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AUSTRALIAN COMPETITION AND CONSUMER COMMISSION
STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER

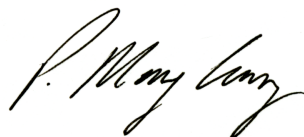
In our opinion, the attached financial statements for the year ended 30 June 2017 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013 (PGPA Act)*, and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the non-corporate Commonwealth entity will be able to pay its debts as and when they fall due.



Rod Sims
Chairman and Accountable Authority

23 August 2017



Peter Maybury
Chief Financial Officer

23 August 2017

AUSTRALIAN COMPETITION AND CONSUMER COMMISSION

Statement of Comprehensive Income

for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1A	102,979	103,731	97,749
Suppliers	1.1B	67,440	68,287	78,330
Depreciation and amortisation	3.2A	5,372	5,553	5,600
Finance costs	1.1C	45	59	78
Write-down and impairment of assets	1.1D	14	22	-
Settlement of litigation		8,955	4,296	-
Total expenses		184,805	181,948	181,757
Own-Source Income				
Own-source revenue				
Sale of goods and rendering of services	1.2A	1,208	1,145	3,698
Rental income	1.2B	1,002	1,003	-
Other revenue	1.2C	1,968	3,396	91
Total own-source revenue		4,178	5,544	3,789
Net (cost of) services		(180,627)	(176,404)	(177,968)
Revenue from Government	1.2D	173,359	165,346	172,368
Surplus/(Deficit) attributable to the Australian Government		(7,268)	(11,058)	(5,600)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation surplus		167	(48)	-
Total other comprehensive income		167	(48)	-
Total comprehensive income/(loss) attributable to the Australian Government		(7,101)	(11,106)	(5,600)

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

AUSTRALIAN COMPETITION AND CONSUMER COMMISSION

Statement of Financial Position

as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
ASSETS				
Financial assets				
Cash and cash equivalents	3.1A	1,616	1,289	2,000
Trade and other receivables	3.1B	30,929	33,781	22,768
Total financial assets		32,545	35,070	24,768
Non-financial assets				
Leasehold improvements	3.2A	9,433	10,502	7,786
Plant and equipment	3.2A	3,109	4,017	4,623
Computer software	3.2A	3,268	3,403	3,234
Other non-financial assets	3.2B	2,572	1,511	967
Total non-financial assets		18,382	19,433	16,610
Total assets		50,927	54,503	41,378
LIABILITIES				
Payables				
Suppliers	3.3A	8,128	7,340	8,131
Other payables	3.3B	11,241	11,783	9,957
Total payables		19,369	19,123	18,088
Provisions				
Employee provisions	6.1A	30,129	30,194	26,792
Other provisions	3.4A	9,919	9,918	5,274
Total provisions		40,048	40,112	32,066
Total liabilities		59,417	59,235	50,154
Net assets		(8,490)	(4,732)	(8,776)
EQUITY				
Contributed equity		75,011	71,624	75,011
Reserves		4,085	3,918	3,967
Retained surplus/(Accumulated deficit)		(87,586)	(80,273)	(87,754)
Total equity		(8,490)	(4,731)	(8,776)

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

AUSTRALIAN COMPETITION AND CONSUMER COMMISSION

Statement of Changes in Equity

for the period ended 30 June 2017

	2017 \$'000	2016 \$'000	Original Budget \$'000
CONTRIBUTED EQUITY			
Opening balance			
Balance carried forward from previous period	71,624	68,331	71,624
Adjusted opening balance	71,624	68,331	71,624
Transactions with owners			
Contributions by owners			
Equity injection - appropriations	1,400	1,300	1,400
Departmental capital budget	1,987	1,993	1,987
Total transactions with owners	3,387	3,293	3,387
Closing balance as at 30 June	75,011	71,624	75,011
RETAINED EARNINGS			
Opening balance			
Balance carried forward from previous period	(80,273)	(69,215)	(82,154)
Adjustment for prior period	(45)	-	-
Adjusted opening balance	(80,318)	(69,215)	(82,154)
Comprehensive income			
Surplus/(Deficit) for the period	(7,268)	(11,058)	(5,600)
Total comprehensive income	(7,268)	(11,058)	(5,600)
Closing balance as at 30 June	(87,586)	(80,273)	(87,754)
ASSET REVALUATION RESERVE			
Opening balance			
Balance carried forward from previous period	3,918	3,966	3,967
Adjusted opening balance	3,918	3,966	3,967
Comprehensive income			
Other comprehensive income	167	(48)	-
Total comprehensive income	167	(48)	-
Closing balance as at 30 June	4,085	3,918	3,967

