



# Financial Statements

IMAGE: *Deceased Estate*, Sean Cordeiro and Claire Healy, 2004, 5 x 8 x 6m. Created from a collection of artists' materials left in an empty warehouse in Germany, *Deceased Estate* is a testament to the paradoxically high standard of living artists enjoy in the West and their chronic lack of housing stability. Funded by a Visual Arts and Craft Strategy New Work grant from the Visual Arts/Craft Board. Photo: Christian Schnuur, courtesy Gallery Barry Keldoulis

# Independent Audit Report

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To the Minister for the Arts and Sport

## Scope

The financial statements and Council Members' responsibility

The financial statements comprise:

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

of the Australia Council for the year ended 30 June 2005.

The Council Members are responsible for preparing the financial statements that give a true and fair view of the financial position and performance of the Australia Council (the Council), and that comply with Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, accounting standards and other mandatory financial reporting requirements in Australia. The Council Members are also responsible for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

## Audit approach

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

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

I have performed procedures to assess whether, in all material respects, the financial statements present fairly, in accordance with Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, accounting standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Council'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 Council Members.

## Independence

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

## Audit Opinion

In my opinion, the financial statements of the Australia Council:

- (a) have been prepared in accordance with Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*; and
- (b) give a true and fair view of the Australia Council's financial position as at 30 June 2005 and of its performance and cash flows for the year then ended, in accordance with:
  - (i) the matters required by the Finance Minister's Orders; and
  - (ii) applicable accounting standards and other mandatory financial reporting requirements in Australia.

Australian National Audit Office



**P Hinchey**

Senior Director  
Delegate of the Auditor-General  
Sydney  
August 2005

## Statement by Council Members

For the year ended 30 June 2005

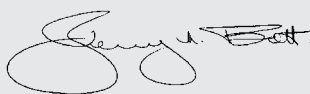
In our opinion, the attached financial statements for the year ended 30 June 2005 have been prepared based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Australia Council will be able to pay its debts as and when they become due and payable.

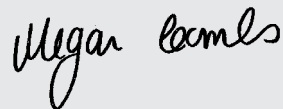
This Statement is made in accordance with a resolution of the Council Members.



David Gonski  
Chairman  
30 August 2005



Jennifer Bott  
Chief Executive Officer  
30 August 2005



Megan Coombs  
Chief Financial Officer  
30 August 2005

# Statement of Financial Performance

For the year ended 30 June 2005

	Notes	2004-05 \$000	2003-04 \$000
<b>REVENUE</b>			
Revenues from ordinary activities			
Revenues from government	4(a)	138 223	139 579
Goods and services	4(b)	-	31
Interest	4(c)	2 442	1 729
Other	4(d)	6 816	6 135
Revenue from sale of assets	5(d)	46	48
Revenues from ordinary activities		147 527	147 522
<b>EXPENSE</b>			
Expenses from ordinary activities			
Employees	5(a)	9 529	9 001
Suppliers	5(b)	4 322	3 817
Grants	6	127 745	132 233
Depreciation and amortisation	5(c)	650	1 500
Value of assets sold	5(d)	56	71
Expenses from ordinary activities		142 302	146 622
Operating surplus from ordinary activities		5 225	900
Transfer from/(to) special purpose reserve	11	2 047	(1 780)
Net credit/(debit) to asset revaluation reserve	11	242	-
Total revenues, expenses and valuation adjustments recognised directly in equity		2 289	(1 780)
Total changes in equity other than those resulting from transactions with the Australian Government as owner		7 514	(880)

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

# Statement of Financial Position

As at 30 June 2005

	Notes	2004-05 \$000	2003-04 \$000
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash	12(b)	26 510	5 988
Receivables	7	2 276	6 077
<b>Total financial assets</b>		<b>28 786</b>	<b>12 065</b>
<b>Non-financial assets</b>			
Land and buildings	8(a)(d)	2 867	2 648
Infrastructure, plant and equipment	8(b)(d)	1 664	1 743
Intangibles	8(c)(d)	309	111
Prepayments	8(e)	204	8 843
<b>Total non-financial assets</b>		<b>5 044</b>	<b>13 345</b>
<b>Total assets</b>		<b>33 830</b>	<b>25 410</b>
<b>LIABILITIES</b>			
<b>Provisions</b>			
Employees	9	1 734	1 600
<b>Total provisions</b>		<b>1 734</b>	<b>1 600</b>
<b>Payables</b>			
Suppliers	10(a)	928	616
Grants	10(c)	7 134	4 627
<b>Total payables</b>		<b>8 062</b>	<b>5 243</b>
<b>Total liabilities</b>		<b>9 796</b>	<b>6 843</b>
<b>NET ASSETS</b>		<b>24 034</b>	<b>18 567</b>
<b>EQUITY</b>			
Asset revaluation reserve	11	2 044	1 802
Accumulated surpluses	11	20 257	12 985
Special purpose reserve	11	1 733	3 780
<b>Total equity</b>		<b>24 034</b>	<b>18 567</b>
<b>Current assets</b>		<b>28 990</b>	<b>20 908</b>
<b>Non-current assets</b>		<b>4 840</b>	<b>4 502</b>
<b>Current liabilities</b>		<b>8 846</b>	<b>5 978</b>
<b>Non-current liabilities</b>		<b>950</b>	<b>865</b>

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

## Statement of Cash Flows

For the year ended 30 June 2005

	Notes	2004-05 \$000	2003-04 \$000
<b>OPERATING ACTIVITIES</b>			
Cash received			
Appropriations	19	141 223	136 579
Sales of services		-	31
Interest		2 477	1 710
GST received from ATO		12 049	12 000
Other		6 696	6 083
<b>Total cash received</b>		<b>162 445</b>	<b>156 403</b>
<b>Cash used</b>			
Employees		(9 394)	(9 160)
Suppliers		(4 625)	(4 678)
Grants		(127 148)	(145 784)
<b>Total cash used</b>		<b>(141 167)</b>	<b>(159 622)</b>
<b>Net cash from/(used by) operating activities</b>	<b>12(a)</b>	<b>21 278</b>	<b>(3 219)</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of property, plant and equipment		46	48
<b>Total cash received</b>		<b>46</b>	<b>48</b>
<b>Cash used</b>			
Purchase of property, plant and equipment		(802)	(481)
<b>Total cash used</b>		<b>(802)</b>	<b>(481)</b>
<b>Net cash used by investing activities</b>		<b>(756)</b>	<b>(433)</b>
<b>Net increase/(decrease) in cash held</b>		<b>20 522</b>	<b>(3 652)</b>
Cash at the beginning of the reporting period		5 988	9 640
<b>Cash at the end of the reporting period</b>	<b>12(b)</b>	<b>26 510</b>	<b>5 988</b>

