

# part four

## financial statements



## INDEPENDENT AUDIT REPORT

To the Treasurer

### Scope

The financial statements comprise:

- Statement by the Chairman and the Chief Executive Officer;
- Statements of Financial Performance, Financial Position and Cash Flows;
- Schedules of Commitments and Contingencies;
- Schedule of Administered Items; and
- Notes to and forming part of the Financial Statements

of the Australian Competition and Consumer Commission for the year ended 30 June 2004.

The Australian Competition and Consumer Commission's Chairman and Chief Executive Officer are responsible for the preparation and true and fair presentation of the financial statements in accordance with the Finance Minister's Orders. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

### Audit approach

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

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

I performed procedures to assess whether, in all material respects, the financial statements present fairly, in accordance with the Finance Minister's Orders made under the *Financial*

*Management and Accountability Act 1997, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Australian Competition and Consumer Commission's financial position, and of its performance as represented by the statements of financial performance and cash flows.*

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

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

#### **Independence**

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

#### **Audit Opinion**

In my opinion, the financial statements:

- (i) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997* and applicable Accounting Standards; and
- (ii) give a true and fair view, of the matters required by applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and the Finance Minister's Orders, of the financial position of the Australian Competition and Consumer Commission as at 30 June 2004, and of its performance and cash flows for the year then ended.

Australian National Audit Office



Mashelle Parrett  
Executive Director

Delegate of the Auditor-General

Canberra  
14 September 2004



## statement by the Chairman and the Chief Executive Officer

In our opinion, the attached financial statements for the year ended 30 June 2004 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders under the *Financial Management and Accountability Act 1997*.

A handwritten signature in black ink, appearing to read 'G Samuel'.

Graeme Samuel

Chairman

A handwritten signature in black ink, appearing to read 'B Cassidy'.

Brian Cassidy

Chief Executive Officer

Date: 14 September 2004

Date: 16 September 2004



# statement of financial performance

for the year ended 30 June 2004

	Notes	2004 \$'000	2003 \$'000
<b>Revenues from ordinary activities</b>			
Revenues from government	4(a)	74 217	62 560
Sales of goods and services	4(b)	429	530
Interest	4(c)	-	54
Revenue from sale of assets	4(d)	19	3
<i>Revenues from ordinary activities</i>		<b>74 665</b>	<b>63 147</b>
<b>Expenses from ordinary activities (excluding borrowing costs expense)</b>			
Employees	5(a)	36 843	35 132
Suppliers	5(b)	42 741	35 969
Depreciation and amortisation	5(c)	2 059	2 126
Write-down of assets	5(d)	6	26
Value of assets sold	4(d)	7	17
<i>Expenses from ordinary activities (excluding borrowing costs expense)</i>		<b>81 656</b>	<b>73 270</b>
<i>Borrowing costs expense</i>	6	<b>47</b>	<b>80</b>
<b>Net (deficit)</b>		<b>(7 038)</b>	<b>(10 203)</b>
Net credit to asset revaluation reserve		-	-
<b>Total revenues, expenses and valuation adjustments recognised directly in equity</b>		<b>(7 038)</b>	<b>(10 203)</b>
<b>Total changes in equity other than those resulting from transactions with the Australian Government as owner</b>		<b>(7 038)</b>	<b>(10 203)</b>

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



## statement of financial position

as at 30 June 2004

	Notes	2004 \$'000	2003 \$'000
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash	7(a)	189	2 186
Receivables	7(b)	839	8 234
<b>Total financial assets</b>		<b>1 028</b>	<b>10 420</b>
<b>Non-financial assets</b>			
Land and buildings	8(a),(c)	1 525	1 999
Infrastructure, plant and equipment	8(b),(c)	1 185	1 734
Intangibles	8(d)	914	978
Inventories	8(e)	95	87
Other	8(f)	735	768
<b>Total non-financial assets</b>		<b>4 454</b>	<b>5 566</b>
<b>TOTAL ASSETS</b>		<b>5 482</b>	<b>15 986</b>
<b>LIABILITIES</b>			
<b>Interest bearing liabilities</b>			
Leases	9	4	562
<b>Total interest bearing liabilities</b>		<b>4</b>	<b>562</b>
<b>Provisions</b>			
Employees	10	9 809	10 386
<b>Total provisions</b>		<b>9 809</b>	<b>10 386</b>
<b>Payables</b>			
Suppliers	11(a)	6 516	9 070
Other	11(b)	635	468
<b>Total payables</b>		<b>7 151</b>	<b>9 538</b>
<b>TOTAL LIABILITIES</b>		<b>16 964</b>	<b>20 486</b>
<b>NET ASSETS</b>		<b>(11 482)</b>	<b>(4 500)</b>
<b>EQUITY</b>			
Contributed equity		3 156	3 100
Reserves		1 052	1 052
Retained (accumulated deficits)		(15 690)	(8 652)
<b>TOTAL EQUITY</b>	12(a)	<b>(11 482)</b>	<b>(4 500)</b>
Current assets		1 770	11 182
Non-current assets		3 712	4 804
Current liabilities		11 012	14 803
Non-current liabilities		5 952	5 683

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



# statement of cash flows

for the year ended 30 June 2004

	Notes	2004 \$'000	2003 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations		74 148	62 500
Cash returned from Official Public Account (OPA)		7 439	-
Goods and services		680	708
Interest		-	68
GST received from Australian Taxation Office (ATO)		3 643	3 537
<b>Total cash received</b>		<b>85 910</b>	<b>66 813</b>
<b>Cash used</b>			
Cash returned to OPA		-	7 439
Employees		37 088	34 450
Suppliers		49 350	36 424
Borrowing costs		37	80
<b>Total cash used</b>		<b>86 475</b>	<b>78 393</b>
<b>Net cash (used by) operating activities</b>	13	<b>(565)</b>	<b>(11 580)</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of property, plant and equipment		19	3
<b>Total cash received</b>		<b>19</b>	<b>3</b>
<b>Cash used</b>			
Purchase of property, plant and equipment		556	1 451
Purchase of intangibles		305	438
<b>Total cash used</b>		<b>861</b>	<b>1 889</b>
<b>Net cash (used by) investing activities</b>		<b>(842)</b>	<b>(1 886)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations—contributed equity		56	-
<b>Total cash received</b>		<b>56</b>	<b>-</b>
<b>Cash used</b>			
Lease payments		646	433
Other		-	293
<b>Total cash used</b>		<b>646</b>	<b>726</b>
<b>Net cash (used by) financing activities</b>		<b>(590)</b>	<b>(726)</b>
<b>Net (decrease) in cash held</b>		<b>(1 997)</b>	<b>(14 192)</b>
Cash at the beginning of the reporting period		2 186	16 378
<b>Cash at the end of the reporting period</b>	7(a)	<b>189</b>	<b>2 186</b>

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



# schedule of commitments

as at 30 June 2004

		2004 \$'000	2003 \$'000
<b>BY TYPE</b>			
<b>Other commitments</b>			
Operating leases <sup>1</sup>		11 115	13 753
Contract for IT services <sup>2</sup>		2 852	1 308
Other commitments <sup>3</sup>		1 839	2 024
<b>Total other commitments</b>		<b>15 806</b>	<b>17 085</b>
Commitments receivable		(1 435)	(1 547)
<b>Net commitments</b>		<b>14 371</b>	<b>15 538</b>
<b>BY MATURITY</b>			
<b>Operating lease commitments</b>			
One year or less		3 711	3 617
From one to five years		6 259	8 303
Over five years		1 145	1 833
<b>Total operating lease commitments by maturity</b>		<b>11 115</b>	<b>13 753</b>
<b>Non-operating lease commitments</b>			
One year or less		2 569	2 816
From one to five years		2 122	516
<b>Total non-operating lease commitments by maturity</b>		<b>4 691</b>	<b>3 332</b>
Commitments receivable		(1 435)	(1 547)
<b>Net commitments by maturity</b>		<b>14 371</b>	<b>15 538</b>

NB: All commitments are GST inclusive where relevant.