AUSTRALIAN COMPETITION AND CONSUMER COMMISSION

Statement of Changes in Equity

for the period ended 30 June 2017

(cont)	2017	2016	Original
	\$'000	\$'000	Budget
			\$'000
TOTAL EQUITY			
Opening balance			
Balance carried forward from previous period	(4,731)	3,082	(6,563)
Adjustment for prior period	(45)	-	-
Adjusted opening balance	(4,776)	3,082	(6,563)
Comprehensive income			
Surplus/(Deficit) for the period	(7,268)	(11,058)	(5,600)
Other comprehensive income	167	(48)	-
Total comprehensive income	(7,101)	(11,106)	(5,600)
Transactions with owners			
Contributions by owners			
Equity injection - appropriations	1,400	1,300	1,400
Departmental capital budget	1,987	1,993	1,987
Total transactions with owners	3,387	3,293	3,387
Closing balance as at 30 June	(8,490)	(4,731)	(8,776)

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

Accounting Policy

Equity Injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

Restructuring of Administrative Arrangements

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

AUSTRALIAN COMPETITION AND CONSUMER COMMISSION

Cash Flow Statement

for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
OPERATING ACTIVITIES				
Cash received				
Appropriations		175,547	173,988	178,565
Sale of goods and rendering of services		1,516	1,527	3,947
Net GST received		6,238	6,674	6,608
Other		2,341	2,727	-
Total cash received		185,642	184,916	189,120
Cash used				
Employees		102,473	102,536	101,275
Suppliers		76,571	76,964	84,398
Section 74 receipts transferred to OPA		4,871	4,718	3,947
Settlement of litigation		8,418	350	-
Total cash used		192,333	184,568	189,620
Net cash from/(used by) operating activities		(6,691)	348	(500)
INVESTING ACTIVITIES				
Cash used				
Purchase of non-financial assets		2,387	2,135	2,887
Total cash used		2,387	2,135	2,887
Net cash from/(used by) investing activities		(2,387)	(2,135)	(2,887)
FINANCING ACTIVITIES				
Cash received				
Contributed equity		9,405	1,993	3,387
Total cash received		9,405	1,993	3,387
Net cash from/(used by) financing activities		9,405	1,993	3,387
Net increase/(decrease) in cash held		327	206	-
Cash and cash equivalents at the beginning of the reporting period		1,289	1,083	2,000
Cash and cash equivalents at the end of the reporting period	3.1A	1,616	1,289	2,000

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

AUSTRALIAN COMPETITION AND CONSUMER COMMISSION

Administered Schedule of Comprehensive Income

for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
NET COST OF SERVICES				
Expenses				
Impairment and repayment of fees and fines	2.1A	7,364	5,632	-
Total expenses		7,364	5,632	-
Income				
Revenue				
Non-taxation revenue				
Fees and fines	2.2A	46,699	83,861	40,000
Total non-taxation revenue		46,699	83,861	40,000
Total income		46,699	83,861	40,000
Net (cost of)/contribution by services		39,335	78,229	40,000
Surplus/(Deficit)		39,335	78,229	40,000
Total comprehensive income/(loss)		39,335	78,229	40,000

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

AUSTRALIAN COMPETITION AND CONSUMER COMMISSION

Administered Schedule of Assets and Liabilities

as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
ASSETS				
Financial assets				
Cash and cash equivalents	4.1A	1	1	-
Trade and other receivables	4.1B	6,848	7,683	5,252
Total financial assets		6,849	7,684	5,252
Total assets administered on behalf of Government		6,849	7,684	5,252
Net assets/(liabilities)		6,849	7,684	5,252

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

AUSTRALIAN COMPETITION AND CONSUMER COMMISSION

Administered Reconciliation Schedule

for the period ended 30 June 2017

	2017 \$'000	2016 \$'000
Opening assets less liabilities as at 1 July	7,684	(5,748)
Adjusted opening assets less liabilities	7,684	(5,748)
Net (cost of)/contribution by services		
Income	46,699	83,861
Expenses	(7,364)	(5,632)
Transfers (to)/from the Australian Government		
Appropriation transfers to Official Public Account		
Transfers to Official Public Account	(40,169)	(64,798)
Closing assets less liabilities as at 30 June	6,849	7,684

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

Accounting Policy

Administered Cash Transfers to and from the 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 Commission on behalf of the Government and reported as such in the schedule of administered cash flows and in the administered reconciliation schedule.

AUSTRALIAN COMPETITION AND CONSUMER COMMISSION

Administered Cash Flow Statement

for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
OPERATING ACTIVITIES			
Cash received			
Fines and costs		39,944	75,611
Other fees		230	233
Total cash received		40,174	75,844
Cash used			
Refund of fees and fines		5	11,045
Total cash used		5	11,045
Net cash from/(used by) operating activities		40,169	64,799
Cash to Official Public Account			
Appropriations		(40,169)	(64,798)
Total cash to Official Public Account		(40,169)	(64,798)
Cash and cash equivalents at the beginning of the reporting period		1	-
Cash and cash equivalents at the end of the reporting period	4.1A	1	1

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

OVERVIEW

The Commission is an Australian Government controlled not-for-profit entity.

