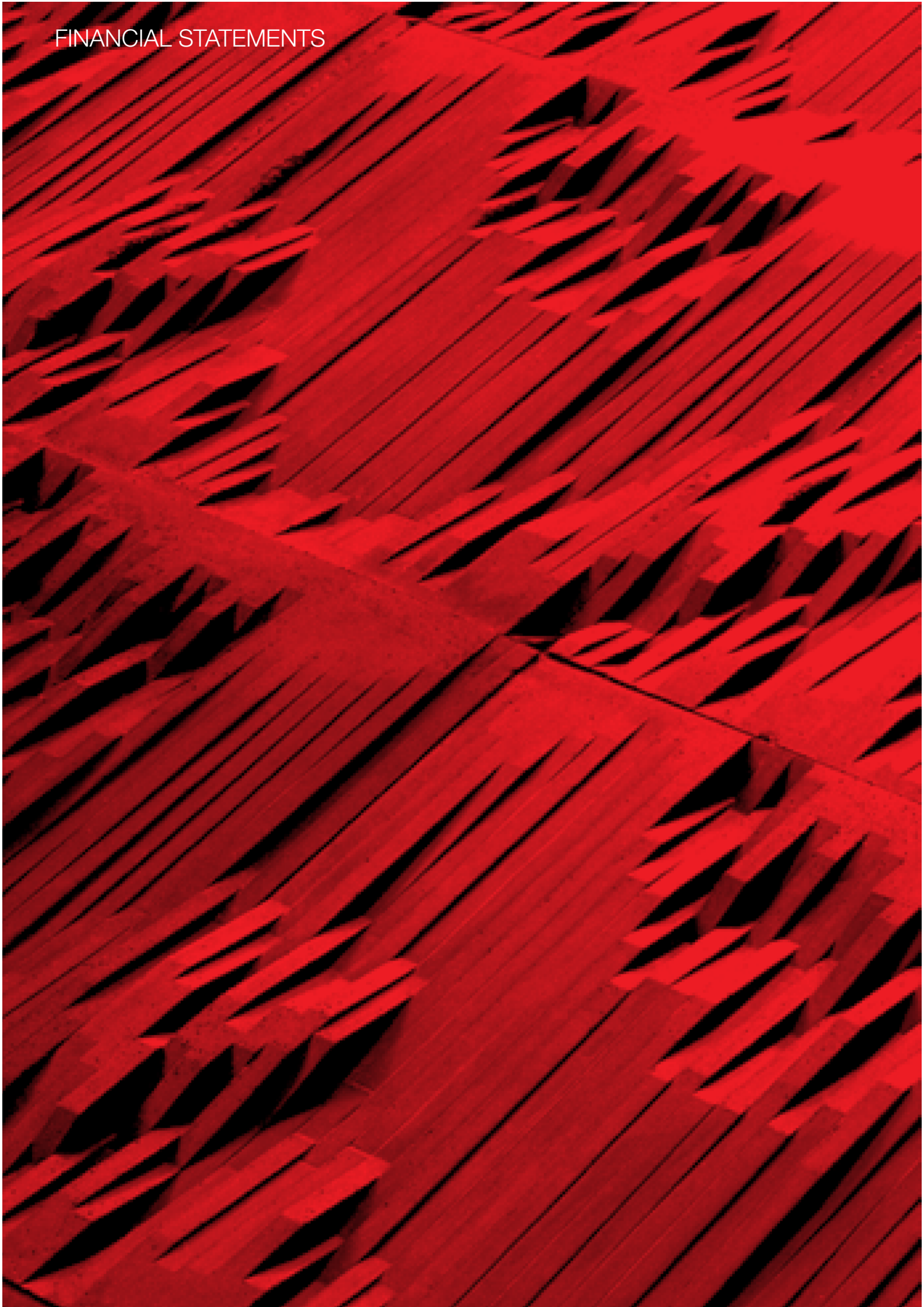


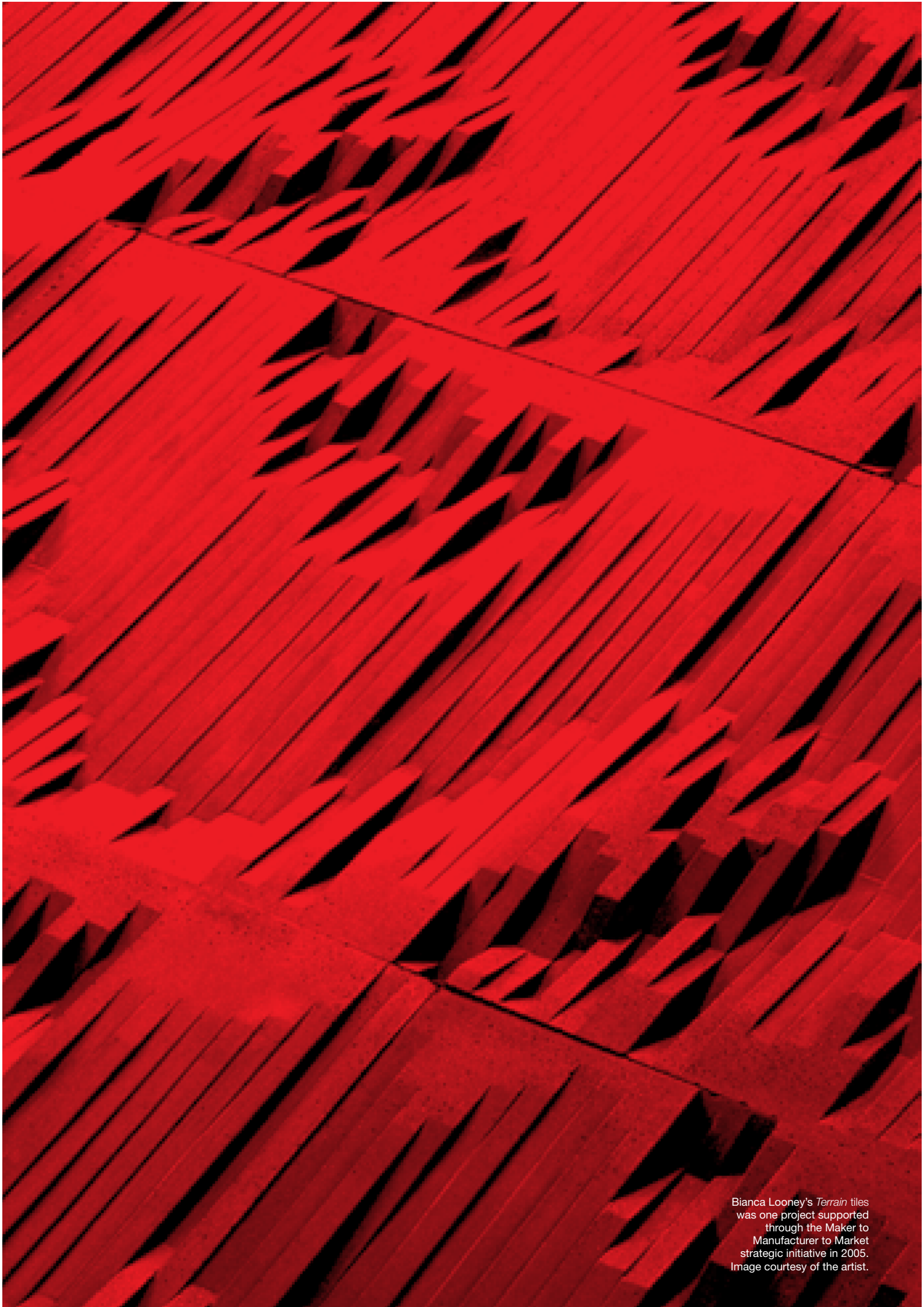
The Australia Council is the Australian Government's principal arts funding and advisory body. Its mission is to enrich the lives of Australians and their communities by supporting the creation and enjoyment of the arts.

The Australia Council cultivates Australia's creativity by investing in individuals and organisations working in Indigenous arts, community partnerships, culturally diverse and accessible arts, dance, media arts, literature, music, theatre and visual arts.

It supports the creation of original works, performances, publishing and exhibitions and builds capacity through skills development, cultural exchange and partnership opportunities. It invests in growing audiences and marketing the arts in Australia and abroad. It also develops research and cultural policy, advocacy for the arts and provides advice to government and industry.

The Australia Council is a statutory authority established under the *Australia Council Act 1975*. Led by a chairman appointed by the Governor-General on the advice of the Minister for the Arts and Sport, the members of the Council have expertise in the arts, public policy, law, corporate governance, administration, education, and financial and business management.





Bianca Looney's *Terrain* tiles
was one project supported
through the Maker to
Manufacturer to Market
strategic initiative in 2005.
Image courtesy of the artist.

