <b>2009</b>     | <b>2008</b>       |
|--------------------------------------|-----------------|-------------------|
|                                      | <b>\$'000</b>   | <b>\$'000</b>     |
| Land and buildings:                  |                 |                   |
| Proceeds from sale                   | -               | -                 |
| Carrying value of assets sold        | -               | 127               |
| Selling expense                      | -               | -                 |
| Infrastructure, plant and equipment: |                 |                   |
| Proceeds from sale                   | -               | (16)              |
| Carrying value of assets sold        | -               | 16                |
| Selling expense                      | -               | -                 |
| Intangibles:                         |                 |                   |
| Proceeds from sale                   | -               | -                 |
| Carrying value of assets sold        | -               | -                 |
| Selling expense                      | -               | -                 |
| <b>Total losses from asset sales</b> | <b><u>-</u></b> | <b><u>127</u></b> |

**Note 5: Financial Assets**

**Note 5A: Cash and cash equivalents**

|  | <b>2009</b>       | <b>2008</b>       |
|--|-------------------|-------------------|
|  | <b>\$'000</b>     | <b>\$'000</b>     |
| Cash on hand or on deposit             | <u>224</u>        | <u>288</u>        |
| <b>Total cash and cash equivalents</b> | <b><u>224</u></b> | <b><u>288</u></b> |

**Note 5B: Trade and other receivables**

|  | 2009                 | 2008                |
|--|----------------------|---------------------|
|  | <b>'000</b>          | <b>\$'000</b>       |
| Goods and services – related entities              | 127                  | 86                  |
| Goods and services – external parties              | <u>18</u>            | <u>19</u>           |
| <b>Total receivables for goods and services</b>    | <b><u>145</u></b>    | <b><u>105</u></b>   |
| Appropriations receivable:                         |                      |                     |
| for existing outputs                               | 10,702               | 8,979               |
| for additional outputs                             | <u>868</u>           | <u>-</u>            |
| <b>Total appropriations receivable</b>             | <b><u>11,570</u></b> | <b><u>8,979</u></b> |
| GST receivable from the Australian Taxation Office | <u>69</u>            | <u>104</u>          |
| <b>Total trade and other receivables</b>           | <b><u>11,784</u></b> | <b><u>9,188</u></b> |
| Receivables are represented by:                    |                      |                     |
| Current  | 11,784               | 9,188               |
| Non-current  | <u>-</u>             | <u>-</u>            |
| <b>Total trade and other receivables</b>           | <b><u>11,784</u></b> | <b><u>9,188</u></b> |
| Receivables are aged as follows:                   |                      |                     |
| Not overdue  | 11,773               | 9,135               |
| Overdue by:  |                      |                     |
| 30 to 60 days                                      | -                    | 52                  |
| More than 90 days                                  | <u>11</u>            | <u>1</u>            |
| <b>Total receivables</b>                           | <b><u>11,784</u></b> | <b><u>9,188</u></b> |

**Note 6: Non-Financial Assets****Note 6A: Land and buildings**

|   | 2009                | 2008                |
|---|---------------------|---------------------|
|   | <b>\$'000</b>       | <b>\$'000</b>       |
| Leasehold improvements                        |                     |                     |
| - fair value                                  | 4,797               | 4,855               |
| - accumulated depreciation                    | (1,115)             | (448)               |
| - accumulated impairment losses               | <u>(491)</u>        | <u>-</u>            |
| <b>Total leasehold improvements</b>           | <b><u>3,191</u></b> | <b><u>4,407</u></b> |
| <b>Total land and buildings (non-current)</b> | <b><u>3,191</u></b> | <b><u>4,407</u></b> |

**Note 6B: Infrastructure, plant and equipment**

|  | <b>2009</b>              | <b>2008</b>         |
|--|--------------------------|---------------------|
|  | <b>\$'000</b>            | <b>\$'000</b>       |
| Infrastructure, plant and equipment                            |                          |                     |
| Gross carrying value (at fair value)                           | <b>1,762</b>             | 1,678               |
| Accumulated depreciation                                       | <b>(809)</b>             | (418)               |
| <b>Total infrastructure, plant and equipment</b>               | <b><u>953</u></b>        | <u>1,260</u>        |
| <b>Total infrastructure, plant and equipment (non-current)</b> | <b><u><u>953</u></u></b> | <u><u>1,260</u></u> |

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

**Note 6C: Intangibles**

|  | <b>2009</b>       | <b>2008</b>   |
|--|-------------------|---------------|
|  | <b>\$'000</b>     | <b>\$'000</b> |
| Computer software at cost              |                   |               |
| Purchased                              | <b>524</b>        | 471           |
| Accumulated amortisation               | <b>(424)</b>      | (410)         |
| <b>Total intangibles (non-current)</b> | <b><u>100</u></b> | <u>61</u>     |

No indicators of impairment were found for intangible assets.