The Basis of Preparation

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- a) *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2015; and
- b) Australian Accounting Standards and Interpretations - Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities 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 statements are presented in Australian dollars.

Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in these statements the Commission has made assumptions or estimates in the following areas that have the most significant impact on the amounts recorded in the financial statements:

- the fair value of leasehold improvements and property, plant and equipment is assessed at market or depreciated replacement cost as determined by an independent valuer and is subject to ongoing assessment by the valuer and management between formal valuations.
- leave provisions involve assumptions based on the expected tenure of existing staff, patterns of leave claims and payout, future salary movements and future discount rates. The Commission has used the Australian Government shorthand method to estimate the present value of long service leave liabilities.

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 reporting period.

New Accounting Standards

Prior to the signing of the statements by the Accountable Authority and Chief Financial Officer, no new, revised or amending standards or interpretations were issued that would have a material effect on the Commission's financial statements in the current reporting period.

Taxation

The Commission is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Related Parties

The Commission is an Australian Government controlled entity. Related parties to this entity are Key Management Personnel including the Portfolio Minister and Executive, and other Australian Government entities.

Significant transactions with related parties can include:

- the payments of grants or loans;
- purchases of goods and services;
- asset purchases, sales transfers or leases;
- debts forgiven; and
- guarantees.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the Commission, it has been determined that there are no related party transactions to be separately disclosed.

Regulatory Charging

Annual carrier licence charges are imposed under the *Telecommunications (Carrier Licence Charges) Act 1997* on participating telecommunication carriers under cost recovery arrangements to recover the costs incurred by the Commission, the Australian Communications and Media Authority (ACMA) and the Australian Government in regulating the telecommunications industry. ACMA undertakes the regulatory charging activity, recovering the Commission's costs on behalf of the Commonwealth. The Commission does not receive any monies direct from external parties. The departmental costs incurred by the Commission are met out of appropriation funding. The Commission's costs being recovered by ACMA in 2016-17 total \$13,641,023 (2016: \$15,106,662) refer to *Telecommunications (Carrier Licence Charges) Act 1997 Determination* under paragraph 15(1)(b) No.1 of 2017. This cost includes a component of depreciation expense \$0.5m (2016: \$0.6m) which is not appropriation funded.

The Determination enforcing the above activity is available at <https://www.legislation.gov.au/Details/F2017L00656>

The Cost Recovery Impact Statement for the above activity is available at <http://www.acma.gov.au/theACMA/About/Corporate/Accountability/cost-recovery-impact-statements-acma>.

Reporting of Administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes.

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

Events After the Reporting Period

Departmental

Nil

Administered

Nil

1.1 Expenses

	2017 \$'000	2016 \$'000
1.1A: Employee benefits		
Wages and salaries	79,366	76,825
Superannuation		
Defined contribution plans	7,828	7,231
Defined benefit plans	6,178	7,368
Leave and other entitlements	8,596	11,249
Separation and redundancies	522	352
Other employee benefits	489	706
Total employee benefits	102,979	103,731

Accounting Policy

Accounting policies for employee related expenses is included in the People and relationships section.

1.1B: Suppliers		
Goods and services supplied or rendered		
Legal expenses	20,782	26,769
Consultants and contracted services	13,478	8,263
Information technology and communications	8,948	9,549
Property operating expenses	4,131	4,083
Travel expenses	3,994	3,418
Employee related expenses	1,772	1,136
Information management expenses	1,875	1,894
Other administration expenses	1,232	1,089
Total goods and services supplied or rendered	56,212	56,201
Goods supplied	1,621	1,568
Services rendered	54,591	54,632
Total goods and services supplied or rendered	56,212	56,201
Other suppliers		
Operating lease rentals		
Minimum lease payments	10,435	10,809
Workers compensation premiums	793	1,277
Total other suppliers	11,228	12,086
Total suppliers	67,440	68,287

1.1B: Suppliers (cont)

Leasing commitments

The Commission in its capacity as leasee has operating lease commitments for office space and a small number of motor vehicles. Most lease payments for office space are subject to annual increases of between 3% and 5% per annum. Some leases are subject to minimum lease payment market reviews. The current terms of the office space leases will expire between 2017 and 2029 with many leases containing extension options. There are no purchase options available to the Commission.

	2017 \$'000	2016 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	13,246	14,060
Between 1 to 5 years	46,333	39,908
More than 5 years	37,571	16,404
Total operating lease commitments	97,150	70,372

Accounting Policy

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets. The Commission has no finance leases.