INDEPENDENT AUDIT REPORT

TO THE MINISTER FOR THE ARTS AND SPORT

SCOPE

The financial statements and Members' responsibility

The financial statements comprise:

- > Statement by Council Members, Chief Executive and Chief Financial Officer;
- > Income Statement, Balance Sheet and Statement of Cash Flows;
- > Statement of Changes in Equity;
- > 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 2006.

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, and that comply with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, Accounting Standards and 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 to express an opinion on them to you. The audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing and Assurance Standards, 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 reporting requirements in Australia, a view which is consistent with my understanding of the Council's financial position, and of its financial performance and cash flows.

The audit opinion is based on 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 2006, 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, 30 August 2006

STATEMENT BY COUNCIL MEMBERS

CHAIRMAN CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER
FOR THE YEAR ENDED 30 JUNE 2006

In our opinion, the attached financial statements for the year ended 30 June 2006 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *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.



James Strong
Chairman

30 August 2006



Jennifer Bott
Chief Executive Officer

30 August 2006



Megan Coombs
Chief Financial Officer

30 August 2006

INDEPENDENT AUDIT REPORT

FOR THE YEAR ENDED 30 JUNE 2006

| | Notes | 2005-06 \$000 | 2004-05 \$000 |
|---|-------|------------------|------------------|
| INCOME | | | |
| Revenue | | | |
| Revenues from government | 4(a) | 152 018 | 138 223 |
| Interest | 4(b) | 3 737 | 2 442 |
| Other | 4(c) | 11 310 | 6 816 |
| Total revenue | | 167 065 | 147 481 |
| Gains | | | |
| Net gains from disposal of assets | 4(d) | 16 | — |
| Total gains | | 16 | — |
| Total Income | | 167 081 | 147 481 |
| EXPENSE | | | |
| Employees | 5(a) | 9 718 | 9 529 |
| Suppliers | 5(b) | 3 910 | 4 322 |
| Grants | 6 | 137 011 | 127 745 |
| Depreciation and amortisation | 5(c) | 827 | 775 |
| Finance costs | 5(d) | 32 | — |
| Other expenses | 4(d) | — | 10 |
| Total Expenses | | 151 498 | 142 381 |
| Operating surplus from ordinary activities | 7 | 15 583 | 5 100 |
| Transfer from/(to) special purpose reserve | 7 | (12 407) | 2 047 |
| Net credit/(debit) to asset revaluation reserve | | — | 242 |
| Total revenues, expenses and valuation adjustments recognised directly in equity | | (12 407) | 2 289 |
| Total changes in equity other than those resulting from transactions with the Australian Government as owner | | 3 176 | 7 389 |

BALANCE SHEET

AS AT 30 JUNE 2006

| Notes | | 2005-06 \$000 | 2004-05 |
|-------------------------------------|---------|------------------|---------|
| ASSETS | | | |
| Financial assets | | | |
| Cash | 8(a) | 32 736 | 26 510 |
| Receivables | 8(b) | 2 470 | 2 276 |
| Total financial assets | | 35 206 | 28 786 |
| Non-financial assets | | | |
| Land and buildings | 9(a)(d) | 2 900 | 3 272 |
| Infrastructure, plant and equipment | 9(b)(d) | 1 625 | 1 664 |
| Intangibles | 9(c)(d) | 275 | 309 |
| Prepayments | 9(e) | 3 964 | 204 |
| Total non-financial assets | | 8 764 | 5 449 |
| Total assets | | 43 970 | 34 235 |
| LIABILITIES | | | |
| Provisions | | | |
| Employees | 10(a) | 1 901 | 1 734 |
| Other | 10(b) | 562 | 530 |
| Total provisions | | 2 463 | 2 264 |
| Payables | | | |
| Suppliers | 11(a) | 309 | 928 |
| Grants | 11(b) | 1 707 | 7 134 |
| Total payables | | 2 016 | 8 062 |
| Total liabilities | | 4 479 | 10 32 |
| Net Assets | | 39 491 | 23 909 |
| EQUITY | | | |
| Asset revaluation reserve | | 2 044 | 2 044 |
| Accumulated surpluses | | 23 308 | 20 132 |
| Special purpose reserve | | 14 139 | 1 733 |
| Total equity | | 39 491 | 23 909 |
| Current assets | | 39 170 | 28 990 |
| Non-current assets | | 4 800 | 5 245 |
| Current liabilities | | 2 963 | 8 846 |
| Non-current liabilities | | 1 516 | 1 480 |