<sup>1</sup> Operating leases included are effectively non-cancellable and comprise:

- leases for office accommodation
- motor vehicle leases

<sup>2</sup> A contract for services and future finance lease commitments for IT equipment.

<sup>3</sup> Other commitments included are for contracts entered into for various services to be performed.

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





## schedule of contingencies

as at 30 June 2004

		2004 \$'000	2003 \$'000
Contingent liabilities			
Claims for damages/costs		10 770	8 090
<b>Total contingent liabilities</b>		<b>10 770</b>	<b>8 090</b>
Contingent assets		-	-
<b>Total contingent assets</b>		<b>-</b>	<b>-</b>

Details of each class of contingent liabilities and assets, including those not included above because they cannot be quantified or are considered remote, are disclosed in **note 14: Contingent liabilities and assets**.

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



## schedule of administered items

	Notes	2004 \$'000	2003 \$'000
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**Revenues administered on behalf of government**

for the year ended 30 June 2004

**Taxation revenue**

Other taxes, fees and fines	19	26 654	7 912
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<b>Total revenues administered on behalf of government</b>		<b>26 654</b>	<b>7 912</b>
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**Expenses administered on behalf of government**

for the year ended 30 June 2004

Write-down of assets	20	843	-
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<b>Total expenses administered on behalf of government</b>		<b>843</b>	<b>-</b>
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	Notes	2004 \$'000	2003 \$'000
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**Assets administered on behalf of government**

as at 30 June 2004

**Financial assets**

Cash	21(a)	573	10
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Receivables	21(b)	6 183	3 981
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<b>Total assets administered on behalf of government</b>		<b>6 756</b>	<b>3 991</b>
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**Liabilities administered on behalf of government**

as at 30 June 2004

**Payables**

Suppliers	22	17	-
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<b>Total liabilities administered on behalf of government</b>		<b>17</b>	<b>-</b>
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<b>Net assets administered on behalf of government</b>		<b>6 739</b>	<b>3 991</b>
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Current liabilities		17	-
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Non-current liabilities		-	-
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Current assets		4 913	3 563
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Non-current assets		1 843	428
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This schedule should be read in conjunction with the accompanying notes.



## schedule of administered items

continued

	Notes	2004 \$'000	2003 \$'000
<b>Administered cash flows</b>			
for the year ended 30 June 2004			
<b>Operating activities</b>			
<b>Cash received</b>			
Other taxes, fees and revenue			
- Fines and costs		23 283	10 382
- Authorisation fees		333	352
- Other		10	4
<b>Total cash received</b>		<b>23 626</b>	<b>10 738</b>
<b>Net cash from operating activities</b>		<b>23 626</b>	<b>10 738</b>
<b>Net increase in cash held</b>			
Cash at the beginning of the reporting period		10	3
Cash to Official Public Account for:			
—Appropriations		(23 063)	(10 731)
<b>Cash at the end of the reporting period</b>	21(a)	<b>573</b>	<b>10</b>
<b>Administered commitments</b>			
as at 30 June 2004			
<b>BY TYPE</b>			
Capital commitments		-	-
Other commitments		-	-
Commitments receivable		-	-
<b>Net administered commitments</b>		<b>-</b>	<b>-</b>
<b>BY MATURITY</b>			
<b>All net commitments</b>			
One year or less		-	-
From one to five years		-	-
One year or less		-	-
<b>Net administered commitments by maturity</b>		<b>-</b>	<b>-</b>

This schedule should be read in conjunction with the accompanying notes.



## schedule of administered items

continued

		2004 \$'000	2003 \$'000
<b>Administered contingencies</b>			
as at 30 June 2004			
Administered contingent liabilities		-	-
<b>Total contingent liabilities</b>		<b>-</b>	<b>-</b>
Administered contingent assets			
Fines and costs		5 666	11 476
<b>Total contingent assets</b>		<b>5 666</b>	<b>11 476</b>
<p>Details of each class of contingent liabilities and assets, including those not included above because they cannot be quantified or are considered remote, are disclosed in note 24: Administered contingent liabilities and assets.</p>			
<p><b>Statement of activities administered on behalf of government</b></p> <p>The major administered activities of the Commission are directed towards achieving the outcome described in note 1 to the Financial Statements. The major financial activities are the recognition of fines and costs which have been applied by the courts or by agreement between the Commission and the defendant. These fines and costs are recognised when awarded by the courts, or when agreement has been executed. Authorisation and notification fees and other revenue are also applied when required under the relevant legislation, and are recognised upon payment.</p> <p>Details of planned activities for the year can be found in Treasury's Portfolio Budget and Portfolio Additional Estimates Statements for 2003–04 which have been tabled in parliament.</p> <p>This schedule should be read in conjunction with the accompanying notes.</p>			



# notes to and forming part of the financial statements for the year ended 30 June 2004

Note

- 1 Summary of significant accounting policies
- 2 Adoption of AASB equivalents to international financial reporting standards from 2005–06
- 3 Events occurring after reporting date
- 4 Operating revenues
- 5 Operating expenses
- 6 Borrowing costs expense
- 7 Financial assets
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## Note 1 Summary of significant accounting policies

### 1.1 Objectives of the Australian Competition and Consumer Commission (Commission)

The objectives of the Commission are to:

- promote effective competition and informed markets
- encourage fair trading and protect consumers
- regulate infrastructure services market and other markets where competition is restricted.

The Commission’s outcome is to enhance social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets.

Commission activities contributing toward this outcome are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, revenues and expenses controlled or incurred by the Commission in its own right. Administered activities involve the management or oversight by the Commission on behalf of the government of items controlled or incurred by the government.

The Commission’s outcome is separated into two output groups as follows:

Output group 1	Compliance with competition, fair trading and consumer protection laws and appropriate remedies when the law is not followed.
Output group 2	Competitive market structures and informed behaviour.

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 accounting

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

The statements have been prepared in accordance with:

- Finance Minister's Orders (or FMOs, being the *Financial Management and Accountability Orders (Financial Statements for reporting periods ending on or after 30 June 2004)*)
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board
- Consensus Views of the Urgent Issues Group.

The Commission's statements of financial performance and financial position have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets, which, as noted, are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the **statement of financial position** when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the **schedule of commitments** and the **schedule of contingencies** (other than unquantifiable or remote contingencies, which are reported at note 14).

Revenues and expenses are recognised in the **statement of financial performance** when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

Administered revenues, expenses, assets and liabilities and cash flows reported in the **schedule of administered items** and related notes are accounted for on the same basis and using the same policies as for departmental items, except where otherwise stated at note 1.19.

## 1.3 Changes in accounting policy

The accounting policies used in the preparation of these financial statements are consistent with those used in 2002–03.

Property plant and equipment assets are being revalued progressively as explained in note 1.12. Revaluations up to 30 June 2002 have been done on a 'deprival' basis. These revaluations being for the cycle which finishes on 30 June 2005. Future revaluations are to be undertaken at fair value. Revaluation increments and decrements in each year of transition to fair value that would otherwise be accounted for as revenue or expense are to be taken directly to accumulated results in accordance with transitional provisions of AASB 1041 *Revaluation of non-current assets*.

In 2002–03 the Finance Minister's Orders introduced an impairment test for non-current assets which were carried at cost and not subject to AAS 10 *Recoverable amount of non-current assets*. An impairment write-down was booked at 30 June 2003 for software that was no longer functional.

In 2003–04 the impairment test provisions of the FMOs have been extended to cover non-current assets carried at deprival values. There were no indications of impairment for these assets.

## 1.4 Revenue

### Revenues from government

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

Savings are amounts offered up in Portfolio Additional Estimates Statements. Reductions are amounts by which appropriations have been legally reduced by the Finance Minister under Appropriation Act No. 3 of 2003–04.

### Resources received free of charge

Services received free of charge are recognised as revenue 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 revenue at their fair value when the asset qualifies for recognition, unless received from another government agency as a consequence of a restructuring of administrative arrangements.