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

## Statement of Schedule of Commitments

As at 30 June 2005

Notes	2004-05 \$000	2003-04 \$000
<b>BY TYPE</b>		
<b>Other commitments</b>		
Operating leases	8 687	10 389
Other commitments	192 742	251 811
<b>Total other commitments</b>	<b>201 429</b>	<b>262 200</b>
Commitments receivable	(18 252)	(23 776)
<b>Net commitments</b>	<b>183 177</b>	<b>238 424</b>
<b>BY MATURITY</b>		
<b>Operating lease commitments</b>		
One year or less	1 783	1 715
From one to five years	6 303	7 571
Over five years	600	1 103
<b>Total operating lease commitments</b>	<b>8 686</b>	<b>10 389</b>
<b>Other commitments</b>		
One year or less	102 485	88 955
From one to five years	90 258	162 856
Over five years	-	-
	<b>192 743</b>	<b>251 811</b>
Commitments receivable	(18 252)	(23 776)
<b>Net commitments</b>	<b>183 177</b>	<b>238 424</b>

All commitments are GST inclusive where relevant

<i>Nature of lease</i>	<i>General description of leasing arrangement</i>
Leases for office accommodation	<ul style="list-style-type: none"> <li>Lease payments are subject to annual increase in accordance with upwards movements in the Consumer Price Index.</li> </ul>
Motor vehicles - senior executives	<ul style="list-style-type: none"> <li>No contingent rental exists.</li> <li>There are no renewal or purchase options available to the Council.</li> </ul>

## Schedule of Contingencies

as at 30 June 2005

There were no contingent losses or gains at 30 June 2005.

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

# Notes to and Forming Part of the Financial Statements

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for the year ended 30 June 2005

<b>Note</b>	<b>Description</b>
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- |     |  |
|-----|--|
| 1.  | Summary of Significant Accounting Policies   |
| 2.  | Adoption of Australian Equivalents to International Financial Reporting Standards from 2005-2006 |
| 3.  | Economic Dependency  |
| 4.  | Operating Revenues   |
| 5.  | Operating Expenses   |
| 6.  | Operating Expenses - Grants and Initiatives  |
| 7.  | Financial Assets   |
| 8.  | Non-Financial Assets   |
| 9.  | Provisions   |
| 10. | Payables   |
| 11. | Equity   |
| 12. | Cash Flow Reconciliation   |
| 13. | Remuneration of Council Members  |
| 14. | Related Party Disclosures  |
| 15. | Remuneration of Officers & Staffing Levels   |
| 16. | Remuneration of Auditors   |
| 17. | Financial Instruments  |
| 18. | Events Occurring After Reporting Date  |
| 19. | Appropriations   |
| 20. | Reporting of Outcomes  |

# Notes to and Forming Part of the Financial Statements

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for the year ended 30 June 2005

## 1. Summary of Significant Accounting Policies

### 1(a) Basis of Accounting

The financial statements are required by clause 1(b) of Schedule 1 to the *Commonwealth Authorities and Companies Act 1997* and are a general purpose financial report.

The Statements have been prepared in accordance with:

- Finance Minister's Orders (being the Commonwealth Authorities and Companies Orders (Financial Statements for reporting periods ending on or after 30 June 2005);
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board; and
- Urgent Issues Group Abstracts.

The Statements of Financial Performance and Financial Position have been prepared on an accrual basis and are in accordance with 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 and liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are however 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.

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.

### 1(b) Taxation

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

### 1(c) Revenue

The revenues described in this Note are revenues relating to the core operating activities of the Council.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the relevant asset.

#### *Revenues from Government - Output Appropriations*

The full amount of the appropriation for departmental outputs for the year is recognised as revenue.

#### *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 at their fair value when the asset qualifies for recognition.

# Notes to and Forming Part of the Financial Statements

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for the year ended 30 June 2005

## 1(d) Reporting by Outcomes

Net cost of outcome delivery and departmental revenues and expenses by outcomes and output groups are tabled in Note 20.

## 1(e) Acquisition of Assets

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

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.

## 1(f) Property (Land, Buildings and Infrastructure), Plant and Equipment

### *Asset Recognition Threshold*

Assets purchased 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 or add to part of a group of similar items which are significant in total).

### *Revaluations*

Land, buildings, infrastructure, plant and equipment are carried at valuation. Revaluations undertaken up to 30 June 2003 were done on a deprival basis; revaluations since that date are at fair value. This change in accounting policy is required by Australian Accounting Standard AASB 1041 *Revaluation of Non-Current Assets*.

All property, plant and equipment were revalued at Fair Value as at 30 June 2005; and all revaluations are independent.

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### Methods and basis used for determining fair values:

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Quoted Market price	This method is used when an active and liquid market exists.
Value based on market evidence	This method is used when there is no active and liquid market for the asset. Fair value is estimated by reference to the market price of the same or similar assets, or the most recent transaction price.
Depreciated replacement cost	This method is used when the asset can only be sold for its residual value or when there is no market for it at all.

Under both deprival and fair value, assets which are surplus to requirements are measured at their net realisable value. At 30 June 2005, there were no assets in this situation. (30 June 2004: \$0).

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

## *Frequency*

Land, buildings, infrastructure, plant and equipment were formally valued by independent valuers as at 30 June 2005 on the fair value basis in accordance with the Finance Minister's Orders.

The Council is required to revalue its non-current assets sufficiently frequently that their carrying amount at each date of reporting does not differ materially from their fair value. The Finance Minister has directed that all assets held at fair value should be the subject of a formal valuation at least once every five years.

## *Conduct*

All valuations are conducted by an independent qualified valuer.

## *Depreciation and Amortisation*

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Council using, in all cases, the straight line method of depreciation.

Leasehold improvements and leasehold property are amortised over the life of the leases concerned or their estimated useful life, whichever is shorter.

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 assets are based on the following useful lives:

	2004-05	2003-04
Buildings on freehold land	40 years	40 years
Buildings on leasehold land	50 – 75 years	50-75 years
Leasehold improvements	10 years	10 years
Plant and equipment - <i>excluding</i> musical instruments	3 – 50 years	3 – 50 years
Plant and equipment - musical instruments	15-100 years	15-100 years
Plant and equipment – works of art	50 – 250 years	N/A

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

This year is the first time the Council has depreciated its Works of Art.