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2006

| | Notes | 2005-06 \$000 | 2004-05 \$000 |
|--|-------|------------------|------------------|
| Operating Activities | | | |
| Cash received | | | |
| Appropriations | 19 | 152 018 | 141 223 |
| Interest | | 3 719 | 2 477 |
| GST received from ATO | | 12 636 | 12 049 |
| Other | | 11 749 | 6 696 |
| Total cash received | | 180 122 | 162 445 |
| Cash used | | | |
| Employees | | (9 551) | (9 394) |
| Suppliers | | (4 419) | (4 625) |
| Grants | | (159 559) | (127 148) |
| Total cash used | | (173 529) | (141 167) |
| Net cash from operating activities | 12(b) | 6 593 | 21 278 |
| Investing Activities | | | |
| Cash received | | | |
| Proceeds from sales of property, plant and equipment | | 34 | 46 |
| Total cash received | | 34 | 46 |
| Cash used | | | |
| Purchase of property, plant and equipment | | (401) | (802) |
| Total cash used | | (401) | (802) |
| Net cash used by investing activities | | (367) | (756) |
| Net increase/(decrease) in cash held | | 6 226 | 20 522 |
| Cash at the beginning of the reporting period | | 26 510 | 5 988 |
| Cash at the end of the reporting period | 12(a) | 32 736 | 26 510 |

STATEMENT OF CHANGES IN EQUITY

AS AT 30 JUNE 2006

| Item | Accumulated Results | | Asset Revaluation Reserve | | Special Purpose Reserve | | Total Equity | |
|--|---------------------|----------------|---------------------------|----------------|-------------------------|----------------|----------------|----------------|
| | 05-06 \$000 | 04-05 \$000 | 05-06 \$000 | 04-05 \$000 | 05-06 \$000 | 04-05 \$000 | 05-06 \$000 | 04-05 \$000 |
| Balance carried forward from previous period | 20 132 | 12 985 | 2 044 | 1 802 | 1 733 | 3 780 | 23 909 | 18 567 |
| Net surplus/(deficit) | 3 176 | 7 147 | — | — | — | — | 3 176 | 7 147 |
| Transfer (from)/to Books Alive Reserve | — | — | — | — | (320) | (2 053) | (320) | (2 053) |
| Golbas, Sigrid & Estate Asher Bequest | — | — | — | — | (12) | 6 | (12) | 6 |
| Transfer (from)/to Orchestras Review Reserve | — | — | — | — | 11 033 | — | 11 033 | — |
| Transfer (from)/to NOISE Reserve | — | — | — | — | 121 | — | 121 | — |
| Transfer (from)/to Young and Emerging Reserve | — | — | — | — | 682 | — | 682 | — |
| Transfer (from)/to Visual Arts Craft Strategy Reserve | — | — | — | — | 592 | — | 592 | — |
| Transfer (from)/to Fund Raising Reserve | — | — | — | — | 310 | — | 310 | — |
| Net revaluation increment/(decrement) | — | — | — | 242 | — | — | — | 242 |
| Closing balance attributable to the Australian Government | 23 308 | 20 132 | 2044 | 2 044 | 14 139 | 1 733 | 39 491 | 23 909 |

SCHEDULE OF COMMITMENTS

| | Notes | 2005-06 \$000 | 2004-05 \$000 |
|---|---|------------------|------------------|
| By Type | | | |
| Other commitments | | | |
| Operating leases | | 8 674 | 8 687 |
| Other commitments | | 109 226 | 192 742 |
| Total other commitments | | 117 900 | 201 429 |
| Commitments receivable | | (10 660) | (18 252) |
| Net commitments | | 107 240 | 183 177 |
| By Maturity | | | |
| Operating lease commitments | | | |
| One year or less | | 1 784 | 1 783 |
| From one to five years | | 6 303 | 6 303 |
| Over five years | | 587 | 600 |
| Total operating lease commitments | | 8 674 | 8 686 |
| Other commitments | | | |
| One year or less | | 109 226 | 102 485 |
| From one to five years | | — | 90 258 |
| Over five years | | — | — |
| | | 109 226 | 192 743 |
| Commitments receivable | | (10 660) | (18 252) |
| Net commitments | | 107 240 | 183 177 |
| All commitments are GST inclusive where relevant | | | |
| Nature of lease | General description of leasing arrangement | | |
| Leases for office accommodation | Lease payments are subject to annual increase in accordance with upwards movements in the Consumer Price Index. | | |
| Motor vehicles – senior executives | No contingent rental exists. There are no renewal or purchase options available to the Council. | | |