## Other revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts or other agreements to provide services. The stage of completion is determined according to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services are recognised at the nominal amounts due less any provision for bad or doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collectability of the debt is judged to be less rather than more likely.

Interest revenue is no longer received by the Commission following the government's decision to abolish the Australian Banking Incentive Scheme (ABIS) from 1 July 2003.

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

## 1.5 Transactions with the government as owner

### Equity injections

Amounts appropriated which are designated as 'equity injections' for a year (less any savings offered up in Portfolio Additional Estimates Statements) are recognised directly in contributed equity in that year.

### Restructuring of administrative arrangements

Net assets received from or relinquished to another Commonwealth agency or authority under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

## 1.6 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 wages and salaries (including non-monetary benefits), annual leave, sick leave are measured at their nominal amounts. Other employee benefits expected to be settled within 12 months of the reporting date are also measured at their nominal amounts.

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

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

### Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave 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, 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 non-current portion of the provision for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees as at 30 June 2004. The estimate of present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

### Superannuation

Staff of the Commission are members of the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. The liability for their superannuation benefits is recognised in the financial statements of the Commonwealth and is settled by the Commonwealth in due course.

The Commission makes employer contributions to the Australian Government at rates determined by an actuary to be sufficient to meet the cost to the government of the superannuation entitlements of the Commission's employees. Employer contributions in relation to the two schemes amounting to \$4 518 997 in 2003–04 (\$3 400 523 in 2002–03) have been expended in these financial statements.

Employer Superannuation Productivity Benefit contributions totalled \$746 211 in 2003–04 (\$750 518 in 2002–03).

No liability for superannuation has been recognised as at 30 June 2004 for outstanding contributions for the final fortnight of the year, as the fortnight ended on 30 June 2004.

## 1.7 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets. 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 the present value of minimum lease payments at the beginning of the lease term 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 basis which is representative of the pattern of benefits derived from the leased assets. The net present value of future net outlays in respect of surplus space under non-cancellable lease agreements is expensed in the period in which the space becomes surplus.

Lease incentives taking the form of 'free' leasehold improvements and rent holidays are recognised as liabilities. These liabilities are reduced by allocating lease payments between rental expense and reduction of the liability.

## 1.8 Borrowing costs

All borrowing costs are expensed as incurred except to the extent that they are directly attributable to qualifying assets, in which case they are capitalised. The amount capitalised in a reporting period does not exceed the amount of costs incurred in that period.

The Commission did not have any qualifying assets for which funds were borrowed during the 2003–04 financial year.

## 1.9 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.

## 1.10 Other financial instruments

Accounting policies for financial instruments are stated at note 18.

### Contingent liabilities and contingent assets

Contingent liabilities (assets) are not recognised in the **statement of financial position** but are discussed in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability (asset), or represent an existing liability (asset) in respect of which settlement is not probable or the amount cannot be reliably measured. Remote contingencies are part of this disclosure. Where settlement becomes probable, a liability (asset) is recognised. A liability (asset) is recognised when its existence is confirmed by a future event, settlement becomes probable or reliable measurement becomes possible.

## 1.11 Acquisition of assets

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

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.

## 1.12 Property, infrastructure, plant and equipment (PP&E)

### Asset recognition threshold

Purchases of property, infrastructure, plant and equipment are recognised initially at cost in the **statement of financial position**, except for purchases costing less than \$1000, 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).

### Revaluations

#### Basis

Property, infrastructure, plant and equipment are carried at valuation. The Commission revalues all of its assets in three-year cycles. Revaluations have been undertaken up to 30 June 2002 on a deprival basis. These revaluations being for the cycle which finishes on 30 June 2005.

Future revaluations by the Commission are to be undertaken at fair value. This change in accounting policy is required by Australian Accounting Standard AASB 1041 *Revaluation of non-current assets*.



Under both deprival and fair value, assets which are surplus to requirements are measured at their net realisable value. At 30 June 2004 the Commission had no assets in this situation.

Buildings (leasehold improvements) were revalued as at 30 June 2002 at depreciated replacement cost.

Infrastructure, plant and equipment (P&E) assets were revalued as at 30 June 2002 at deprival value.

### Frequency

The Commission revalues all of its assets in three-year cycles. Revaluations have been undertaken up to 30 June 2002 on a deprival basis. These revaluations being for the cycle which finishes on 30 June 2005.

### Conduct

All valuations are conducted by an independent qualified valuer (refer to note 8(b)).

### Depreciation and amortisation

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

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

Depreciation and amortisation rates applying to each class of depreciable asset are based on the useful lives in the table below. These rates apply to each item in that class except where the useful life of the item has been reassessed following revaluation.

Asset class	2004 Total useful life	2003 Total useful life
Fitout	Lesser of the term of the lease or 10 years	Lesser of the term of the lease or 10 years
Furniture and fittings	10 years	10 years
Office equipment	5 years	5 years
Computer hardware	3 years	3 years
Computer software	3 to 7 years	3 to 7 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in note 5(c).

## 1.13 Impairment of non-current assets

Non-current assets carried at up-to-date fair value at the reporting date are not subject to impairment testing.

Non-current assets carried at cost or deprival value and held to generate net cash inflows are required to have their recoverable amounts tested at the reporting date. The test compares the carrying amounts against the net present value of future net cash inflows. The Commission has no assets within this category.

The non-current assets carried at cost or deprival value, which are not held to generate net cash inflows, have been assessed for indications of impairment. Where indications of impairment exist, the carrying amount of the asset is compared to the higher of its net selling price and depreciated replacement cost and is written down to that value if greater. No assets were identified as impaired as at 30 June 2004.

## 1.14 Intangibles

Intangibles comprise software that has been externally acquired for internal use. These assets are carried at cost.

Software is amortised on a straight-line basis over its anticipated useful life. The useful life of the Commission's software is 3 to 7 years (2002–03: 3 to 7 years).

All software assets were assessed for impairment as at 30 June 2004.

## 1.15 Inventories

Inventories (publications) held for resale are valued at the lower of cost or net realisable value.

Inventories not held for resale are valued at cost, unless they are no longer required, in which case they are valued at net realisable value.

## 1.16 Taxation

The Commission is exempt from all forms of taxation except fringe benefits tax 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
- except for receivables and payables.

## 1.17 Foreign currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at balance date. Associated currency gains and losses are not material.

## 1.18 Insurance

The Commission has insured for risks through the government's insurable risk managed fund, called Comcover. Workers compensation is insured through the government's Comcare Australia.

## 1.19 Reporting of administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the **schedule of administered items** and related notes.

Except where otherwise stated below, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Accounting Standards, Accounting Interpretations and UIG Consensus Views.

### Administered cash transfers to and from official public account

Revenue collected by the Commission for use by the government rather than the Commission is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under parliamentary appropriation on behalf of government. These transfers to and from the OPA are adjustments to the administered cash held by the agency on behalf of the government and reported as such in the **statement of cash flows** in the **schedule of administered items** and in the **administered reconciliation table** in note 23. Thus the **schedule of administered items** largely reflects the government's transactions, through the Commission, with parties outside the government.

### Revenue

All administered revenues are revenues relating to the core operating activities performed by the Commission on behalf of the Commonwealth.

Fines and costs are applied by the courts or by agreement between the Commission and the defendant, and are recognised when awarded by the courts, or when agreement has been executed.

Court costs awarded against the Commission are recorded as a departmental expense.

Authorisation and notification fees and other revenue are applied when required under the relevant legislation, and are recognised upon payment.

## Note 2 Adoption of AASB Equivalents to international financial reporting standards from 2005–06

The Australian Accounting Standards Board has issued replacement Australian Accounting Standards to apply from 2005–06. The new standards are the AASB Equivalents to international financial reporting standards (IFRSs) which are issued by the International Accounting Standards Board. The new standards cannot be adopted early. The standards being replaced are to be withdrawn with effect from 2005–06, but continue to apply in the meantime.