*Note 6D: Analysis of property, plant and equipment, and intangibles**TABLE A - Reconciliation of the opening and closing balances of property, plant and equipment (2008-09)*

| <i>Item</i>  | <i>Leasehold<br/>improvements</i> | <i>Plant and<br/>equipment</i> | <i>Total</i>   |
|--|-----------------------------------|--------------------------------|----------------|
|  | <b>\$'000</b>                     | <b>\$'000</b>                  | <b>\$'000</b>  |
| <b>As at 1 July 2008</b>                                 |                                   |                                |                |
| Gross book value   | 4,855                             | 1,678                          | 6,533          |
| Accumulated depreciation/amortisation and impairment     | <u>(448)</u>                      | <u>(418)</u>                   | <u>(866)</u>   |
| <b>Net book value 1 July 2008</b>                        | <u>4,407</u>                      | <u>1,260</u>                   | <u>5,667</u>   |
| Additions:   |                                   |                                |                |
| By purchase  | -                                 | 95                             | 95             |
| Depreciation/amortisation expense                        | (725)                             | (402)                          | (1,127)        |
| Impairments recognised in the operating result           | (491)                             | -                              | (491)          |
| Disposals:   |                                   |                                |                |
| Other disposals  | <u>-</u>                          | <u>-</u>                       | <u>-</u>       |
| <b>Net book value 30 June 2009</b>                       | <u>3,191</u>                      | <u>953</u>                     | <u>4,144</u>   |
| <b>Net book value as of 30 June 2009 represented by:</b> |                                   |                                |                |
| Gross book value   | 4,797                             | 1,762                          | 6,559          |
| Accumulated depreciation/amortisation and impairment     | <u>(1,606)</u>                    | <u>(809)</u>                   | <u>(2,415)</u> |
|  | <u>3,191</u>                      | <u>953</u>                     | <u>4,144</u>   |

**TABLE A - Reconciliation of the opening and closing balances of property, plant and equipment (2007-08)**

| <i>Item</i>  | <i>Leasehold<br/>improvements</i> | <i>Plant and<br/>equipment</i> | <i>Total</i> |
|--|-----------------------------------|--------------------------------|--------------|
|  | \$'000                            | \$'000                         | \$'000       |
| <b>As at 1 July 2007</b>                                 |                                   |                                |              |
| Gross book value   | 1,286                             | 1,125                          | 2,411        |
| Accumulated depreciation/amortisation and impairment     | -                                 | -                              | -            |
| <b>Net book value 1 July 2007</b>                        | <u>1,286</u>                      | <u>1,125</u>                   | <u>2,411</u> |
| Additions:   |                                   |                                |              |
| By purchase  | 3,840                             | 596                            | 4,436        |
| Depreciation/amortisation expense                        | (592)                             | (445)                          | (1,037)      |
| Impairments recognised in the operating result           | -                                 | -                              | -            |
| Other movements - adjustment to provision for makegood   | <u>(127)</u>                      | <u>(16)</u>                    | <u>(143)</u> |
| <b>Net book value 30 June 2008</b>                       | <u>4,407</u>                      | <u>1,260</u>                   | <u>5,667</u> |
| <b>Net book value as of 30 June 2008 represented by:</b> |                                   |                                |              |
| Gross book value   | 4,855                             | 1,678                          | 6,533        |
| Accumulated depreciation/amortisation and impairment     | <u>(448)</u>                      | <u>(418)</u>                   | <u>(866)</u> |
|  | <u>4,407</u>                      | <u>1,260</u>                   | <u>5,667</u> |