1.1C: Finance costs

Unwinding of discount	45	59
Total finance costs	45	59

Accounting Policy

All borrowing costs are expensed as incurred.

1.1D: Write-down and impairment of assets

Impairment on financial instruments	-	4
Impairment of property, plant and equipment	14	18
Total write-down and impairment of assets	14	22

1.2 Own-Source Revenue

	2017 \$'000	2016 \$'000
Own-Source Revenue		
1.2A: Sale of goods and rendering of services		
Rendering of services	1,208	1,145
Total sale of goods and rendering of services	1,208	1,145

Accounting Policy

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:

- a) the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- b) 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 end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

1.2B: Rental income

Operating lease		
Sublease rent	1,002	1,003
Total rental income	1,002	1,003

Subleasing rental income commitments

The Commission in its capacity as lessee has two operating subleases for office space (2016:2). These subleases in Sydney and Canberra are effectively non-cancellable. Each lease has annual rental increases of between 3-4% and the lease terms will expire in three to five years.

1.2C: Other revenue

Project revenue	1,874	3,302
Resources received free of charge		
Remuneration of auditors	94	94
Total other revenue	1,968	3,396

Accounting Policy

Resources Received Free of Charge

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

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.

	2017 \$'000	2016 \$'000
1.2D: Revenue from Government		
Appropriations		
Departmental appropriations	173,359	165,346
Total revenue from Government	173,359	165,346

Accounting Policy

Revenue from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government 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.

Income and Expenses Administered on Behalf of the Government

This section analyses the activities that the Commission does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

2.1 Administered - Expenses

	2017 \$'000	2016 \$'000
2.1A: Impairment and repayment of fees and fines		
Impairment of receivables	7,364	5,632
Total impairment and repayment of fees and fines	7,364	5,632

Income and Expenses Administered on Behalf of the Government

This section analyses the activities that the Commission does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

2.2 Administered - Income

	2017 \$'000	2016 \$'000
Revenue		
Non-Taxation Revenue		
2.2A: Fees and fines		
Fines and costs	46,469	83,629
Authorisation fees	161	132
Notifications	69	101
Total fees and fines	46,699	83,861

Accounting Policy

All administered revenues are revenues relating to ordinary activities performed by the Commission on behalf of the Australian Government. As such, administered appropriations are not revenues of the individual entity that oversees distribution or expenditure of the funds as directed.

Revenue is generated from fines and costs applied by the courts, or by agreement between the Commission and the defendant. It is recognised when awarded by the courts, or when agreement has been executed.

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

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

Administered fee revenue is recognised at its nominal amount due less any allowance for bad or doubtful debts. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collection of the debt is judged to be less rather than more likely.

Financial Position

This section analyses the Commission's assets used to conduct its operations and the operating liabilities incurred as a result.

Employee related information is disclosed in the People and Relationships section.

3.1 Financial Assets

	2017 \$'000	2016 \$'000
3.1A: Cash and cash equivalents		
Cash on hand or on deposit	1,616	1,289
Total cash and cash equivalents	1,616	1,289

Accounting Policy

Cash is recognised at its nominal amount. Cash and cash equivalents are deposits in bank accounts.

3.1B: Trade and other receivables		
Goods and services receivables		
Goods and services	607	398
Total goods and services receivables	607	398
Appropriations receivables		
Appropriation receivable	28,836	32,171
Total appropriations receivables	28,836	32,171
Other receivables		
Statutory receivables	1,486	1,212
Total other receivables	1,486	1,212
Total trade and other receivables (gross)	30,929	33,781
Less impairment allowance	-	-
Total trade and other receivables (net)	30,929	33,781

Credit terms for goods and services were within 30 days (2016:30 days).

Accounting Policy

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Financial assets are assessed for impairment at the end of each reporting period.

3.2 Non-Financial Assets

3.2A: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles

	Leasehold improvements \$'000	Plant and equipment \$'000	Computer software ¹ \$'000	Total \$'000
As at 1 July 2016				
Gross book value	13,204	5,456	11,211	29,871
Accumulated depreciation, amortisation and impairment	(2,702)	(1,439)	(7,808)	(11,949)
Total as at 1 July 2016	10,502	4,017	3,403	17,922
Additions				
Purchase	1,673	485	317	2,475
Internally developed	-	-	799	799
Depreciation and amortisation	(2,742)	(1,379)	(1,251)	(5,372)
Disposals				
Other disposals/writedowns (gross book value)	-	(150)	(82)	(232)
Other disposals/writedowns (accumulated depreciation)	-	136	82	218
Total as at 30 June 2017	9,433	3,109	3,268	15,810
Total as at 30 June 2017 represented by				
Gross book value	14,877	5,791	12,327	32,995
Accumulated depreciation, amortisation and impairment	(5,444)	(2,682)	(9,059)	(17,185)
Total as at 30 June 2017	9,433	3,109	3,268	15,810

1. The carrying amount of computer software includes \$0.8m purchased software and \$2.5m internally generated software.

The carrying value of leasehold improvements, plant and equipment and intangibles (computer software) were reviewed at 30 June 2017. No indicators of impairment were found.