The purpose of issuing AASB Equivalents to IFRSs is to enable Australian entities reporting under the *Corporations Act 2001* to be able to more readily access overseas capital markets by preparing their financial reports according to accounting standards more widely used overseas.

It is expected that the Finance Minister will continue to require compliance with the Accounting Standards issued by the AASB, including the AASB equivalents to IFRSs, in his Orders for the preparation of agency financial statements for 2005–06 and beyond.

The AASB Equivalents contain certain additional provisions which will apply to not-for-profit entities, including Australian Government agencies. Some of these provisions are in conflict with the IFRSs and therefore the Commission will only be able to assert compliance with the AASB Equivalents to the IFRSs.

For-profit entities complying fully with the AASB Equivalents will be able to make an explicit and unreserved statement of compliance with IFRSs as well as with the AASB Equivalents.

Existing AASB standards that have no IFRS equivalent will continue to apply, including in particular AAS 29 *Financial Reporting by Government Departments*.

Accounting Standard AASB 1047 *Disclosing the impact of Adopting Australian Equivalents to IFRSs* requires that the financial statements for 2003–04 disclose:

- an explanation of how the transition to the AASB Equivalents is being managed and
- a narrative of the key differences in accounting policies arising from the transition.

The purpose of this note is to make these disclosures.

## Management of transition to the AASB Equivalents to IFRSs

The Commission has taken the following steps for the preparation towards the implementation of the AASB Equivalents:

- The Commission's Audit Committee will oversee the transition to and implementation of the AASB Equivalents to IFRSs. The Chief Finance Officer is formally responsible for the project and is required to regularly report its progress against a formal plan approved by the committee.
- The plan requires the following steps to be undertaken and sets deadlines for their achievement:
  - Form views on required changes between current AASB standards and the AASB Equivalents to IFRSs based on information releases from the Department of Finance and the Australian National Audit Office (ANAO) progressively to and beyond June 2004.
  - Prepare a detailed impact statement of AASB Equivalents to IFRSs by the end of September 2004.
  - Prepare a transitional balance sheet as at 1 July 2004 under AASB Equivalents by end of October 2004.
  - Undertake major review of preparedness by end of November 2004 for review by the Commission's Audit Committee and ANAO.
  - Ongoing training of staff since November 2003 by attendance at information sessions and through reviews of correspondence issued on the matter.

## Major changes in accounting policy

Changes in accounting policies under AASB Equivalents are applied retrospectively i.e. as if the new policy has always applied. This rule means that a balance sheet prepared under the AASB Equivalents must be made as at 1 July 2004, except as permitted in particular circumstances by AASB 1 *First-time adoption of Australian Equivalents to international financial reporting standards*. This will enable the 2005–06 financial statements to report comparatives under the AASB Equivalents also.

Changes to major accounting policies are discussed in the following paragraphs.

## Property, plant and equipment

It is expected that the FMOs will require property, plant and equipment assets carried at valuation in 2003–04 to be measured at up-to-date fair value from 2005–06. This differs from the accounting policies in place for these assets which, up to and including 2003–04, have been revalued progressively over a three year cycle. This cycle currently includes assets at cost (for purchases since the commencement of the cycle) and at deprival value (which differ from the fair value to the extent that they have been measured at depreciated replacement cost when a relevant market selling price is available).

However, it is important to note that the Finance Minister requires these assets to be measured at up-to-date fair values as at 30 June 2005. Further, the transitional provisions in AASB 1 will mean that the values at which assets are carried as at 30 June 2004 under existing standards will stand in the transitional balance sheet as at 1 July 2004.

Borrowing costs related to qualifying assets are currently capitalised. It is understood that the FMOs for 2005–06 will elect to expense all borrowing costs under the new AASB Equivalent standard. Accordingly, borrowing costs capitalised as at 1 July 2004 will be derecognised. The Commission did not have any qualifying assets for which funds were borrowed during 2003–04.

## Intangibles assets

The Commission currently recognises internally developed software assets on the cost basis. The AASB equivalent on intangibles does not permit intangibles to be measured at valuation unless there is an active market for the intangible. The Commission's intangibles will be reviewed to determine whether any component should be derecognised on the adoption of the AASB Equivalent.

## Impairment of non-current assets

The Commission's policy on impairment of non-current assets is at note 1.13.

Under the new AASB Equivalent standard, these assets will be subject to assessment for impairment, and if there are any indications of impairment, measurement of any impairment. (Impairment measurement must also be done, irrespective of any indications of impairment, for intangible assets not yet available for use). The impairment test is that the carrying amount of an asset must not exceed the greater of (a) its fair value less

costs to sell and (b) its value in use. 'Value in use' is the net present value of net cash flows for for-profit assets of the Commission (of which there are currently none) and depreciated replacement costs for other assets which would be replaced if the Commission were deprived of them.

The most significant changes are that assets carried at up-to-date fair value may be required to be written down if costs to sell are significant.

### Note 3 Events occurring after reporting date

The Commission will cease leasing its information technology (IT) assets and infrastructure effective from 1 July 2004. A decision has been made by the Commission to purchase the IT assets and infrastructure from the lessor. The agreed value of the purchase was based on the remaining lease payments for the leases together with an agreed estimate of the expected residual value. The amount payable is believed to approximate the fair values of the assets.

As the event occurred after balance date it has not been brought to account in the 2004 financial statements. The total financial effect on the Commission has not as yet been fully determined.

There are no other events that have occurred after balance date which affect the amounts brought to account in the financial statements for the year ended 30 June 2004.

### Note 4 Operating revenues

	2004 \$'000	2003 \$'000
<b>4(a) Revenues from government</b>		
Appropriations for outputs	74 148	62 500
Resources received free of charge	69	60
<b>Total revenues from government</b>	<b>74 217</b>	<b>62 560</b>

#### 4(b) Sales of goods and services

Goods	19	56
Services	410	474
<b>Total sales of goods and services</b>	<b>429</b>	<b>530</b>

##### Provision of goods to:

Related entities	-	-
External entities	19	56
<b>Total sales of goods</b>	<b>19</b>	<b>56</b>

##### Rendering of services to:

Related entities	216	51
External entities	194	423
<b>Total rendering of services</b>	<b>410</b>	<b>474</b>

#### 4(c) Interest revenue

Litigation Reserve Fund	-	44
Interest on deposits	-	10
<b>Total interest revenue</b>	<b>-</b>	<b>54</b>

#### 4(d) Net loss from sale of assets

##### Buildings (leasehold improvements):

Write-offs	-	(12)
<b>Net loss on disposal of buildings (leasehold improvements)</b>	<b>-</b>	<b>(12)</b>

##### Infrastructure, plant and equipment:

Proceeds from disposal	19	3
Net book value of assets disposed	(7)	(5)
<b>Net loss on disposal of infrastructure, plant and equipment</b>	<b>12</b>	<b>(2)</b>

##### TOTAL proceeds from disposals

##### TOTAL value of assets disposed

<b>TOTAL net loss from disposal of assets</b>	<b>12</b>	<b>(14)</b>
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## Note 5 Operating expenses

2004  
\$'000

2003  
\$'000

### 5(a) Employee expenses

Wages and salary	27 439	26 779
Superannuation	5 265	4 151
Leave and other entitlements	3 168	3 312
Separation and redundancies	23	245
Other employee expenses	714	558
<b>Total employee benefits expense</b>	<b>36 609</b>	<b>35 045</b>
Workers compensation premiums	234	87
<b>Total employee expenses</b>	<b>36 843</b>	<b>35 132</b>

### 5(b) Supplier expenses

Goods from related entities	4	6
Goods from external entities	851	823
Services from related entities	11 556	14 646
Services from external entities	27 142	17 305
	<b>39 553</b>	<b>32 780</b>
Operating lease rentals*	3 188	3 189
<b>Total supplier expenses</b>	<b>42 741</b>	<b>35 969</b>

\* These comprise minimum lease payments only.