# Notes to and Forming Part of the Financial Statements

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for the year ended 30 June 2005

## **1 (g) 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. The non-current assets carried at cost, which are not held to generate net cash inflows, have been assessed for indications of impairment. Where indications of impairment exist, the asset is written down to the higher of its net selling price and, if the entity would replace the asset's service potential, its depreciated replacement cost.

## **1 (h) Employee Benefits**

### *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 and annual leave are measured at their nominal amounts. Other employee benefits expected to be settled within 12 months of their reporting date are also measured at their nominal amount.

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 on the present value of 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 Council 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 Council'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 liability 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 at 30 June 2005. In determining the present value of the liability, the Council has taken into account attrition rates and pay increases through promotion and inflation.

# Notes to and Forming Part of the Financial Statements

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for the year ended 30 June 2005

## *Separation and redundancy*

Provision is made for separation and redundancy benefit payments when appropriate.

## *Superannuation*

Employees of the Council are members of the Commonwealth Superannuation Scheme, the Public Sector Superannuation Scheme, and other private schemes. The liability for their superannuation benefits is recognised in the financial statements of those funds.

The Council makes employer contributions to those funds at the requested rates.

The liability for superannuation recognised at 30 June 2005 represents outstanding contributions for the final fortnight of the year.

## **1(i) Grant Liabilities**

Grants liabilities comprise grants and programs approved by the Council and Boards for 30 June 2005 or previous financial years for which signed conditions have been received from successful grants applicants.

## **1(j) Commitments**

Commitments relating to grants in the 'Schedule of Commitments' comprise amounts payable under grant agreements in respect of which the recipient is yet to comply with certain requirements or meet eligibility conditions.

## **1(k) Leases**

Operating lease payments are charged to the Statement of Financial Performance on a basis that is representative of the pattern of benefits derived from the leased assets.

## **1(l) Intangibles**

The Council's intangibles comprise externally purchased software, which is carried at cost. Intangible assets are amortised on a straight-line basis over their anticipated useful lives. Useful lives are:

	2005	2004
Software	5 years	5 years

All software assets were assessed for impairment as at 30 June 2005. None were found to be impaired.

# Notes to and Forming Part of the Financial Statements

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for the year ended 30 June 2005

## **1(m) 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. Interest is credited to revenue as it accrues.

## **1(n) Comparative Figures**

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

## **1(o) Changes in Accounting Policies**

The accounting policies used in the preparation of these financial statements are consistent with those used in 2003-04 except in respect of asset recognition threshold (see note 1 (f)).

## **1(p) 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.

## **1(q) Rounding**

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

- remuneration of Council members;
- related party disclosures;
- remuneration of officers; and
- remuneration of auditors.

## **1(r) Financial Instruments**

Accounting policies for financial instruments are stated at Note 17.

## **1(s) Insurance**

The Council has insured for risks through the Government's insurable risk managed fund called 'Comcover'. Workers Compensation is insured through Comcare Australia.

# Notes to and Forming Part of the Financial Statements

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for the year ended 30 June 2005

## 2. Adoption of Australian 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 Australian Equivalents to International Financial Reporting Standards (AIFRS) 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 Australian Equivalents contain certain additional provisions which will apply to not-for-profit entities, including the Council. Some of these provisions are in conflict with the IFRS and therefore the Council will only be able to assert compliance with the Australian Equivalents to the IFRS.

Existing Australian Standards that have no IFRS equivalent will continue to apply.

Accounting Standard AASB 1047 *Disclosing the impact of Adopting Australian Equivalents to International Financial Reporting Standards* requires that the financial statements for 2004-05 disclose:

- An explanation of how the transition to the AIFRS is being managed, and
- A narrative explanation of the key differences in accounting policies that are expected to arise from adopting AIFRS.

### *Management of the transition to Australian Equivalents to International Financial Reporting Standards*

The Council has taken the following steps for the preparation towards the implementation of AIFRS

- The Council's Audit Committee is responsible for the oversight of the transition to and implementation of the AIFRS. The Executive Director, Finance and Services is formally responsible for the project and reports regularly to the Audit Committee on progress.
- Implementation of the AIFRS requires the following key steps to be undertaken:
  - Identification of all major accounting policy differences between current Australian standards and the AIFRS progressively to 30 June 2004.
  - Identification of systems changes necessary to be able to report under the AIFRS, including those necessary to enable capture of data under both sets of rules for 2004-05, and the testing and implementation of those changes.
  - Preparation of a transitional balance sheet, as at 1 July 2004 under AIFRS, at the same time as the 30 June 2005 statements are prepared.
  - Meeting reporting deadlines set by the Department of Finance & Administration for 2004-05 balance sheet under AIFRS.
- To date, all major accounting and disclosure differences have been identified.

### *Major changes in accounting policy*

Changes in accounting policies under Australian Equivalents are applied retrospectively i.e. as if the new policy had always applied. This rule means that a balance sheet prepared under the AIFRS 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 AIFRS also.

# Notes to and Forming Part of the Financial Statements

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for the year ended 30 June 2005

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

## *Property plant and equipment*

The Finance Minister's Orders require property plant and equipment assets carried at valuation in 2003-04 to be measured at up-to-date fair value by 30 June 2005. This differs from the accounting policies currently in place for these assets which, up to and including 2003-04, have been revalued progressively over a 3-year cycle and which currently include assets at cost (for purchases since the commencement of a cycle) and at deprival value (which will differ from their fair value to the extent that they have been measured at depreciated replacement cost when a relevant market selling price is not 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 were carried as at 30 June 2004 under existing standards will stand in the transitional balance sheet as at 1 July 2004.

## *Impairment of Non-Current Assets*

The Council's policy on impairment of non-current assets is at Note 1(g).

Under the AIFRS, these assets will be subject to assessment for impairment, and, if there are indications of impairment, measurement of any impairment. (Impairment measurement must also be done, irrespective of any indications of impairment, for intangible assets not 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 fair value in use. 'Value in use' is the net present value of cash inflows for for-profit assets of the Council and depreciated replacement cost for other assets, which would be replaced if the Council was deprived of them.

## *Employee Benefits*

The provision for long service leave is measured at the present value of the estimated future cash outflows using market yields as at the reporting date or national government bonds.

Under the AIFRS, the same discount rate will be used unless there is a deep market in high quality corporate bonds, in which case the market yields in such bonds must be used.

Under AIFRS, the provision of the non-current portion of annual leave is measured at the net present value of the expected future cash outflows.