TABLE B - Reconciliation of the opening and closing balances of intangibles (2008-09)

| <i>Item</i>  | <i>Computer<br/>software<br/>purchased</i> | <i>Total</i> |
|--|--|--------------|
|  | \$'000                                     | \$'000       |
| <b>As at 1 July 2008</b>                                 |  |              |
| Gross book value   | 471  | 471          |
| Accumulated depreciation/amortisation and impairment     | <u>(410)</u>                               | <u>(410)</u> |
| <b>Net book value 1 July 2008</b>                        | <u>61</u>                                  | <u>61</u>    |
| Additions:   |  |              |
| By purchase  | 57   | 57           |
| Depreciation/amortisation expense                        | <u>(18)</u>                                | <u>(18)</u>  |
| <b>Net book value 30 June 2009</b>                       | <u>100</u>                                 | <u>100</u>   |
| <b>Net book value as of 30 June 2009 represented by:</b> |  |              |
| Gross book value   | 524  | 524          |
| Accumulated depreciation/amortisation and impairment     | <u>(424)</u>                               | <u>(424)</u> |
|  | <u>100</u>                                 | <u>100</u>   |

TABLE B - Reconciliation of the opening and closing balances of intangibles (2007-08)

| <i>Item</i>  | <i>Computer<br/>software<br/>purchased</i> | <i>Total</i> |
|--|--|--------------|
|  | \$'000                                     | \$'000       |
| <b>As at 1 July 2007</b>                                 |  |              |
| Gross book value   | 463  | 463          |
| Accumulated depreciation/amortisation and impairment     | <u>(441)</u>                               | <u>(441)</u> |
| <b>Net book value 1 July 2007</b>                        | <u>22</u>                                  | <u>22</u>    |
| Additions:   |  |              |
| By purchase  | 54   | 54           |
| Depreciation/amortisation expense                        | <u>(15)</u>                                | <u>(15)</u>  |
| <b>Net book value 30 June 2008</b>                       | <u>61</u>                                  | <u>61</u>    |
| <b>Net book value as of 30 June 2008 represented by:</b> |  |              |
| Gross book value   | 471  | 471          |
| Accumulated depreciation/amortisation and impairment     | <u>(410)</u>                               | <u>(410)</u> |
|  | <u>61</u>                                  | <u>61</u>    |

**Note 6E: Other non-financial assets**

|   | <b>2009</b>       | <b>2008</b>       |
|---|-------------------|-------------------|
|   | <b>\$'000</b>     | <b>\$'000</b>     |
| Prepayments                             | <u>516</u>        | <u>475</u>        |
| <b>Total other non-financial assets</b> | <b><u>516</u></b> | <b><u>475</u></b> |

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**

|  | <b>2009</b>       | <b>2008</b>       |
|--|-------------------|-------------------|
|  | <b>\$'000</b>     | <b>\$'000</b>     |
| Trade creditors  | <u>463</u>        | <u>623</u>        |
| <b>Total supplier payables</b>                           | <b><u>463</u></b> | <b><u>623</u></b> |
| Supplier payables – related entities are represented by: |                   |                   |
| Current  | <b>65</b>         | 83                |
| Non-current  | -                 | -                 |
| Supplier payables – external parties are represented by: |                   |                   |
| Current  | <b>398</b>        | 540               |
| Non-current  | <u>-</u>          | <u>-</u>          |
| <b>Total supplier payables</b>                           | <b><u>463</u></b> | <b><u>623</u></b> |

Settlement is usually made net 30 days.

**Note 7B: Other Payables**

|                             | <b>2009</b>       | <b>2008</b>       |
|-----------------------------|-------------------|-------------------|
|                             | <b>\$'000</b>     | <b>\$'000</b>     |
| Salaries and wages          | <b>282</b>        | 191               |
| Superannuation              | <u>49</u>         | <u>58</u>         |
| <b>Total other payables</b> | <b><u>331</u></b> | <b><u>249</u></b> |



**Note 8: Provisions***Note 8A: Employee provisions*

|   | <b>2009</b>         | <b>2008</b>         |
|---|---------------------|---------------------|
|   | <b>\$'000</b>       | \$'000              |
| Leave                                   | <u>7,808</u>        | <u>7,263</u>        |
| <b>Total employee provisions</b>        | <u><b>7,808</b></u> | <u><b>7,263</b></u> |
| Employee provisions are represented by: |                     |                     |
| Current                                 | <b>7,082</b>        | 6,774               |
| Non-current                             | <u>726</u>          | <u>489</u>          |
| <b>Total employee provisions</b>        | <u><b>7,808</b></u> | <u><b>7,263</b></u> |

The classification of current includes amounts for which there is not an unconditional right to defer settlement by one year, hence in the case of employee provisions the above classification does not equal the amount expected to be settled within one year of reporting date. Employee provisions expected to be settled in twelve months from the reporting date are \$2,585,000 (2008: \$3,516,000), and in excess of one year \$5,223,000 (2008: \$3,747,000).