### 5(c) Depreciation and amortisation

#### (i) Depreciation

Infrastructure, plant and equipment	487	363
<b>Total depreciation</b>	<b>487</b>	<b>363</b>

#### (ii) Amortisation

Leasehold improvements	525	522
Leased assets	767	1 019
Intangibles—computer software	280	222
<b>Total amortisation</b>	<b>1 572</b>	<b>1 763</b>
<b>Total depreciation and amortisation</b>	<b>2 059</b>	<b>2 126</b>

The aggregate amounts of depreciation or amortisation expensed during the reporting period for each class of depreciable asset are as follows:

Leasehold improvements	525	522
Plant and equipment	1 254	1 382
Intangibles—computer software	280	222
<b>Total depreciation and amortisation</b>	<b>2 059</b>	<b>2 126</b>

No depreciation or amortisation was allocated to the carrying amounts of other assets.

### 5(d) Write-down of assets

<b>Financial assets</b>		
Bad and doubtful debts	6	-
<b>Non-financial assets</b>		
Software	-	26
<b>Total write-down of assets</b>	<b>6</b>	<b>26</b>

## Note 6 Borrowing costs expense

	2004 \$'000	2003 \$'000
Borrowing costs expense		
Leases—finance charge	47	80
<b>Total borrowing costs expense</b>	<b>47</b>	<b>80</b>

## Note 7 Financial assets

	2004 \$'000	2003 \$'000
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### 7(a) Cash

Cash at bank and on hand	189	2 186
<b>Total cash</b>	<b>189</b>	<b>2 186</b>

Under banking arrangements in place up to 1 July 2003, interest was earned on monies held in the Commission's bank accounts.

No interest was received from 1 July 2003, following the abolishment of the Agency Banking Incentive Scheme (ABIS).

### 7(b) Receivables

Funds returned to OPA <sup>1</sup>	-	7 439
Goods and services	123	58
Less: Provision for doubtful debts	(7)	(7)
	116	7 490
GST receivable from the ATO	723	744
<b>Total receivables (net)</b>	<b>839</b>	<b>8 234</b>

All receivables are current assets.

<sup>1</sup> Funds returned to OPA represents the return of cash balances above the agreed level of working cash capital, effective on or before 30 June 2003, as a result of the Budget Estimates and Framework Review (BEFR) implementation.

Receivables (gross) are aged as follows:

Not overdue	823	8 221
Overdue by:		
Less than 30 days	-	-
30 to 60 days	1	2
60 to 90 days	21	6
More than 90 days	1	12
<b>Total receivables (gross)</b>	<b>846</b>	<b>8 241</b>

The provision for doubtful debts is aged as follows:

Not overdue	-	-
Overdue by:		
Less than 30 days	-	-
30 to 60 days	-	-
60 to 90 days	(6)	-
More than 90 days	(1)	(7)
<b>Total provision for doubtful debts</b>	<b>(7)</b>	<b>(7)</b>

## Note 8 Non-financial assets

	2004 \$'000	2003 \$'000
<b>8(a) Land and buildings</b>		
<b>Leasehold improvements</b>		
At cost	119	67
Less: Accumulated amortisation	(27)	(5)
	92	62
At 2002–2005 valuation (deprival)	3 891	3 891
Less: Accumulated amortisation	(2 458)	(1 954)
	1 433	1 937
<b>Total leasehold improvements</b>	<b>1 525</b>	<b>1 999</b>
<b>Total land and buildings (non-current)</b>	<b>1 525</b>	<b>1 999</b>
<b>8(b) Infrastructure, plant and equipment</b>		
<b>Infrastructure, plant and equipment (not under finance lease)</b>		
At cost	1 389	912
Less: Accumulated depreciation	(576)	(221)
Work in progress	-	18
	813	709
At 2002–05 valuation (deprival)	1 015	1 143
Less: Accumulated depreciation	(661)	(650)
	354	493
<b>Total infrastructure, plant and equipment (not under finance lease)</b>	<b>1 167</b>	<b>1 202</b>
<b>Plant and equipment under finance lease</b>		
At cost	3 338	3 086
Less: Accumulated amortisation	(3 338)	(2 599)
	-	487
At 2002–05 valuation (deprival)	153	153
Less: Accumulated amortisation	(135)	(108)
	18	45
<b>Total plant and equipment under finance lease</b>	<b>18</b>	<b>532</b>
<b>Total infrastructure, plant and equipment (non-current)</b>	<b>1 185</b>	<b>1 734</b>

All revaluations are independent and in accordance with the revaluation policy stated at note 1.12. In 2001–02 the revaluations were completed by an independent valuer, Chris Tuttle (Australian Valuation Office). No revaluations were undertaken in 2002–03 or 2003–04.

## 8(c) Analysis of property, plant, and equipment

Table A—Reconciliation of the opening and closing balances of property, plant and equipment

Item	Leasehold improvements	Infrastructure, plant and equipment	TOTAL
	\$'000	\$'000	\$'000
As at 1 July 2003			
Gross book value	3 958	5 312	9 270
Accumulated depreciation/amortisation	(1 959)	(3 578)	(5 537)
<b>Net book value</b>	<b>1 999</b>	<b>1 734</b>	<b>3 733</b>
Additions			
by purchase	51	712	763
Depreciation/amortisation expense	(525)	(1 254)	(1 779)
Disposals	-	(7)	(7)
As at 30 June 2004			
Gross book value	4 010	5 895	9 905
Accumulated depreciation/amortisation	(2 485)	(4 710)	(7 195)
<b>Net book value</b>	<b>1 525</b>	<b>1 185</b>	<b>2 710</b>

Table B—Assets at valuation

Item	Leasehold improvements	Infrastructure, plant and equipment	TOTAL
	\$'000	\$'000	\$'000
As at 30 June 2004			
Gross value	3 891	1 168	5 059
Accumulated depreciation/amortisation	(2 458)	(796)	(3 254)
<b>Net book value</b>	<b>1 433</b>	<b>372</b>	<b>1 805</b>
As at 30 June 2003			
Gross book value	3,891	1 296	5 187
Accumulated depreciation/amortisation	(1 954)	(758)	(2 712)
<b>Net book value</b>	<b>1 937</b>	<b>538</b>	<b>2 475</b>

Table C—Assets held under finance lease

Item		Infrastructure, plant and equipment	TOTAL
		\$'000	\$'000
As at 30 June 2004			
Gross value		3 491	3 491
Accumulated depreciation/amortisation		(3 473)	(3 473)
<b>Net book value</b>		<b>18</b>	<b>18</b>
As at 30 June 2003			
Gross book value		3 239	3 239
Accumulated depreciation/amortisation		(2 707)	(2 707)
<b>Net book value</b>		<b>532</b>	<b>532</b>

Table D—Assets under construction (work in progress)

Item		Infrastructure, plant and equipment	TOTAL
		\$'000	\$'000
<b>Gross value at 30 June 2004</b>		<b>-</b>	<b>-</b>
Gross value at 30 June 2003		18	18



	2004 \$'000	2003 \$'000
<b>8(d) Intangibles</b>		
Computer software at cost	2 075	1 256
Less: Impairment write-down	-	(26)
Less: Accumulated amortisation	(1 161)	(882)
	914	348
Work in progress	-	630
<b>Total intangibles (non-current)</b>	<b>914</b>	<b>978</b>

Table A—Reconciliation of the opening and closing balances of intangibles

Item	Computer software \$'000	TOTAL \$'000
<b>As at 1 July 2003</b>		
Gross book value	1 860	1 860
Accumulated amortisation	(882)	(882)
<b>Net book value</b>	<b>978</b>	<b>978</b>
<b>Additions</b>	<b>216</b>	<b>216</b>
<b>Amortisation expense</b>	<b>(280)</b>	<b>(280)</b>
<b>As at 30 June 2004</b>		
Gross book value	2 075	2 075
Accumulated amortisation	(1 161)	(1 161)
<b>Net book value</b>	<b>914</b>	<b>914</b>

#### 8(e) Inventories

	2004 \$'000	2003 \$'000
Publications held for sale	95	87
<b>Total inventories</b>	<b>95</b>	<b>87</b>

All inventories are current assets.