## *Restoration costs of leasehold improvements (make good)*

The Australia Council, under its lease agreement at 372 Elizabeth Street, Surry Hills has an obligation to restore (make good) leasehold improvements at the end of the lease term. This obligation, however remote, must be recognised under AIFRS as a liability for the cost of restoration at the end of the term (discounted to its net present value). This is also initially recognised as part of the capitalised cost of the leasehold improvements and amortised over the lease term.

The impact of the increase in amortisation expense (on the additional capitalised leasehold improvements) and the increase as the net present value of the provision increases, recognised as a borrowing cost under AIFRS, is shown on the next page.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

Reconciliation of Impacts – AGAAP to AIFRS	AGAAP 30-Jun-05	AIFRS 30-Jun-05	Difference
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash	26 510	26 510	-
Receivable	2 276	2 276	-
<b>Total financial assets</b>	<b>28 786</b>	<b>28 786</b>	<b>-</b>
<b>Non-financial assets</b>			
Land and buildings	2 867	2 867	-
Infrastructure, plant and equipment	1 664	1 664	-
Intangibles	309	309	-
Make good	-	405	405 (1)
Prepayments	204	204	-
<b>Total non-financial assets</b>	<b>5 044</b>	<b>5 449</b>	<b>405</b>
<b>Total assets</b>	<b>33 830</b>	<b>34 235</b>	<b>405</b>
<b>LIABILITIES</b>			
<b>Provisions</b>			
Employees	1 734	1 734	-
Make good	-	530	530 (2)
<b>Total provisions</b>	<b>1 734</b>	<b>2 264</b>	<b>530</b>
<b>Payables</b>			
Suppliers	928	928	-
Grants	7 134	7 134	-
<b>Total payables</b>	<b>8 062</b>	<b>8 062</b>	<b>-</b>
<b>Total liabilities</b>	<b>9 796</b>	<b>10 326</b>	<b>530</b>
<b>NET ASSETS</b>	<b>24 034</b>	<b>23 909</b>	<b>(125)</b>
<b>EQUITY</b>			
Asset revaluation reserve	2 044	2 044	-
Accumulated surpluses	20 257	20 132	(125)
Special purpose reserve	1 733	1 733	-
<b>Total equity</b>	<b>24 034</b>	<b>23 909</b>	<b>(125)</b>

Note (1) On transition to AIFRS

Initial capitalisation of provision for restoration costs	\$530 000
Less: amortisation of leasehold improvements to 30 June 2005	(\$124 076)
	\$405 924

Note (2) On transition to AIFRS initial recognition of provision for restoration costs plus increase in provision as net present value of provision increases to 30 June 2005.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

## 3. Economic Dependency

The Council is dependent on appropriations from the Parliament of the Commonwealth for its continued existence and ability to carry out its normal activities.

## 4. Operating Revenues

	2004-05 \$000	2003-04 \$000
<b>4(a) Revenues from Government</b>		
Appropriations for outputs	138 223	139 579
<b>4(b) Sales of Goods and Services</b>		
Services	-	31
<b>Total sales of goods and services</b>	<b>-</b>	<b>31</b>
Rendering of services to:		
External entities	-	31
<b>Total rendering of goods and services</b>	<b>-</b>	<b>31</b>
<b>4(c) Interest Revenue</b>		
Deposits	2 442	1 728
Australian Taxation Office – Interest on late refund	-	1
<b>Total interest revenue</b>	<b>2 442</b>	<b>1 729</b>
<b>4(d) Other Revenue</b>		
Returned grants	303	487
Rental and outgoings recovered from sub-leasing	37	31
Income from fund raising		
• Venice Biennale 2005 *	694	8
• Books Alive campaign	150	25
• Other	25	-
Contribution from Department of Foreign Affairs and Trade for:		
• 2003 Australian Contemporary Music Market	-	8
• 2004 Australian Performing Arts Market	-	53
• AICC On-line	-	110
• Musee du quai Branly	38	-
• Two Cultural Award Scheme	20	-
Contribution from the Department of Communications InformationTechnology and the Arts for:		
• Books Alive	-	2 000
• Regional Arts	100	100
• Small to Medium Performing Arts Review	-	60
• Visual Arts and Craft Strategy	4 300	3 000

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

## 4(d) continued

	2004-05 \$000	2003-04 \$000
Department of Education, Science, and Training		
• Review of Education in Visual Communication	125	-
• Contribution towards Education and the Arts Symposium	5	-
Contribution from Images of Australia		
• Undergrowth – Australian Arts UK 2005 Program	400	-
• AICC On-line	65	-
Aboriginal and Torres Strait Islander Services		
• Installation of Australian Indigenous Art at Musee du quai Branly	-	100
• NSW Family Violence arts initiative	-	15
Office of Indigenous Policy Communication		
• Contribution to the Musee du quai Branly	50	-
NSW Ministry for the Arts		
• Contribution to Theatre BIZ	80	-
Bequest		
• Asher Bequest for Literature	-	100
Arts Victoria		
• Industry Adjustment Package on Governance	12	-
• The Review of Orchestras	235	-
• Reserves Incentive for Playbox	55	-
Contributions from State governments		
• Education and the Arts Symposium	20	-
• Backing our Creativity	12	-
Other	90	38
<b>Total other revenue</b>	<b>6 816</b>	<b>6 135</b>
<b>* Income from fundraising - Venice Biennale 2005</b>		
Australia Council Donations Fund	439	-
Sale of benefits	71	-
Contributions from other sources	184	8
All of these funds have been expended for Venice Biennale 2005	694	8

## Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

### 5. Operating Expenses

	2004-05 \$000	2003-04 \$000
<b>5(a) Employee Expenses</b>		
Wages and Salaries	8 075	7 736
Superannuation	1 081	1 087
Leave and other entitlements	249	93
Separation and redundancy	66	12
<b>Total employee benefits expenses</b>	<b>9 471</b>	<b>8 928</b>
Workers compensation premiums	58	73
<b>Total employee expenses</b>	<b>9 529</b>	<b>9 001</b>
<b>5(b) Supplier Expenses</b>		
Services from external parties	3 214	2 751
Operating lease rentals	1 108	1 066
<b>Total supplier expenses</b>	<b>4 322</b>	<b>3 817</b>
<b>5(c) Depreciation and Amortisation</b>		
Depreciation of property, plant and equipment	243	256
Amortisation of leased assets	317	312
Amortisation of intangibles - computer software	90	932
<b>Total depreciation and amortisation expense</b>	<b>650</b>	<b>1 500</b>
<b>5(d) Revenue from Sale of Assets</b>		
Infrastructure, plant and equipment		
Proceeds from disposal	46	48
Net book value of assets disposed	(56)	(71)
<b>Net gain/(loss) from disposal of infrastructure, plant and equipment</b>	<b>(10)</b>	<b>(23)</b>