Leasehold improvements and plant and equipment assets may be sold or disposed in 2017-18 coinciding with the termination of some lease arrangements.

No property, plant and equipment are held under finance lease.

3.2 Non-Financial Assets

Accounting Policy

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. Assets are initially measured at their fair value plus appropriate transaction costs.

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 amounts which were recognised in the transferor's accounts immediately prior to the restructuring.

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, 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 'make good' provisions in property leases taken up by the Commission where an obligation to restore the property to its original condition exists. These costs are included in the value of the Commission's leasehold improvements with a corresponding provision for 'make good'.

Revaluations

Following initial recognition at cost, property, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure the carrying amounts of assets did not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depended 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 reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reversed 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.

All revaluations were conducted in accordance with the revaluation policy stated at Note 7.4. A full revaluation was undertaken at 30 June 2015. A materiality review has been conducted to assess whether materiality is evident between carrying amounts and fair value at 30 June 2017. No significant material differences between the carrying amounts and fair value was identified.

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), residual values 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 for each class of depreciable asset are based on the following useful lives:

<u>Asset class</u>	<u>2017 and 2016</u>
Leasehold improvements	Lesser of lease or 15 years
Furniture and fittings	10 years
Office equipment	5 years
Computer hardware	3 to 5 years
Computer software	3 to 7 years

Impairment

All assets were assessed for impairment at 30 June 2017. 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.

An impairment loss of \$0.01m (2016:\$0.02m) for property, plant and equipment was recognised in the Statement of Comprehensive Income.

The recoverable amount of an asset is the higher of its fair value less costs of disposal 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 entity were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use.

Accounting Policy (cont)

Intangibles

The Commission's intangibles comprise purchased and internally developed software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses. These assets are carried at cost above the capitalisation threshold of \$10,000. Below this amount they are expensed in the year of purchase.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Commission's software are 3 to 7 years (2016: 3 to 7 years).

All software assets were assessed for indications of impairment as at 30 June 2017.

Contractual commitments for the acquisition of property, plant and equipment and intangible assets

The Commission has contractual commitments for the acquisition of leasehold improvements of \$3.8m (2016: \$1.0m), property plant and equipment of \$2.4m (2016: \$0.01m) and commitments for intangible assets of \$1.0m (2016: \$0.3m).

3.2 Non-Financial Assets

	2017 \$'000	2016 \$'000
3.2B: Other non-financial assets		
Prepayments	2,370	1,390
Leasehold rights	202	121
Total other non-financial assets	2,572	1,511

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

3.3 Payables

	2017 \$'000	2016 \$'000
3.3A: Suppliers		
Trade creditors and accruals	8,128	7,340
Total suppliers	8,128	7,340

Settlement is usually made within 30 days.

3.3B: Other payables		
Lease incentives	3,451	4,278
Superannuation	110	150
Operating lease payment increases	5,218	5,346
Wages and salaries	1,085	621
Unearned income	1,220	1,259
Salary sacrifice payable	157	129
Total other payables	11,241	11,783

3.4 Other Provisions

3.4A: Other provisions

	Provision for litigation \$'000	Provision for onerous leases \$'000	Provision for restoration \$'000	Total \$'000
As at 1 July 2016	3,946	3,915	2,056	9,918
Additional provisions made	4,483	-	-	4,483
Amounts used	(3,946)	(385)		(4,331)
Amounts reversed	-	(29)	(167)	(196)
Unwinding or change of discount rate	-	5	40	45
Total as at 30 June 2017	4,483	3,506	1,929	9,919

The Commission currently has 11 agreements (2016:11) for the leasing of premises which have provisions requiring it to restore the premises to their original condition at the conclusion of the lease. The Commission has an onerous lease contract for premises (2016:1). Prior to 30 June 2017, a court judgement had been handed down requiring the Commission to pay court costs to a number of respondents. The Commission has made a provision to reflect the present value of these obligations.

Assets and Liabilities Administered on Behalf of the Government

This section analyses the assets used to conduct operations and the operating liabilities the Commission does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

4.1 Administered - Financial Assets

	2017 \$'000	2016 \$'000
4.1A: Cash and cash equivalents		
Cash on hand or on deposit	1	1
Total cash and cash equivalents	1	1
4.1B: Trade and other receivables		
Other receivables		
Fines and costs	16,423	19,843
Total other receivables	16,423	19,843
Total trade and other receivables (gross)	16,423	19,843
Less impairment allowance	(9,575)	(12,160)
Total trade and other receivables (net)	6,848	7,683

Credit terms for fines and costs were within 30 days or as stipulated by court judgements (2016:30 days).