#### 8(f) Other non-financial assets

	2004 \$'000	2003 \$'000
Leasehold rights	119	105
Prepayments	616	663
<b>Total other non-financial assets</b>	<b>735</b>	<b>768</b>
Other non-financial assets are represented by:		
Current	647	675
Non-current	88	93
<b>Total other non-financial assets</b>	<b>735</b>	<b>768</b>

## Note 9 Interest bearing liabilities

	2004 \$'000	2003 \$'000
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### 9(a) Leases

#### Finance lease commitments:

Payable:		
Within one year	4	594
In one to five years	-	-
In more than five years	-	-
<i>Minimum lease payments</i>	4	594
<i>Deduct: future finance charges</i>	-	(32)
<b>Net lease liability</b>	<b>4</b>	<b>562</b>

#### Lease liability is represented by:

Current	4	562
Non-current	-	-
<b>Net lease liability</b>	<b>4</b>	<b>562</b>

Finance leases were in existence in relation to certain major computer, communication and office equipment assets. The leases were non-cancellable and for fixed terms averaging three years, with a maximum of five years. Most existing leases entered into by the Commission expired on or before 30 June 2004.

## Note 10 Provisions

### 10(a) Employee provisions

	2004 \$'000	2003 \$'000
Salaries and wages	-	842
Leave	9 809	9 413
Superannuation	-	131
<b>Aggregate employee benefit liability and related on-costs</b>	<b>9 809</b>	<b>10 386</b>

#### Employee benefit liability and related on-costs are represented by:

Current	4 076	4 946
Non-current	5 733	5 440
<b>Aggregate employee benefit liability and related on-costs</b>	<b>9 809</b>	<b>10 386</b>

## Note 11 Payables

### 11(a) Supplier payables

	2004 \$'000	2003 \$'000
Trade creditors and accruals	6 516	9 070
<b>Total supplier payables</b>	<b>6 516</b>	<b>9 070</b>
Supplier payables are represented by:		
Current	6 516	9 070
Non-current	-	-
<b>Total supplier payables</b>	<b>6 516</b>	<b>9 070</b>

## 11(b) Other payables

	2004 \$'000	2003 \$'000
Lease incentives	308	327
Prepayments received	327	141
<b>Total other payables</b>	<b>635</b>	<b>468</b>
Other debt is represented by:		
Current	416	225
Non-current	219	243
<b>Total other payables</b>	<b>635</b>	<b>468</b>

## Note 12 Equity

### 12(a) Analysis of equity

Item	Accumulated results		Asset revaluation reserve		Contributed equity		TOTAL EQUITY	
	2004	2003	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July	(8 652)	1 844	1 052	1 052	3 100	3 100	(4 500)	5 996
Net (deficit)	(7 038)	(10 203)	-	-	-	-	(7 038)	(10 203)
Return of prior year interest received to OPA <sup>1</sup>	-	(293)	-	-	-	-	-	(293)
Transactions with owner:								
Contribution by owner:								
Appropriations (equity injections) <sup>2</sup>	-	-	-	-	56	-	56	-
<b>Closing balance as at 30 June</b>	<b>(15 690)</b>	<b>(8 652)</b>	<b>1 052</b>	<b>1 052</b>	<b>3 156</b>	<b>3 100</b>	<b>(11 482)</b>	<b>(4 500)</b>

<sup>1</sup> In 2002–03 the Commission was required to return \$293 000 to maintain the budget neutrality of the Agency Banking Incentive Scheme (ABIS). The amount represents the excess interest revenue earned by the Commission over the three years from 1999–2000 to 2001–02.

<sup>2</sup> The Commission was funded \$56 000 under Appropriation Bill (No. 4) 2003–04 for capital asset purchases.

## Note 13 Cash flow reconciliation

	2004 \$'000	2003 \$'000
<b>Reconciliation of cash per statement of financial position to statement of cash flows</b>		
Cash at year end per <b>statement of cash flows</b>	189	2 186
<b>Statement of financial position</b> items comprising above cash: 'Financial asset—cash'	189	2 186
<b>Reconciliation of net (deficit) to net cash from operating activities:</b>		
Net (deficit)	(7 038)	(10 203)
Depreciation/amortisation	2 059	2 126
Net write down of non-financial assets	-	26
(Gain)/loss on disposal of assets	(12)	14
(Increase)/decrease in net receivables	7 395	(7 245)
(Increase)/decrease in inventories	(8)	16
Decrease in prepayments	47	516
(Increase)/decrease in other assets	(14)	51
Increase/(decrease) in employee provisions	(577)	683
Increase/(decrease) in supplier payables	(2 584)	2 560
Increase/(decrease) in prepayments received	186	(41)
(Decrease) in other liabilities	(19)	(83)
<b>Net cash from/(used by) operating activities</b>	<b>(565)</b>	<b>(11 580)</b>

## Note 14 Contingent liabilities and assets

### Quantifiable contingencies

The **schedule of contingencies** reports contingent liabilities in respect of claims for damages/costs of \$10 770 000 (2003: \$8 090 000). The Commission is expecting to be unsuccessful in 6 matters (2003: 8 matters) before the courts alleging breaches of the Trade Practices Act, although the cases are continuing. The amount represents an estimate of the Commission's liability based on legal advice and the precedents in such cases. The Commission is defending the claims.

### Unquantifiable contingencies

As at 30 June 2004 the Commission has 5 matters (2003: 9 matters) before the courts alleging breaches of the Trade Practices Act. In the event of unfavourable judgment by the court, the Commission stands to lose by way of penalties or costs awarded. It is not possible to determine the amount in relation to these matters. The Commission is defending the claims.

### Remote contingencies

As at 30 June 2004 the Commission has no matters (2003: 1 matter) before the courts alleging breaches of the Trade Practices Act in respect of which it has received legal advice that there is a remote chance of unfavourable judgments by the court. The Commission stands to lose by way of costs awarded. It is not possible to determine the amounts in relation to these matters. The Commission is defending the claims.

## Note 15 Executive remuneration

The number of executives who received or were due to receive total remuneration<sup>1</sup> of \$100 000 or more:

	2004 Number	2003 Number
\$100 000 to \$109 999	-	1
\$130 000 to \$139 999 <sup>2</sup>	1	7
\$140 000 to \$149 999	5	3
\$150 000 to \$159 999	4	1
\$160 000 to \$169 999	4	-
\$170 000 to \$179 999	2	1
\$190 000 to \$199 999	-	2
\$200 000 to \$209 999	1	2
\$220 000 to \$229 999	-	2
\$230 000 to \$239 999	2	1
\$240 000 to \$249 999	1	-
\$260 000 to \$269 999	1	-
\$270 000 to \$279 999	2	-
\$370 000 to \$379 999	1	1
<b>The aggregate amount of total remuneration of executives shown above.<sup>2</sup></b>	<b>\$4 592 036</b>	<b>\$3 697 667</b>
<b>The aggregate amount of separation payments during the year to executives shown above.</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Total remuneration includes salary and wages, accrued leave, performance pay, superannuation entitlements, motor vehicles and other fringe benefits and fringe benefits tax.

<sup>2</sup> The number of executives disclosed in the 2002–03 Annual Financial Statements for this band for 2003 was six, however, the number noted should have been seven. The effect of this adjustment is that total remuneration for executives should have been \$3 697 667 not \$3 560 252 as was disclosed.

## Note 16 Remuneration of auditors

	2004 \$	2003 \$
Financial statement audit services are provided free of charge to the Commission by the Australian National Audit Office (ANAO)		
The fair value of the services provided was:	<b>68 775</b>	60 000

No other services were provided by the Auditor-General.