*Note 8B: Other provisions*

|                                      | <b>2009</b>       | <b>2008</b>       |
|--------------------------------------|-------------------|-------------------|
|                                      | <b>\$'000</b>     | \$'000            |
| Restoration obligations              | <u>507</u>        | <u>479</u>        |
| <b>Total other provisions</b>        | <u><b>507</b></u> | <u><b>479</b></u> |
| Other provisions are represented by: |                   |                   |
| Current                              | -                 | -                 |
| Non-current                          | <u>507</u>        | <u>479</u>        |
| <b>Total other provisions</b>        | <u><b>507</b></u> | <u><b>479</b></u> |

|                                    | <b>Provision for restoration</b> |
|------------------------------------|----------------------------------|
|                                    | <b>\$'000</b>                    |
| <b>Carrying amount 1 July 2008</b> | <u>479</u>                       |
| Amount paid on makegood            | -                                |
| Unwinding of discount              | <u>28</u>                        |
| <b>Closing balance 2009</b>        | <u><b>507</b></u>                |

The Commission currently has 1 agreement for the leasing of premises which has a provision requiring the Commission to restore the premises to its original condition at the conclusion of the lease. The Commission has made provision to reflect the present value of this obligation. (2007-08: 1 agreement)

## Note 9: Cash Flow Reconciliation

|  | 2009             | 2008                |
|--|------------------|---------------------|
|  | \$'000           | \$'000              |
| <b>Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement</b> |                  |                     |
| <b>Report Cash and Cash Equivalents as per:</b>  |                  |                     |
| Cash Flow Statement  | 224              | 288                 |
| Balance Sheet  | <u>224</u>       | <u>288</u>          |
| <b>Difference</b>  | <u>=</u>         | <u>=</u>            |
| <br>   |                  |                     |
| <b>Reconciliation of operating result to net cash from operating activities:</b>               |                  |                     |
| Operating result   | 594              | 207                 |
| Depreciation / amortisation  | 1,145            | 1,052               |
| Finance costs  | 28               | 34                  |
| Net write-down of non-financial assets   | 491              | -                   |
| (Gain) / loss on disposal assets   | (7)              | 127                 |
| (Increase) / decrease in net receivables   | (2,596)          | 2,057               |
| (Increase) / decrease in prepayments   | (41)             | (165)               |
| Increase / (decrease) in employee provisions   | 545              | 17                  |
| Increase / (decrease) in supplier payables   | (160)            | 189                 |
| Increase / (decrease) in other payables  | 82               | -                   |
| Increase / (decrease) in other provisions  | <u>-</u>         | <u>(128)</u>        |
| <b>Net cash from / (used by) operating activities</b>  | <u><u>81</u></u> | <u><u>3,390</u></u> |

## Note 10: Contingent Liabilities and Assets

At 30 June 2009, 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 11: Executive Remuneration**

|  | <b>2009</b>        | <b>2008</b>      |
|--|--------------------|------------------|
| The number of executives who received or were due to receive total remuneration of \$130,000 or more:            |                    |                  |
| \$130,000 to \$144,999   | <b>2</b>           | 2                |
| \$145,000 to \$159,999   | <b>5</b>           | 2                |
| \$160,000 to \$174,999   | -                  | 1                |
| \$175,000 to \$189,999   | <b>3</b>           | 2                |
| \$190,000 to \$204,999   | <b>1</b>           | 5                |
| \$205,000 to \$219,999   | <b>5</b>           | 4                |
| \$220,000 to \$234,999   | <b>3</b>           | 1                |
| \$235,000 to \$249,999   | <b>3</b>           | 2                |
| \$250,000 to \$264,999   | <b>2</b>           | 1                |
| \$265,000 to \$279,999   | <b>1</b>           | 3                |
| \$280,000 to \$294,999   | <b>1</b>           | -                |
| \$310,000 to \$324,999   | <b>1</b>           | 1                |
| \$355,000 to \$369,999   | <u><b>1</b></u>    | <u>1</u>         |
| <b>Total</b>   | <u><b>28</b></u>   | <u><b>25</b></u> |
| The aggregate amount of total remuneration of executives shown above   | <b>\$6,021,702</b> | \$5,415,321      |
| The aggregate amount of separation and redundancy/termination payments during the year to executives shown above | -                  | -                |