Reconciliation of the Impairment Allowance

Movements in relation to other receivables

Opening balance	12,160	11,642
Amounts written off	(9,949)	(5,063)
Amounts recovered and reversed	-	(51)
Increase/(Decrease) recognised in net cost of services	7,364	5,632
Closing balance	9,575	12,160

Accounting Policy

Loans and Receivables

Where loans and receivables are not subject to concessional treatment, they are carried at amortised cost using the effective interest method. Gains and losses due to impairment, derecognition and amortisation are recognised through profit or loss.

Funding

This section identifies the Commission's funding structure.

5.1 Appropriations

5.1A: Annual appropriations ('recoverable GST exclusive')

Annual Appropriations for 2017

	Annual Appropriation ¹ \$'000	Adjustments to appropriation ² \$'000	Total appropriation \$'000	Appropriation applied in 2017 (current and prior years) \$'000	Variance ³ \$'000
Departmental					
Ordinary annual services	173,359	4,871	178,230	175,168	3,062
Capital Budget ⁴	1,987	-	1,987	2,039	(52)
Other services					
Equity Injections	1,400	-	1,400	7,418	(6,018)
Total departmental	176,746	4,871	181,617	184,625	(3,008)

1. No portion of the 2016-17 annual appropriations have been withheld under section 51 of the PGPA Act and quarantined for administrative purposes.

2. Adjustment to the ordinary annual services appropriation is to recognise PGPA Act s74 receipts.

3. The Commission applied prior year equity injection appropriations to make cash settlements of litigation costs under Litigation Contingency Funding arrangements. The underspend in ordinary annual services funding is largely contributable to the underspend on external legal expenses.

4. Departmental Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

5.1A: Annual appropriations ('recoverable GST exclusive') (cont)

Annual Appropriations for 2016

	Annual Appropriation ¹ \$'000	Adjustments to appropriation ² \$'000	Total appropriation \$'000	Appropriation applied in 2016 (current and prior years) \$'000	Variance ³ \$'000
Departmental					
Ordinary annual services	165,346	4,718	170,064	178,019	(7,955)
Capital Budget ⁴	1,993	-	1,993	1,941	52
Other services					
Equity Injections	12,896	-	12,896	-	12,896
Total departmental	180,235	4,718	184,953	179,960	4,993

1. No portion of the 2015-16 annual appropriations have been withheld under section 51 of the PGPA Act and quarantined for administrative purposes.

2. Adjustment to the ordinary annual services appropriation is to recognise PGPA Act s74 receipts.

3. The Commission applied the remaining Appropriation Act (No. 1) 2014-15 funding that was unspent at 30 June 2015 in addition to current year ordinary annual services appropriations to meet the operational funding requirements of the Commission in 2015-16. The equity injection appropriation includes \$11.596m which relates to Litigation Contingency Funding to settle court costs awarded against the Commission. During 2015-16 only \$0.350m was required to settle court costs.

4. Departmental Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

5.1B: Unspent annual appropriations ('recoverable GST exclusive')

	2017 \$'000	2016 \$'000
Departmental		
Appropriation Act (No. 4) 2013-14	11,596	11,596
Appropriation Act (No. 2) 2014-15	-	2,700
Appropriation Act (No. 1) 2015-16	-	14,051
Appropriation Act (No. 2) 2015-16	1,300	1,300
Appropriation Act (No. 3) 2015-16	-	2,524
Appropriation Act (No. 4) 2015-16	6,878	11,596
Appropriation Act (No. 1) 2016-17	18,267	-
Appropriation Act (No. 2) 2016-17	942	-
Appropriation Act (No. 3) 2016-17	991	-
Supply Act (No.2) 2016-17	458	-
Total departmental	40,432	43,767

On the 17 June 2016 the balance of *Appropriation Act (No.4) 2013-14* (\$11,595,539) was withheld by the Finance Minister in accordance with s51 of the *Public Governance Performance and Accountability Act 2013*. The appropriation remains legally available.

In addition to the unspent appropriations disclosed above, at 30 June 2017 the Commission had cash and cash equivalents of \$1.616m (2016: \$1.289m).