## Note 17 Average staffing levels

	2004 Number	2003 Number
The average staffing levels for the Commission during the year were:	<b>449.1</b>	468.7

## Note 18 Financial instruments

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

Financial instrument	Notes	Accounting policies and methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
<b>FINANCIAL ASSETS</b>		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash at bank	7(a)	Deposits are recognised at their nominal amounts.	Operational banking arrangements are managed by the Westpac Bank. Interest revenue is no longer received by the Commission on its bank accounts following the government's decision to abolish the Agency Banking Incentive Scheme (ABIS) from 1 July 2003.
Receivables for goods and services (net)	7(b)	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely.	All receivables on 30 day terms (2002–03: 30 days).
<b>FINANCIAL LIABILITIES</b>		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Finance lease liabilities	9	Liabilities are recognised at the present value of the minimum lease payments at the beginning of the lease. The discount rates used are estimates of the interest rates implicit in the leases.	At reporting date the Commission had finance leases with fixed terms averaging three years with a maximum of five years. The existing leases entered into by the Commission will expire on or before 30 June 2004. The interest rate implicit in the leases averaged 2.46% (2002–03: 6.27%). The lease assets secure the lease liabilities.
Trade creditors and accruals	11(a)	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).	Trade creditors are normally settled on 30 day terms.
Lease incentives	11(b)	The lease incentive is recognised as a liability on receipt of the incentive. The amount of the liability is reduced on a straight-line basis over the life of the lease by allocating lease payments between rental expense and reduction of the liability.	The Commission has received rent free period incentives on entering property operating leases. Lease payments are made monthly.

## 18(b) Interest rate risk

Financial instrument	Notes	Fixed interest rate maturing in 1 year or less		Non-interest bearing rate		Total		Weighted average effective interest rate	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Financial assets									
Cash at bank	7(a)	-	-	189	2 186	189	2 186	n/a	n/a
Receivables for goods and services (net)	7(b)	-	-	839	8 234	839	8 234	n/a	n/a
<i>Total financial assets</i>		-	-	1 028	10 420	1 028	10 420		
<b>Total assets</b>						<b>5 482</b>	15 986		
Financial liabilities									
Finance lease liabilities	9	4	562	-	-	4	562	2.46%	6.27%
Trade creditors and accruals	11(a)	-	-	6 516	9 070	6 516	9 070	n/a	n/a
Lease incentive	11(b)	-	-	308	327	308	327	n/a	n/a
<i>Total financial liabilities</i>		4	562	6 824	9 397	6 828	9 959		
<b>Total liabilities</b>						<b>16 964</b>	20 486		

## 18(c) Net fair values of financial assets and liabilities

	Notes	2004		2003	
		Total carrying amount	Aggregate net fair value	Total carrying amount	Aggregate net fair value
		\$'000	\$'000	\$'000	\$'000
Departmental financial assets					
Cash at bank	7(a)	189	189	2 186	2 186
Receivables for goods and services (net)	7(b)	839	839	8 234	8 234
Total financial assets		1 028	1 028	10 420	10 420
Departmental financial liabilities					
Finance lease liabilities	9	4	4	562	562
Trade creditors and accruals	11(a)	6 516	6 516	9 070	9 070
Lease incentives	11(b)	308	308	327	327
Total financial liabilities		6 828	6 828	9 959	9 959

### Financial assets

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

### Financial liabilities

The net fair values of finance leases are based on discounted cash flows using current interest rates for liabilities with similar risk profiles.

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

## 18(d) 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 **statement of financial position**.

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 19 Revenues administered on behalf of government

	2004 \$'000	2003 \$'000
Other taxes, fees and fines		
Fines and costs	26 311	7 556
Authorisation fees	333	352
Other	10	4
<b>Total revenues administered on behalf of government</b>	<b>26 654</b>	<b>7 912</b>

## Note 20 Expenses administered on behalf of government

	2004 \$'000	2003 \$'000
Write-down of assets		
Financial assets—receivables	843	-
<b>Total expenses administered on behalf of government</b>	<b>843</b>	<b>-</b>

## Note 21 Assets administered on behalf of government

	2004 \$'000	2003 \$'000
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### Financial assets

#### 21(a) Cash

Cash at bank	573	10
<b>Total cash</b>	<b>573</b>	<b>10</b>

#### 21(b) Receivables

Fines and costs	7 103	4 312
Less: Provision for doubtful debts	(920)	(331)
<b>Total receivables (net)</b>	<b>6 183</b>	<b>3 981</b>

Receivables (net) are represented by:

Current	4 340	3 553
Non-current	1 843	428
<b>Total receivables (net)</b>	<b>6 183</b>	<b>3 981</b>

Receivables (gross) are aged as follows:

Not overdue	5 923	3 807
Overdue by:		
Less than 30 days	120	40
30 to 60 days	-	-
60 to 90 days	-	-
More than 90 days	1 060	465
<b>Total receivables (gross)</b>	<b>7 103</b>	<b>4 312</b>

The provision for doubtful debts is aged as follows:

Not overdue	-	-
Overdue by:		
Less than 30 days	-	-
30 to 60 days	-	-
60 to 90 days	-	-
More than 90 days	(920)	(331)
<b>Total provision for doubtful debts</b>	<b>(920)</b>	<b>(331)</b>

<b>Total assets administered on behalf of government</b>	<b>6 756</b>	<b>3 991</b>
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## Note 22 Liabilities administered on behalf of government

	2004 \$'000	2003 \$'000
<b>Payables</b>		
Suppliers		
Trade creditors and accruals	17	-
<b>Total liabilities administered on behalf of government</b>	<b>17</b>	<b>-</b>

All liabilities are expected to be settled within 12 months of balance date.

## Note 23 Administered reconciliation table

	2004 \$'000	2003 \$'000
Administered assets less administered liabilities as at 1 July	3 991	6 810
Add: Administered revenues	25 489	7 912
Less: Administered expenses	(143)	-
Administered transfers to Australian Government—transfers to OPA	(23 063)	(10 731)
<b>Administered assets less administered liabilities as at 30 June</b>	<b>6 274</b>	<b>3 991</b>

## Note 24 Contingent liabilities and assets

### Quantifiable administered contingencies

The schedule of administered items reports contingent assets in respect of claims for damages/costs of \$5 666 000 (2003: \$11 475 500). The Commission is expecting to succeed in 7 alleged breaches (2003: 14 alleged breaches) of the Trade Practices Act, although the cases are continuing. The estimate is based on legal advice and the precedents in such cases.

### Unquantifiable administered contingencies

As at 30 June 2004 the Commission has 27 matters (2003: 22 matters) before the courts alleging breaches of the Trade Practices Act. In the event of favourable judgment by the court, the Commission stands to gain by way of penalties or costs awarded. It is not possible to determine the amounts in relation to these matters.

### Remote administered contingencies

As at 30 June 2004 the Commission has 3 matters (2003: 6 matters) before the courts alleging breaches of the Trade Practices Act in respect of which it has received legal advice that there is a remote chance of favourable judgment by the court. The Commission stands to gain by way of penalties or costs awarded. It is not possible to determine the amounts in relation to these matters.

## Note 25 Administered financial instruments

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

Financial instrument	Notes	Accounting policies and methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
<b>FINANCIAL ASSETS</b>		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash at bank	21(a)	Deposits are recognised at their nominal amounts.	Monies in the Commission's Administered Receipts bank account are swept into the OPA.
Receivables for fines and costs (net)	21(b)	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely.	Fines and costs are payable as per judgment orders. Authorisation fees are payable on receipt of application.
<b>FINANCIAL LIABILITIES</b>		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Trade creditors and accruals	22	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).	Trade creditors are normally settled on 30 day terms.