**Note 12: Remuneration of Auditors**

|   | <b>2009</b>      | <b>2008</b>   |
|---|------------------|---------------|
|   | <b>\$'000</b>    | <b>\$'000</b> |
| Financial statement audit services are provided free of charge to the Commission. |                  |               |
| The value of the services provided was:   | <u><b>34</b></u> | <u>33</u>     |
|   | <u><b>34</b></u> | <u>33</u>     |

No other services were provided by the Auditor-General.

## Note 13: Financial Instruments

### Note 13A: Categories of financial instruments

|   | 2009              | 2008              |
|---|-------------------|-------------------|
|   | \$'000            | \$'000            |
| <b>Financial Assets</b>                         |                   |                   |
| Loans and receivables                           |                   |                   |
| Cash and cash equivalents                       | 224               | 288               |
| Trade receivables                               | <u>145</u>        | <u>105</u>        |
| <b>Carrying amount of financial assets</b>      | <u><b>369</b></u> | <u><b>393</b></u> |
| <b>Financial Liabilities</b>                    |                   |                   |
| Other liabilities                               |                   |                   |
| Payables – suppliers                            | <u>463</u>        | <u>623</u>        |
| <b>Carrying amount of financial liabilities</b> | <u><b>463</b></u> | <u><b>623</b></u> |

### Note 13B: Net income and expense from financial assets

There is no income or expense from financial assets – loans and receivables in the year ending 30 June 2009. (2008: nil)

### Note 13C: Net income and expense from financial liabilities

There is no income or expense from financial liabilities – payables in the year ending 30 June 2009. (2008: nil)

### Note 13D: Fair value of financial instruments

There are no financial instruments held at 30 June 2009 where the carrying amount is not a reasonable approximation of fair value. (2008: nil)

### Note 13E: Credit Risk

The Commission is exposed to minimal credit risk as loans and receivables are cash and trade receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total of trade

receivables (2009: \$145,000 and 2008: \$105,000). The Commission has assessed that there is no the risk of default on payment.

The Commission manages its credit risk by mainly dealing with other government agencies.

The Commission holds no collateral to mitigate against credit risk.

No financial instruments were impaired in 2009 (2008: nil).

Ageing of financial assets that are not past due nor impaired and past due but not impaired are shown at Note 5B.

*Note 13F: Liquidity Risk*

The Commission's financial liabilities are payables. The exposure to liquidity risk is based on the notion that the Commission will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to appropriation funding and mechanisms available to the Commission (eg. Advance to the Finance Minister) and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

The Commission is appropriated funding from the Australian Government. The Commission manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, the Commission has policies in place to ensure timely payments are made when due and has no past experience of default.

All financial liabilities mature within one year (2008: one year).

*Note 13G: Market Risk*

The Commission holds basic financial instruments that do not expose the Commission to certain market risks.

The Commission is not exposed to currency risk, other price risk or interest rate risk.

**Note 14: Appropriations****Table A: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund (CRF) for Ordinary Annual Services Appropriations**