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

## 6. Operating Expenses - Grants and Initiatives

Grants and initiatives paid to individuals and to non-profit institutions during the year were:	2004-05 \$000	2003-04 \$000
Aboriginal and Torres Strait Islander Arts	3 733	3 725
Community Cultural Development	4 666	5 674
Dance	3 405	3 019
Literature	4 233	4 177
Major Performing Arts	71 727	77 718
Music	4 189	3 939
New Media Arts	2 341	2 617
Theatre	7 544	8 079
Visual Arts/Craft	6 104	6 573
Arts Development - Strategic Initiatives	775	1 236
Audience and Market Development	4 235	4 436
Policy Communications and Planning	2 283	2 939
Government Initiatives	10 099	8 192
<b>Total grants paid</b>	<b>125 334</b>	<b>132 324</b>
Net movement in grants accrued	2 411	(91)
<b>Total grants expenses</b>	<b>127 745</b>	<b>132 233</b>

## 7. Financial Assets

### RECEIVABLES

Appropriations	-	3 000
Other debtors	234	147
GST receivable	2 042	2 930
<b>Total receivables (net)</b>	<b>2 276</b>	<b>6 077</b>
Receivables (gross) are aged as follows:		
Not overdue	2 112	6 050
Overdue by:		
less than 30 days	156	16
30 to 60 days	4	2
60 to 90 days	-	-
more than 90 days	3	9
<b>Total receivables (gross)</b>	<b>2 276</b>	<b>6 077</b>

All receivables are current assets

## Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

### 8. Non-Financial Assets

	2004-05 \$000	2003-04 \$000
<b>8(a) Land and Buildings</b>		
<b>Freehold land</b>		
- at 2002 valuation (market buying price)	-	90
- at 2005 valuation (fair value)	149	-
<b>Total freehold land</b>	<b>149</b>	<b>90</b>
<b>Buildings on freehold land</b>		
- at 2002 valuation (deprival)	-	235
Accumulated depreciation	-	(71)
- at 2005 valuation (fair value)	390	-
Accumulated depreciation	-	-
<b>Total buildings on freehold land</b>	<b>390</b>	<b>164</b>
<b>Leasehold improvements</b>		
- at cost	-	144
Accumulated amortisation	-	(17)
	-	127
Leasehold improvements		
- at 2002 valuation (deprival)	-	2 503
Accumulated amortisation	-	(1 110)
	-	1 393
- at 2005 valuation (fair value)*	2 975	-
Accumulated amortisation	(1 788)	-
<b>Total leasehold improvements</b>	<b>1 187</b>	<b>1 520</b>
<b>Buildings on leasehold land</b>		
- at 2002 valuation (deprival)	-	1 226
Accumulated amortisation	-	(352)
- at 2005 valuation (fair value)*	1 291	-
Accumulated amortisation	(150)	-
<b>Total buildings on leasehold land</b>	<b>1 141</b>	<b>874</b>
<b>Total Land and Buildings (non-current)</b>	<b>2 867</b>	<b>2 648</b>

Included in Land and Buildings are studios in the Cité Internationale desArts in Paris, an apartment in Rome, the Australian Pavilion in Venice and cost of leasehold improvements at 372 Elizabeth Street, Surry Hills, Sydney.

\*The methodology used for the revaluation of these assets was Depreciated Replacement Cost (see Note 1(f)).

## Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

### 8(b) Infrastructure, Plant and Equipment

	2004-05 \$000	2003-04 \$000
Plant and Equipment		
- at cost	-	351
Accumulated depreciation	-	(89)
	-	262
Plant and equipment		
- at 2002 valuation (deprival)	-	2 687
Accumulated depreciation	-	(1 206)
- at 2005 valuation (fair value)	1 666	-
Accumulated depreciation	(2)	-
	1 664	1 481
<b>Total Infrastructure, Plant and Equipment (non-current)</b>	<b>1 664</b>	<b>1 743</b>

Included in Plant and Equipment is one Guarnerius cello, made in 1721, together with a Pajeot bow and a Dodd bow made early in the 19th century. Council purchased this item in 1974. The cello and bows were valued on 30 June 2005. The valuation was performed by independent valuers, John and Arthur Beare's, in London.

The revaluations were in accordance with the revaluation policy stated at Note 1 and were completed by independent valuers Australian Valuation Office (Sydney), Jones Lang LaSalle (Italy), and John & Arthur Beare (London).

### 8(c) Intangibles

	2004-05 \$000	2003-04 \$000
Computer software - externally developed - at cost		
Accumulated amortisation	475	2 100
	(166)	(1 989)
<b>Total Intangibles</b>	<b>309</b>	<b>111</b>

## Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

### 8(d) Reconciliation of the opening and closing balances of properties, plant and equipment

	Land \$000	Buildings on freehold and leasehold land \$000	Buildings Lease-hold improve- ments \$000	Other infra- structure, Plant and Equipment \$000	Computer software \$000	TOTAL \$000
<b>As at 1 July 2004</b>						
Gross book value	90	1 461	2 646	3 038	2 100	9 335
Accumulated depreciation/ amortisation	-	(422)	(1 127)	(1 295)	(1 989)	(4 833)
<b>Net book value</b>	<b>90</b>	<b>1 039</b>	<b>1 519</b>	<b>1 743</b>	<b>111</b>	<b>4 502</b>
<b>Additions</b>						
by purchase	-	48	8	457	288	801
<b>Net Revaluations</b>						
increment/(decrement)	59	472	(46)	(243)	-	242
Depreciation/ amortisation expense	-	(28)	(294)	(237)	(90)	(649)
<b>Disposals</b>						
From disposal of operations	-	-	-	(56)	-	(56)
<b>As at 30 June 2005</b>						
Gross book value	149	1 681	2 975	1 666	475	6 946
Accumulated depreciation/ amortisation	-	(150)	(1 788)	(2)	(166)	(2 106)
<b>Net book value</b>	<b>149</b>	<b>1 531</b>	<b>1 187</b>	<b>1 664</b>	<b>309</b>	<b>4 840</b>

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

## 8(d) Table B - Assets at valuation

	Land \$000	Buildings on freehold and leasehold land \$000	Buildings Lease-hold improve- ments \$000	Other infra- structure, Plant and Equipment \$000	TOTAL \$000
<b>As at 30 June 2005</b>					
Gross value	149	1 681	2 975	1 666	6 471
Accumulated Depreciation/ amortisation	-	(150)	(1 788)	(2)	(1 940)
<b>Net book value</b>	<b>149</b>	<b>1 531</b>	<b>1 187</b>	<b>1 664</b>	<b>4 531</b>
<b>As at 30 June 2004</b>					
Gross value	90	1 461	2 503	2 687	6 741
Accumulated Depreciation/ amortisation	-	(423)	(1 110)	(1 206)	(2 739)
<b>Net book value</b>	<b>90</b>	<b>1 038</b>	<b>1 393</b>	<b>1 481</b>	<b>4 002</b>

## 8(e) Other Non-Financial Assets

	2004-05 \$000	2003-04 \$000
Prepaid property rentals	128	123
Prepaid grants*	-	8 561
Other prepayments	76	159
<b>Total other non-financial assets</b>	<b>204</b>	<b>8 843</b>

\*The Council has ceased to prepay Major Performing Arts organisations.