### 25(b) Interest rate risk

Financial instrument	Notes	Non-interest bearing rate		Total		Weighted average effective interest rate	
		2004	2003	2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administered financial assets							
Cash at bank	21(a)	573	10	573	10	n/a	n/a
Receivables for fines and costs (net)	21(b)	5 718	3 981	5 718	3 981	n/a	n/a
<i>Total financial assets</i>		6 291	3 991	6 291	3 991		
<b>Total assets</b>				<b>6 291</b>	3 991		
Administered financial liabilities							
Trade creditors and accruals	22	17	-	17	-	n/a	n/a
<i>Total financial liabilities</i>		17	-	17	-		
<b>Total liabilities</b>				<b>17</b>	-		

## 25(c) Net fair values of financial assets and liabilities

	Notes	2004		2003	
		Total carrying amount	Aggregate net fair value	Total carrying amount	Aggregate net fair value
		\$'000	\$'000	\$'000	\$'000
Administered financial assets					
Cash at bank	21(a)	573	573	10	10
Receivables for fines and costs (net)	21(b)	5 718	5 718	3 981	3 981
Total financial assets		6 291	6 291	3 991	3 991
Administered financial liabilities					
Trade creditors and accruals	22	17	17	-	-
Total financial liabilities		17	17	-	-

### Financial assets

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

## 25(d) Credit risk exposures

The government's maximum exposure to credit risk at reporting date in relation to each class of recognised administered financial assets is the carrying amount of those assets as indicated in the **schedule of administered items**.

The government 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 26 Appropriations

### 26(a) Acquittal of authority to draw cash from the Consolidated Revenue Fund (Appropriations) from Acts 1 and 3—departmental outputs

	2004 \$	2003 \$
Balance carried forward from previous year	9 625 137	16 378 181
<i>Add:</i> 2002–03 Other receivable—Net GST receivable from ATO	744 226	-
<b>Adjusted balance carried forward from previous year</b>	<b>10 369 363</b>	16 378 181
Appropriation Act (No. 1) 2003–04—basic appropriation	66 567 000	61 800 000
Appropriation Act (No. 3) 2003–04—basic appropriation	7 581 000	700 000
Appropriations to take account of recoverable GST (FMAA s. 30A)	3 621 458	3 537 320
Annotations to net appropriations (FMAA s. 31)	699 125	778 441
<b>Available for payments</b>	<b>88 837 946</b>	83 193 942
Payments made	(87 926 492)	(73 568 805)
<b>Balance carried to next year</b>	<b>911 454</b>	9 625 137
<b>Represented by:</b>		
Cash	188 621	2 185 940
<i>Add:</i> Receivables—funds returned to OPA	-	7 439 197
<i>Add:</i> Other receivable—net GST receivable from ATO	722 833	-
<b>Total</b>	<b>911 454</b>	9 625 137

### 26(b) Acquittal of authority to draw cash from the Consolidated Revenue Fund (Appropriations) from Acts 2 and 4—non-operating

	2004 \$	2003 \$
Balance carried forward from previous year	-	-
Appropriation Act (No. 4) 2003–04	56 000	-
<b>Available for payments</b>	<b>56 000</b>	-
Payments made	(56 000)	-
<b>Balance carried to next year</b>	<b>-</b>	-

## 26(c) Special accounts

### Other trust monies

Legal authority: *Financial Management and Accountability Act, 1997, s. 20*

Purpose: for the receipt of monies temporarily held on trust or otherwise for the benefit of a person other than the Australian Government.

	2004 \$	2003 \$
Balance carried forward from previous year	381 412	252 588
Receipts during the year	18 091	138 299
<b>Available for payments</b>	<b>399 503</b>	<b>390 887</b>
Payments made	(245 102)	(9 475)
Adjustment <sup>1</sup>	(30 700)	-
<b>Balance carried forward to next year</b>	<b>123 701</b>	<b>381 412</b>
Represented by:		
Funds returned to OPA receivable	118 768	380 099
Funds on hand to be returned to OPA	4 933	1 313
<b>Total</b>	<b>123 701</b>	<b>381 412</b>

<sup>1</sup> This adjustment identifies the amount of accrued interest earned by this account during the period October 2001 to June 2004. Under current arrangements, the account was not entitled to earn interest during this period, and the Commission has negotiated with the Department of Finance and Administration for the return of the balance of accrued interest to the Official Public Account in 2004–05.

### Services for other governments & non-agency bodies

Legal authority: *Financial Management and Accountability Act, 1997, s. 20*

Purpose: 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*.

	2004 \$	2003 \$
Balance carried forward from previous year	-	-
Other receipts	108 739	126 288
<b>Available for payments</b>	<b>108 739</b>	<b>126 288</b>
Payments made	(108 739)	(126 288)
<b>Balance carried forward to next year</b>	<b>-</b>	<b>-</b>

## Note 27 Specific payment disclosures

No Acts of Grace payments were made during the reporting period (2003: no payments made).

No waivers of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of the *Financial Management Accountability Act 1997* (2003: no waivers made).

No ex gratia payments were made during the reporting period (2003: no payments made).

No payments were made under the Defective Administration Scheme during the reporting period (2003: no payments made).

No payments were made under s. 73 of the *Public Service Act 1999* during the reporting period (2003: no payments made).

## Note 28 Reporting of outcomes

The Commission attributes its outcome between its two output groups on the basis of identifiable actual costs. Shared costs incurred with respect to these output groups are apportioned according to these resulting actual costs. This basis of attribution is consistent with that used in the 2003–04 budget.

### 28(a) Net cost of outcome delivery

	Outcome 1		Total	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Administered expenses	843	-	843	-
Departmental expenses	81 703	73 350	81 703	73 350
<b>Total expenses</b>	<b>82 546</b>	<b>73 350</b>	<b>82 546</b>	<b>73 350</b>
Costs recovered from provision of goods and services to the non-government sector				
Departmental	213	479	213	479
<b>Total costs recovered</b>	<b>213</b>	<b>479</b>	<b>213</b>	<b>479</b>
Other external revenues				
Administered	26 654	7 912	26 654	7 912
<b>Total administered</b>	<b>26 654</b>	<b>7 912</b>	<b>26 654</b>	<b>7 912</b>
Departmental				
Interest on cash deposits	-	54	-	54
Revenue from disposal of assets	19	3	19	3
Other	69	60	69	60
Goods and services revenue from related entities	216	51	216	51
<b>Total departmental</b>	<b>304</b>	<b>168</b>	<b>304</b>	<b>168</b>
<b>Total other external revenues</b>	<b>26 958</b>	<b>8 080</b>	<b>26 958</b>	<b>8 080</b>
<b>Net cost/(contribution) of outcome</b>	<b>55 375</b>	<b>64 791</b>	<b>55 375</b>	<b>64 791</b>

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

### Note 28(b) Major classes of departmental revenues and expenses by output groups and outputs

Outcome 1	Output group 1		Output group 2		Total	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Departmental expenses						
Employees	21 517	21 760	15 326	13 372	36 843	35 132
Suppliers	29 300	28 893	13 441	7 076	42 741	35 969
Depreciation and amortisation	1 458	1 557	601	569	2 059	2 126
Other	42	83	18	40	60	123
<b>Total departmental expenses</b>	<b>52 317</b>	<b>52 293</b>	<b>29 386</b>	<b>21 057</b>	<b>81 703</b>	<b>73 350</b>
Funded by:						
Revenue from government	47 615	41 290	26 602	21 270	74 217	62 560
Sale of goods and services	172	294	257	236	429	530
Other non-taxation revenues	15	38	4	19	19	57
<b>Total departmental revenues</b>	<b>47 802</b>	<b>41 622</b>	<b>26 863</b>	<b>21 525</b>	<b>74 665</b>	<b>63 147</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.

### Note 28(c) Major classes of administered revenues and expenses by outcomes

	Outcome 1		Total	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
<b>Administered revenues</b>				
Fines and costs	26 311	7 556	26 311	7 556
Authorisation fees	333	352	333	352
Other	10	4	10	4
<b>Total administered revenues</b>	<b>26 654</b>	<b>7 912</b>	<b>26 654</b>	<b>7 912</b>
<b>Administered expenses</b>				
Write-down of assets	843	-	843	-
<b>Total administered expenses</b>	<b>843</b>	<b>-</b>	<b>843</b>	<b>-</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.