| <b>Particulars</b>  | <b>Departmental Outputs</b> |                     |
|---|-----------------------------|---------------------|
|   | <b>2009</b>                 | <b>2008</b>         |
|   | <b>\$'000</b>               | <b>\$'000</b>       |
| Balance carried forward from previous period  | <b>9,371</b>                | 11,237              |
| <i>Appropriation Act:</i>   |                             |                     |
| <i>Appropriation Act (No 1) as passed</i>   | <b>30,753</b>               | 34,443              |
| <i>Appropriation Act (No 3) as passed</i>   | -                           | -                   |
| Reductions of appropriations (Appropriation Act section 10)   | -                           | (150)               |
| <i>FMA Act:</i>   |                             |                     |
| Repayments to the Commonwealth (FMA s.30)   | <b>52</b>                   | -                   |
| Appropriations to take account of recoverable GST (FMA s.30A)   | <b>694</b>                  | 1,323               |
| Relevant agency receipts (FMA s.31)   | <b>698</b>                  | 1,412               |
| Adjustment of appropriations on change of entity function (FMA s.32)  | -                           | (2,564)             |
| <b>Total appropriations available for payments</b>  | <b>41,568</b>               | 45,701              |
| Cash payments made during the year (GST inclusive)  | <b>(30,573)</b>             | <b>(36,330)</b>     |
| <b>Balance of authority to draw cash from the Consolidated Revenue Fund for ordinary annual services appropriations</b> | <b><u>10,995</u></b>        | <b><u>9,371</u></b> |
| <b>Represented by:</b>  |                             |                     |
| Cash at bank and on hand  | <b>224</b>                  | 288                 |
| Departmental appropriations receivable  | <b>10,702</b>               | 8,979               |
| GST receivable from the ATO   | <b>69</b>                   | 104                 |
| Adjustments under s101.13 of the Finance Minister's Orders not reflected above  | -                           | -                   |
| <b>Total as at 30 June</b>  | <b><u>10,995</u></b>        | <b><u>9,371</u></b> |

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. On 24 June 2008, the Finance Minister determined a reduction in departmental outputs appropriations following a request by the Treasurer. The amount of the reduction determined under Appropriation Act (No.1) of 2007-08 was \$150,000.

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

| <b>Particulars</b>   | <b>Non-operating</b> |               |                                |               | <b>Total</b>  |               |
|--|----------------------|---------------|--------------------------------|---------------|---------------|---------------|
|  | <b>Equity</b>        |               | <b>Previous Years' Outputs</b> |               |               |               |
|  | <b>2009</b>          | <b>2008</b>   | <b>2009</b>                    | <b>2008</b>   | <b>2009</b>   | <b>2008</b>   |
|  | <b>\$'000</b>        | <b>\$'000</b> | <b>\$'000</b>                  | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b> |
| Balance carried forward from previous period   | -                    | 685           | -                              | -             | -             | 685           |
| <i>Appropriation Act:</i>  |                      |               |                                |               |               |               |
| <i>Appropriation Act (No 2) as passed</i>  | -                    | 462           | -                              | -             | -             | 462           |
| <i>Appropriation Act (No 4) as passed</i>  | -                    | -             | -                              | -             | -             | -             |
| <i>FMA Act:</i>  |                      |               |                                |               |               |               |
| Appropriations to take account of recoverable GST ( <i>FMA s.30A</i> )   | -                    | -             | -                              | -             | -             | -             |
| <b>Total appropriations available for payments</b>   | -                    | 1,147         | -                              | -             | -             | 1,147         |
| Cash payments made during the year (GST inclusive)   | -                    | (1,147)       | -                              | -             | -             | (1,147)       |
| <b>Balance of authority to draw cash from the Consolidated Revenue Fund for other than ordinary annual services appropriations</b> | <b>-</b>             | <b>-</b>      | <b>-</b>                       | <b>-</b>      | <b>-</b>      | <b>-</b>      |
| <b>Represented by:</b>   |                      |               |                                |               |               |               |
| Cash at bank and on hand   | -                    | -             | -                              | -             | -             | -             |
| Appropriations receivable  | -                    | -             | 868                            | -             | 868           | -             |
| Adjustments under s101.13 of the Finance Minister's Orders not reflected above   | -                    | -             | (868)                          | -             | (868)         | -             |
| <b>Total as at 30 June</b>   | <b>-</b>             | <b>-</b>      | <b>-</b>                       | <b>-</b>      | <b>-</b>      | <b>-</b>      |

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.

In accordance with s101.10 and s101.13 of the Finance Minister's Orders, the Productivity Commission has recognised as revenue and appropriation receivable an additional appropriation relating to the 2008-09 year to be received in 2009-10 as previous years' outputs. This amount is reflected in the 2009-10 Appropriation Bills and Portfolio Budget Statements.