## 9. Provisions

### Employee Provisions

Salaries and wages	159	140
Leave	1 497	1 400
Superannuation	78	60
<b>Aggregate employee entitlement liability</b>	<b>1 734</b>	<b>1 600</b>
Workers' compensation	-	-
<b>Aggregate employee benefit liability and related on costs</b>	<b>1 734</b>	<b>1 600</b>
Current	784	735
Non-Current	950	865

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

## 10. Payables

	2004-05 \$000	2003-04 \$000
<b>10(a) Supplier Payables</b>		
Trade creditors	149	109
Other creditors	86	53
GST payable on grants liabilities	693	454
<b>Total supplier payables</b>	<b>928</b>	<b>616</b>

All supplier payables are current.  
Trade Creditors settlement is usually net 30 days.

## 10(b) Grants Payable

Individuals and non-profit institutions	7 134	4 627
---	-------	-------

All grants payable are current

## 11. Equity

### 11(a) Analysis of Equity

Item	Accumulated Results		Asset revaluation Reserve		Special Purpose Reserve		Total Equity	
	2004-05 \$000	2003-04 \$000	2004-05 \$000	2003-04 \$000	2004-05 \$000	2003-04 \$000	2004-05 \$000	2003-04 \$000
Opening balance as at 1 July	12 985	13 865	1 802	1 802	3 780	2 000	18 567	17 667
Net surplus/(deficit)	7 272	(880)	-	-	-	-	7 272	(880)
Transfer (from)/to special purpose reserve	-	-	-	-	(2 053)	1 676	(2 053)	1 676
Golbas, Sigrid & Estate Asher Bequest	-	-	-	-	6	104	6	104
Net revaluation increment/(decrement)	-	-	242	-	-	-	242	-
Closing balance as at 30 June	20 257	12 985	2 044	1 802	1 733	3 780	24 034	18 567

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

## 12. Cash Flow Reconciliation

2004-05	2003-04
\$000	\$000

### 12(a) Reconciliation of Operating surplus to net cash from Operating Activities:

Operating surplus before extraordinary items	5 225	900
<b>Non-cash items</b>		
Depreciation and amortisation	650	1 500
Loss on disposal of assets	10	23
<b>Changes in Assets and Liabilities</b>		
(Increase)/decrease in receivables	3 801	(3 966)
Increase/(decrease) in employee provisions	135	(159)
Increase/(decrease) in supplier payables	312	(234)
Increase/(decrease) in grants payable	2 507	(112)
(Increase)/decrease in prepayments	8 638	(1 171)
<b>Net cash from operating activities</b>	<b>21 278</b>	<b>(3 219)</b>

### 12(b) Reconciliation of Cash

Cash balance comprises:

Cash on hand	453	61
Deposits at call	26 057	5 927
<b>Total cash</b>	<b>26 510</b>	<b>5 988</b>

## 13. Remuneration of Council Members

Aggregate amount of superannuation payments in connection with the retirement of Council Members

21 350	23 128
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Other remuneration received or due and receivable by Council Members

228 348	247 940
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**Total remuneration received or due and receivable by Council Members**

<b>249 698</b>	<b>271 068</b>
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The number of Council members included in these figures is shown below in the relevant remuneration bands:

	Number	Number
\$0 - \$9 999	4	4
\$10 000 - \$19 999	5	2
\$20 000 - \$29 999	4	6
\$30 000 - \$30 999	2	2
<b>Total</b>	<b>15</b>	<b>14</b>

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

The Chief Executive Officer is an *ex-officio* member of Council, but receives no additional remuneration as a Councillor. The remuneration of the Chief Executive Officer is included in Note 15 on the Remuneration of Officers.

## 14. Related Party Disclosures

### Council members

Council members during the year were:

Name	Appointed	Term Concludes/ Concluded
Bott, Jennifer *	08/02/1999	07/02/2007
Alway, Lesley	30/11/2004	29/11/2007
Arcus, Terrey	22/06/2002	21/06/2007
Carroll, Shane	21/05/2003	20/05/2006
Downer, Nicola	18/12/2003	17/12/2006
Goldsworthy, Peter	04/12/2001	03/06/2006
Gonski, David	02/05/2002	01/05/2007
Koehne, Graeme	19/12/2002	18/12/2005
Lewis, Adam	01/10/2001	30/09/2007
McRae, Ian	24/07/2002	23/07/2007
Pulvirenti, Christine	24/07/2002	23/07/2005
Sarra, Chris	09/03/2005	08/03/2008
Snelling, Michael	20/09/2001	01/11/2004
Tassell, Christopher	25/06/2002	24/07/2005
Walley, Richard	31/05/2000	30/11/2004
Ward, Mel	04/11/2002	03/11/2005

*\*Ex-officio member of Council by virtue of appointment as Chief Executive Officer*

### Other Transactions with Councillors or Council related entities

No Council member has, since the end of the previous financial year, received or become entitled to receive any benefits by virtue of being a Council member other than fixed stipends (disclosed in Note 13) or travelling and related allowances. The following is a list of transactions with Councillors or Council related entities that occurred as a result of Council members acting in another business capacity. All transactions with Council members, or organisations in which they have an interest, were conducted in accordance with standard procedures and on conditions no more beneficial than those of other grant applicants.

## Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

Council Member	Organisation in receipt of Grant	Position held by Council Member	Amount of Grant \$
Christine Pulvirenti	Queensland Arts Council	Vice President	11 000
David Gonski	Art Gallery of NSW National Institute of Dramatic Art	President Chairman	66 118 5 060
Ian McRae	Victorian College of the Arts Bell Shakespeare Company Ian McRae	President Director Consultant	55 000 361 533 11 255
Michael Snelling	Major Brisbane Festival Pty Ltd Institute of Modern Art ELISION Incorporated Bundanon Trust	Chief Executive Officer Director Deputy Chair Board Member	16 324 365 750 88 000 71 500
Nicola Downer	State Theatre of South Australia	Governor	450 075
Peter Goldsworthy	The Asialink Centre	Participant in international book tour	590 307
Shane Carroll	Bangarra Dance Theatre Sydney Dance Company The Australian Ballet	Guest Teacher Guest Teacher Guest Artist	592 382 1 763 670 3 629 145

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

## 15. Remuneration of Officers & Staffing Levels

### 15(a) Remuneration of Officers

The number of officers who received or were due to receive total remuneration of \$100,000 or more:

	2004-05 Number	2003-04 Number
\$100 000 - \$109 999*	6	5
\$110 000 - \$119 999	-	-
\$120 000 - \$129 999	-	-
\$130 000 - \$139 999	-	1
\$140 000 - \$149 999	-	3
\$150 000 - \$159 999*	2	2
\$160 000 - \$169 999*	1	1
\$170 000 - \$179 999*	3	-
\$180 000 - \$189 999*	1	-
\$190 000 - \$199 999*	1	-
\$240 000 - \$249 999	-	1
\$260 000 - \$269 999*	1	-
<b>Total</b>	<b>15</b>	<b>13</b>

\* Includes salary, superannuation, accrued RL, cost of motor vehicles and fringe benefits tax at 30 June 2005 to which officers are currently entitled and accrued LSL to which officers are not entitled until they have 10 years of service with the Council. Only 5 of the officers listed above were entitled to LSL as at 30 June 2005.

	2004-05 \$	2003-04 \$
The aggregate amount of total remuneration of officers shown above is:	2 276 021	1 818 604
The aggregate amount of separation and redundancy/termination benefit payments during the year to officers shown above is:	63 938	45 466

The officer remuneration includes the Chief Executive Officer who is a member of Council *ex-officio*, and all officers concerned with or taking part in the management of the economic entity.

### 15(b) Staffing levels

The number of staff members at year end

	2004-05 number	2003-04 number
	143	148

## Notes to and Forming Part of the Financial Statements

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for the year ended 30 June 2005

### 16. Remuneration of Auditors

Remuneration to the Auditor-General for auditing the financial statements of:

- the Australia Council
- Books Alive

	2004-05	2003-04
	\$	\$
- the Australia Council	36 000	33 000
- Books Alive	1 600	1 000
	<hr/>	<hr/>
	37 600	34 000

No other services were provided by the Auditor-General during the reporting period.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

## 17. Financial Instruments

### 17(a) Terms, Conditions and Accounting Policies

Financial Instruments	Notes	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of underlying Instruments (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
<i>Financial Assets</i>		Financial Assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Deposits at call	12(b)	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	Temporarily surplus funds, mainly from fortnightly draw-downs of appropriation, are placed on deposit at call with the Council's banker. Interest is earned on the daily balance at the prevailing daily rate for money on call and is paid at month end.
Receivables for goods & services	7	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Provisions are made when collection of the debt is judged to be less likely rather than more likely.	Credit terms are net 14 days.
<i>Financial Liabilities</i>		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	10(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 services have been received (and irrespective of having been invoiced).	Settlement is usually made net 30 days.
Grants Liabilities	10(c)	Grants liabilities comprise grants and programs approved by Council and Boards for 30 June 2005 or previous financial years for which signed conditions had been received from successful grant applications.	Settlement is usually made prior to the commencement of projects.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

## 17(b) Interest Rate Risk

Financial Instruments	Notes	Floating Interest Rate		Non-Interest Bearing		Total		Weighted Average Effective Interest Rate	
		2004-05 \$000	2003-04 \$000	2004-05 \$000	2003-04 \$000	2004-05 \$000	2003-04 \$000	2004-05 %	2003-04 %
<b>Financial Assets</b>									
Cash at Bank	12(b)	451	59	-	-	451	59	2.85	2.1
Cash on Hand	12(b)	-	-	2	2	2	2	n/a	n/a
Deposits at call	12(b)	26 057	5 927	-	-	26 057	5 927	5.25	5.0
Receivables	7	-	-	2 276	6 077	2 276	6 077	n/a	n/a
<b>Total</b>		<b>26 508</b>	<b>5 986</b>	<b>2 278</b>	<b>6 079</b>	<b>28 786</b>	<b>12 065</b>		
<b>Total Assets</b>						<b>33 830</b>	<b>25 410</b>		
<b>Financial Liabilities</b>									
Trade and other Creditors	10(a)	-	-	928	616	928	616	n/a	n/a
Grants Liabilities	10(c)	-	-	7 134	4 627	7 134	4 627	n/a	n/a
<b>Total</b>		<b>-</b>	<b>-</b>	<b>8 062</b>	<b>5 243</b>	<b>8 062</b>	<b>5 243</b>		
<b>Total Liabilities</b>						<b>9 796</b>	<b>6 843</b>		

## 17(c) Net Fair Values of Financial Assets and Liabilities

Financial Assets	Notes	2004-05		2003-04	
		Total carrying amount	Aggregate net fair value	Total carrying amount	Aggregate net fair value
				\$'000	\$'000
Cash at Bank	12(b)	451	451	59	59
Cash on Hand	12(b)	2	2	2	2
Deposits at call	12(b)	26 057	26 057	5 927	5 927
Receivables	7	2 276	2 276	6 077	6 077
<b>Total Financial Assets</b>		<b>28 786</b>	<b>28 786</b>	<b>12 065</b>	<b>12 065</b>
<b>Financial Liabilities (Recognised)</b>					
Trade and other Creditors	10 (a)	928	928	616	616
Grants Liabilities	10 (c)	7 134	7 134	4 627	4 627
<b>Total Financial Liabilities (Recognised)</b>		<b>8 062</b>	<b>8 062</b>	<b>5 243</b>	<b>5 243</b>

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

## 17(c) continued

### *Financial Assets*

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

### *Financial Liabilities*

The net fair values for trade creditors and grant liabilities, all of which are short-term, are approximated by their carrying amounts.

## 17(d) Credit Risk Exposure

The Council's maximum exposures 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 Council has no significant exposures to any concentrations of credit risk.

## 18. Events Occurring after Reporting Date

The Council is not aware of any significant events that have occurred since balance date which warrant disclosure in these financial statements.