5.1C: Special appropriations ('recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2017 \$'000	2016 \$'000
PGPA Act, 2013 s.77, Administered	Refund	To provide an appropriation where an Act or other law requires or permits the repayment of an amount received by the Commonwealth and the Finance Minister is satisfied that, apart from this section, there is no specific appropriation for the repayment.	5	11,045
Total special appropriations applied			5	11,045

5.2 Special Accounts

Services for Other Entities and Trust Moneys

	2017 \$'000	2016 \$'000
Administered		
Balance brought forward from previous period	54	54
Total increases	20	-
Available for payments	74	54
Total decreases	20	-
Total balance carried to the next period	54	54

1. Appropriation: *Public Governance, Performance and Accountability Act 2013 section 78*
2. Establishing Instrument: *Financial Management and Accountability (Establishment of Special Account for Australian Competition and Consumer Commission) Determination 2011/02*
3. The purpose of the account is:
 - (a) amounts to be held on trust or otherwise for the benefit of a person other than the Commonwealth;
 - (b) amounts received in the course of the performance of functions that relate to the purpose of the *Services for Other Entities and Trust Moneys - Australian Competition and Consumer Commission Special Account*;
 - (c) amounts received from any person for the purposes of the *Services for Other Entities and Trust Moneys - Australian Competition and Consumer Commission Special Account*; and
 - (d) amounts to be held on trust or otherwise for the benefit of a person other than the Commonwealth.
4. The total balance carried to the next period is cash held in the Commission's bank account.

People and relationships

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people.

6.1 Employee Provisions

	2017 \$'000	2016 \$'000
6.1A: Employee provisions		
Leave	29,871	29,947
Separations and redundancies	258	247
Total employee provisions	30,129	30,194

Accounting policy

Liabilities for short-term employee benefits and termination benefits expected within twelve months of the end of the reporting period are measured at their nominal amounts.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be 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 calculated using the Australian Government short hand method. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

Provision is made for separation and redundancy benefit payments. The Commission recognises a provision for termination when it has committed to the terminations and having informed those employees affected that the terminations will be carried out.

Superannuation

The Commission's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap), or other superannuation funds held outside the Australian Government.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap and other superannuation funds are defined contribution schemes.

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 in the Department of Finance's administered schedules and notes.

The Commission makes employer contributions to the employees' defined benefit superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. 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.

6.2 Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The Commission has determined the key management personnel to be the members of the Corporate Governance and Executive Management Boards. Key management personnel remuneration is reported in the table below:

	2017 \$'000
Short-term employee benefits	6,769
Post-employment benefits	936
Other long-term employee benefits	633
Termination benefits	165
Total key management personnel remuneration expenses	8,503

The total number of key management personnel that are included in the above table is 21.

The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the entity.

Managing uncertainties

This section analyses how the Commission manages financial risks within its operating environment.

7.1 Contingent Assets and Liabilities

At 30 June 2017, the Commission has matters before the Courts alleging breaches of the *Competition and Consumer Act 2010*. These cases are at various stages of completion.

Due to the inherent uncertainty of litigation it was not possible to estimate the value of case outcomes. Accordingly, the Commission has no quantifiable contingent assets or liabilities arising from court action to report.

Departmental

In the event of an unfavourable judgement by the Courts, the Commission stands to be liable for court costs. If it had been possible to estimate the amounts of eventual payments these would have been reported as departmental contingent liabilities.

The contingent liability of \$0.1m recognised in the notes to the 2015-16 Financial Statements was realised during 2016-17.

The Commission is in possession of a bank guarantee in the amount of \$0.1m. This bank guarantee is a contingent asset which would be exercised in the event of a default by a subleasee. It is not expected that this bank guarantee will be exercised and it is due to expire 30 September 2021.

Administered

In the event of favourable judgement by the Courts, the Commission stands to gain by way of penalties or costs awarded. If it had been possible to estimate the amounts of eventual gains these would have been reported as administered contingent assets.

The three contingent assets recognised in the notes to the 2015-16 Financial Statements, totalling \$5.1m, were extinguished during 2016-17 through realisation (\$4.8m), expiration (\$0.2m) and re-measurement (\$0.1m).

Accounting Policy

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset, 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.

7.2 Financial Instruments

	2017 \$'000	2016 \$'000
7.2A: Categories of financial instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	1,616	1,289
Trade and other receivables	607	398
Total loans and receivables	2,223	1,687
Total financial assets	2,223	1,687
Financial Liabilities		
Financial liabilities measured at amortised cost		
Trade creditors	8,128	7,340
Unearned income	1,220	1,259
Total financial liabilities measured at amortised cost	9,348	8,599
Total financial liabilities	9,348	8,599
7.2B: Net gains or losses on financial assets		
Loans and receivables		
Impairment	-	(4)
Net gains/(losses) on loans and receivables	-	(4)
Net gains/(losses) on financial assets	-	(4)

7.2: Financial Instruments (cont)

Accounting Policy

Financial Assets

The Commission classifies its financial assets as 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

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

Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial assets:

- a) have been acquired principally for the purpose of selling in the near future;
- b) are derivatives that are not designated and effective as a hedging instrument; or
- c) are parts of an identified portfolio of financial instruments that the entity manages together and has a recent actual pattern of short-term profit-taking.

Assets in this category are classified as current assets.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest earned on the financial asset.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

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 Statement of Comprehensive Income.