### **Note 15: 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 2000-2009 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 16: Compensation and Debt Relief**

In both 2008-09 and 2007-08, 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 17: Reporting of Outcomes

### Note 17A: Net Cost of Outcome Delivery

|   | <b>Outcome 1</b> |               |
|---|------------------|---------------|
|   | <b>2009</b>      | <b>2008</b>   |
|   | <b>\$'000</b>    | <b>\$'000</b> |
| <b>Expenses</b>   |                  |               |
| Departmental  | <u>31,762</u>    | <u>32,441</u> |
| <b>Total expenses</b>   | <u>31,762</u>    | <u>32,441</u> |
| <b>Costs recovered from provision of goods and service to the non government sector</b> |                  |               |
| Departmental  | <u>52</u>        | <u>168</u>    |
| <b>Total costs recovered</b>  | <u>52</u>        | <u>168</u>    |
| <b>Other external income</b>  |                  |               |
| Departmental  | <u>642</u>       | <u>58</u>     |
| <b>Total other external income</b>  | <u>642</u>       | <u>58</u>     |
| <b>Net cost of outcome</b>  | <u>31,068</u>    | <u>32,215</u> |

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 17B: 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 |              | Total         |               |
|                                    | 2009             | 2008          | 2009         | 2008         | 2009         | 2008       | 2009         | 2008         | 2009          | 2008          |
|                                    | \$'000           | \$'000        | \$'000       | \$'000       | \$'000       | \$'000     | \$'000       | \$'000       | \$'000        | \$'000        |
| <b>Departmental expenses</b>       |                  |               |              |              |              |            |              |              |               |               |
| Employees                          | 15,838           | 15,785        | 2,792        | 2,650        | 144          | 158        | 4,308        | 4,391        | 23,082        | 22,984        |
| Suppliers                          | 4,755            | 5,813         | 1,058        | 972          | 29           | 33         | 1,174        | 1,426        | 7,016         | 8,244         |
| Depreciation and amortisation      | 773              | 705           | 157          | 138          | 7            | 6          | 208          | 203          | 1,145         | 1,052         |
| Other                              | 332              | 108           | 83           | 21           | 3            | 1          | 101          | 31           | 519           | 161           |
| <b>Total departmental expenses</b> | <b>21,698</b>    | <b>22,411</b> | <b>4,090</b> | <b>3,781</b> | <b>183</b>   | <b>198</b> | <b>5,791</b> | <b>6,051</b> | <b>31,762</b> | <b>32,441</b> |
| <b>Funded by:</b>                  |                  |               |              |              |              |            |              |              |               |               |
| Revenues from government           | 21,602           | 22,375        | 4,072        | 3,775        | 182          | 198        | 5,765        | 6,041        | 31,621        | 32,389        |
| Sales of goods and services        | 474              | 157           | 89           | 26           | 4            | 1          | 127          | 42           | 694           | 226           |
| Other non-taxation revenues        | 29               | 23            | 5            | 4            | -            | -          | 7            | 6            | 41            | 33            |
| <b>Total departmental revenue</b>  | <b>22,105</b>    | <b>22,555</b> | <b>4,166</b> | <b>3,805</b> | <b>186</b>   | <b>199</b> | <b>5,899</b> | <b>6,089</b> | <b>32,356</b> | <b>32,648</b> |

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

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*Note 17B: Major Classes of Departmental Assets and Liabilities by Outcome*

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|                                       | <i>Outcome 1</i> |               |
|---------------------------------------|------------------|---------------|
|                                       | <i>2009</i>      | <i>2008</i>   |
|                                       | <i>\$'000</i>    | <i>\$'000</i> |
| <b>Departmental assets</b>            |                  |               |
| Cash and cash equivalents             | 224              | 288           |
| Trade and other receivables           | 11,784           | 9,188         |
| Land and buildings                    | 3,191            | 4,407         |
| Infrastructure, plant and equipment   | 953              | 1,260         |
| Intangibles                           | 100              | 61            |
| Other non-financial assets            | 516              | 475           |
| <b>Total departmental assets</b>      | <b>16,768</b>    | <b>15,679</b> |
| <br>                                  |                  |               |
| <b>Departmental Liabilities</b>       |                  |               |
| Suppliers                             | 463              | 623           |
| Other payables                        | 331              | 249           |
| Employee provisions                   | 7,808            | 7,263         |
| Other provisions                      | 507              | 479           |
| <b>Total departmental liabilities</b> | <b>9,109</b>     | <b>8,614</b>  |

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