## 19. Appropriations

Particulars	Departmental Outputs		Total	
	2004-05 \$'000	2003-04 \$'000	2004-05 \$'000	2003-04 \$'000
<b>Year ended 30 June 2005</b>				
Balance carried forward from previous year	-	-	-	-
Appropriation Acts 1 and 3	138 223	136 579	138 223	136 579
Appropriation Act 4	*3 000	-	3 000	-
Available for payment of CRF	141 223	136 579	141 223	136 579
Payments made out of CRF	141 223	136 579	141 223	136 579
<b>Balance carried forward to next year</b>	-	-	-	-
Represented by:				
Appropriations Receivable	-	-	-	-

This table reports on appropriations made by the Parliament out of the Consolidated Revenue Fund (CRF) in respect of the Council. When received by the Council, the payments made are legally the money of the Council and do not represent any balance remaining in the CRF.

\*Appropriation received includes the \$3m previously reflected on the 2003-04 Statement of Financial Position as Appropriation Receivable shown in Note 7. This amount was paid to the Council in the 2004-05 financial year.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

## 20. Reporting of Outcomes

### 20(a) Outcomes of the Australia Council

The Australia Council is structured to meet two outcomes and three outputs:

**Outcome 1:** That Australian artists create and present a body of distinctive cultural works, characterised by the pursuit of excellence.

Output 1.1: Investments in artist production and development of artistic practice.

Output 1.2: Presentation of distinctive Australian cultural works nationally and internationally.

**Outcome 2:** Australian citizens and civic institutions appreciate, understand, participate in, enjoy and celebrate the arts.

Output 2.1: Promoting the understanding, enjoyment, participation in and appreciation of the arts by Australians

Output 2.2: Infrastructure development for Australia's creative arts.

Output 2.3: Provision of policy development, research, promotional and advisory services.

### 20(b) Net Cost of Outcome Delivery

	Outcome 1		Outcome 2		Total	
	2004-05 \$'000	2003-04 \$'000	2004-05 \$'000	2003-04 \$'000	2004-05 \$'000	2003-04 \$'000
Departmental expenses	80 826	134 438	61 476	12 184	142 302	146 622
<b>Total expenses</b>	<b>80 826</b>	<b>134 438</b>	<b>61 476</b>	<b>12 184</b>	<b>142 302</b>	<b>146 622</b>
Costs recovered from provision of goods and services to the non-government sector						
Departmental	-	-	-	-	-	-
<b>Total costs recovered</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other external revenues						
Departmental						
Sale of goods and services – to related entities	-	28	-	3	-	31
Interest	1 388	1 585	1 054	144	2 442	1 729
Revenue from sale of assets	27	44	19	4	46	48
Donation and bequests	-	-	-	-	-	-
Industry contributions	-	-	-	-	-	-
Other Revenue	3 872	5 625	2 944	510	6 816	6 135
<b>Total Departmental</b>	<b>5 287</b>	<b>7 282</b>	<b>4 017</b>	<b>661</b>	<b>9 304</b>	<b>7 943</b>
<b>Total other external revenues</b>	<b>5 287</b>	<b>7 282</b>	<b>4 017</b>	<b>661</b>	<b>9 304</b>	<b>7 943</b>
<b>Net cost of outcome</b>	<b>75 539</b>	<b>127 156</b>	<b>57 459</b>	<b>11 523</b>	<b>132 998</b>	<b>138 679</b>

## Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

### 20(c) - Departmental Revenues and Expenses by Output Groups and Output

	Outcome 1				Outcome 2			
	Output Group 1.1		Output Group 1.2		Output Group 2.1		Output Group 2.2	
	2004-05 \$000	2003-04 \$000	2004-05 \$000	2003-04 \$000	2004-05 \$000	2003-04 \$000	2004-05 \$000	2003-04 \$000
<b>Operating expenses</b>								
Employees	3 248	7 566	2 163	687	1 511	748	2 187	-
Suppliers	1 474	3 209	981	291	685	317	992	-
Grants	43 565	111 158	28 995	10 087	20 259	10 988	29 315	-
Depreciation and amortisation	220	1 261	147	114	106	125	149	-
Write-down of assets	-	-	-	-	-	-	-	-
Value of assets disposed	19	60	13	5	9	6	13	-
Borrowing cost expense	-	-	-	-	-	-	-	-
Extraordinary loss	-	-	-	-	-	-	-	-
<b>Total operating expenses</b>	<b>48 526</b>	<b>123 254</b>	<b>32 299</b>	<b>11 184</b>	<b>22 570</b>	<b>12 184</b>	<b>32 656</b>	<b>-</b>
<b>Funded by:</b>								
Revenues from Government	47 137	117 333	31 374	10 648	21 921	11 598	31 720	-
Sale of goods and services	-	26	-	2	-	3	-	-
Interest	834	1 453	554	132	387	144	560	-
Donations and bequests	-	-	-	-	-	-	-	-
Industry contributions	-	-	-	-	-	-	-	-
Revenue from Sale of Assets	16	40	10	4	7	4	10	-
Reversal of previous asset write-downs	-	-	-	-	-	-	-	-
Net foreign exchange gains	-	-	-	-	-	-	-	-
Other	2 326	5 157	1 547	468	1 081	510	1 564	-
Other non-taxation revenues	-	-	-	-	-	-	-	-
<b>Total operating revenues</b>	<b>50 313</b>	<b>124 009</b>	<b>33 485</b>	<b>11 254</b>	<b>23 396</b>	<b>12 259</b>	<b>33 854</b>	<b>-</b>

## Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

20(c) cont.

	Outcome 2			
	Output Group 2.3		Total	
	2004-05 \$000	2003-04 \$000	2004-05 \$000	2003-04 \$000
<b>Operating expenses</b>				
Employees	420	-	9 529	9 001
Suppliers	190	-	4 322	3 817
Grants	5 611	-	127 745	132 233
Depreciation and amortisation	28	-	650	1 500
Write-down of assets	-	-	-	-
Value of assets disposed	2	-	56	71
Borrowing cost expense	-	-	-	-
Extraordinary loss	-	-	-	-
<b>Total operating expenses</b>	<b>6 251</b>	<b>-</b>	<b>142 302</b>	<b>146 622</b>
<b>Funded by:</b>				
Revenues from Government	6 071	-	138 223	139 579
Sale of goods and services	-	-	-	31
Interest	107	-	2 442	1 729
Donations and bequests	-	-	-	-
Industry contributions	-	-	-	-
Revenue from Sale of Assets	2	-	45	48
Reversal of previous asset write-downs	-	-	-	-
Net foreign exchange gains	-	-	-	-
Other	299	-	6 817	6 135
Other non-taxation revenues	-	-	-	-
<b>Total operating revenues</b>	<b>6 479</b>	<b>-</b>	<b>147 527</b>	<b>147 522</b>