Financial assets held at cost - if there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows

discounted at the current market rate for similar assets.

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'.

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

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).

7.3 Administered - Financial Instruments

	2017 \$'000	2016 \$'000
7.3A: Categories of financial instruments		
Financial assets		
Loans and receivables		
Cash on hand or on deposit	1	1
Fines and costs receivable	6,848	7,683
Total loans and receivables	6,849	7,683
Total financial assets	6,849	7,683
7.3B: Net gains or losses on financial assets		
Loans and receivables		
Impairment	(7,364)	(5,632)
Net gains/(losses) on loans and receivables	(7,364)	(5,632)
Net gains/(losses) on financial assets	(7,364)	(5,632)

7.4 Fair Value Measurement

7.4A: Fair value measurement

Fair value measurements at the end of the reporting period

	2017 \$'000	2016 \$'000
Non-financial assets		
Leasehold improvements	9,433	10,502
Plant and equipment	3,109	4,017

No non-financial assets were measured on a non-recurring basis at 30 June 2017 (2016:Nil)

Accounting Policy

The above table provides an analysis of assets and liabilities that are measured at fair value. The remaining assets and liabilities disclosed in the statement of financial position do not apply the fair value hierarchy.

The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The ACCC engaged the service of the Jones Lang LaSalle Public Sector Valuations (JLL) to conduct a materiality review carrying amounts for all non-financial assets at 30 June 2017. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. Comprehensive valuations are carried out at least once every three years with the previous valuation conducted at 30 June 2015. Australian Valuation Solutions has provided written assurance to the ACCC that the models developed are in compliance with AASB 13: Fair Value Measurement.

The methods utilised to determine and substantiate the unobservable inputs are derived and evaluated as follows:

Physical depreciation and obsolescence - assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the Depreciated Replacement Cost approach. Under the Depreciated Replacement Cost approach the estimated cost to replace the asset is calculated and then adjusted to take into account physical depreciation and obsolescence. Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration. For all leasehold improvement assets, the consumed economic benefit / asset obsolescence deduction is determined based on the term of the associated lease.

The ACCC's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

8.1 Budgetary Reporting

Explanations of major variances between the actual amounts presented in the financial statements and the corresponding original budget amounts.

Departmental

Suppliers

The variance in supplier expense is predominantly driven by underspends on contractors and consultants (\$4.2m), underspends on external legal expenditure (\$3.4m) and anticipated increased property and other operating costs relating to the search for a new Melbourne office and IT projects that did not finalise in 2016-17 (\$2.3m).

The contractor and consultancy budget in 2016-17 factored in additional funding relating to the AER program (\$7.9m) as there was no increase in the average staffing level cap to facilitate the additional work.

External legal expenditure is volatile, as it is based on the number and complexity of litigations which are at various stages of completion.

Consistent with the supplier expense variance is the difference between budget and actual cash used for supplier payments and a more favourable trade and other receivables position at 30 June 2017.

Employee benefits

The underspend on contractors and consultants disclosed above is more than fully offset by employee expenses, being \$5.2m higher than the original budget. Correlating with this is the employee provision result, which is \$3.3m over budget. During 2016-17 the Commission had an increase in the total number of employees and a 3% pay rise for staff under the new Enterprise Agreement. The original budget had anticipated a smaller staffing profile.

Settlement of Litigation

The \$8.9m settlement of litigation expense is court costs incurred during 2016-17. These amounts have been paid (\$4.4m), or are payable (\$4.5m) by the Commission, to respondents in reimbursement of their legal expenses for cases where the Federal Court has ruled in their favour. The Commission utilised mostly equity appropriations to make payments of these unanticipated costs, including making payment of the settlement of litigation costs accrued in 2015-16 (\$4.0m).

Administered Activities

The Commission uses a historical average to budget for fees and fines revenue due to the complexity and uncertainty in predicting the future outcome of litigation. The resulting variance between budget and actual fees and fines is a favourable \$6.7m in 2016-17. However, the budget did not anticipate impairments for overdue debtor balances of \$7.4m resulting in a final administered outcome that is not materially different to the budget (\$0.7m).

The final receivables balance is difficult to estimate as it is the balance as at the reporting date which is a factor of the penalties and court costs imposed as well as debtors' ability to pay and the timing of their payments. Two post balance date adjusting events for favourable outcomes from court proceedings increased the receivables balance by \$4.5m. The final result is a receivables balance of \$1.6m above budget.

Affected line items

Supplier expenses,

Trade and other receivables,

Suppliers cash used.

Employee benefits,

Employee provisions.

Settlement of litigation expense,

Other provisions,

Settlement of litigation cash used,

Contributed equity cash received.

Fees and fines revenue,

Impairment of fees and fines,

Trade and other receivables.