SCHEDULE OF CONTINGENCIES

AS AT 30 JUNE 2006

There were no contingent losses or gains at 30 June 2006.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

| | |
|---------|---|
| Note 1 | Summary of Significant Accounting Policies |
| Note 2 | The Impact of The Transition to AIFRS From Previous AGAAP |
| Note 3 | Economic Dependency |
| Note 4 | Operating Revenues |
| Note 5 | Operating Expenses |
| Note 6 | Operating Expenses - Grants and Initiatives |
| Note 7 | Operating Surplus |
| Note 8 | Financial Assets |
| Note 9 | Non-Financial Assets |
| Note 10 | Provisions |
| Note 11 | Payables |
| Note 12 | Cash Flow Reconciliation |
| Note 13 | Remuneration of Council Members |
| Note 14 | Related Party Disclosures |
| Note 15 | Executive Remuneration & Staffing Levels |
| Note 16 | Remuneration of Auditors |
| Note 17 | Financial Instruments |
| Note 18 | Events Occurring After Reporting Date |
| Note 19 | Appropriations |
| Note 20 | Reporting of Outcomes |
| Note 21 | Regional Arts Fund Revenue and Expenses |

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1(a) Basis of Preparation of the Financial Statements

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 continued existence of the Authority in its present form and with its present programs is dependent on Government policy and on continuing appropriations by Parliament for the Authority's administration and programs.

The Statements have been prepared in accordance with:

- Finance Minister's Orders (or FMOs, being the Commonwealth Authorities and Companies Orders (Financial Statements for reporting periods ending on or after 1 July 2005));
- Australian Accounting Standards issued by the Australian Accounting Standards Board that apply for the reporting period; and
- Interpretations issued by the AASB and UIG that apply for the reporting period.

This is the first financial report to be prepared under Australian Equivalents to International Financial Reporting Standards (AEIFRS). The impacts of adopting AEIFRS are disclosed in Note 2.

The Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets, which as noted, are at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial report is presented in Australian dollars and values are rounded to the nearest thousand dollars unless disclosure of the full amount is specifically required.

Unless alternative treatment is specifically required by an accounting standard, assets and liabilities are recognised in the Balance Sheet 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. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies.

Unless alternative treatment is specifically required by an accounting standard, revenues and expenses are recognised in the Income Statement when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

1(b) Significant Accounting Judgements and Estimates

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

- The fair value of land and buildings has been taken to be the market value of similar properties as determined by an independent valuer.

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

1(c) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AEIFRS).

Australian Accounting Standards require the Council to disclose Australian Accounting Standards that have not been applied, for standards that have been issued but are not yet effective.

The AASB has issued amendments to existing standards, which are not effective at the reporting date. Details of these amendments are available on the AASB website. The Council intends to adopt all standards upon their application date. As at the reporting date there is no expected impact on the application of these amendments.

1(d) Taxation

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

1(e) Revenue

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

Interest revenue is recognised using the effective interest method as set out in AASB 139.

Revenues from Government

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

Resources Received Free of Charge

Services received free of charge are recognised as revenue when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as revenue at their fair value when the asset qualifies for recognition.

1(f) Reporting by Outcomes

Net cost of outcome delivery and departmental revenues and expenses by outcomes and output groups are tabled in Note 19.

1(g) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

1(h) Property, Plant and Equipment (PP&E)

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost on the Balance Sheet, 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).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to “makegood” provisions in property leases taken up by the Council where there exists an obligation to restore the property to its original condition. These costs are included in the value of the Council’s leasehold improvements with a corresponding provision for the “makegood” taken up.

Revaluations

Basis

Land, buildings, plant and equipment are carried at fair value, being revalued with sufficient frequency such that the carrying amount of each asset is not materially different, at reporting date, from its fair value. Valuations undertaken in each year are as at 30 June.

Fair values for each class of asset are determined using the following methods

| 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 fair value, assets which are surplus to requirements are measured at their net realisable value. At 30 June 2006, there were no assets in this situation. (30 June 2005: \$0).

Frequency

Following initial recognition at cost, valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially with the assets’ fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through profit and loss. Revaluation decrements for a class of assets are recognised directly through profit and loss except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

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.

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:

| | 2005-06 | 2004-05 |
|--|-----------------------|----------------|
| 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 | 15 – 100 years |
| Plant and equipment – musical instruments | 50 – 250 years | 3-50 years |
| Plant and equipment – works of art | 15-100 years | 50-250 years |

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

1(i) Impairment of Non-Current Assets.

All assets were assessed for impairment at 30 June 2006. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Council were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

No indicators of impairment were found for assets at fair value.

1(j) Employee Benefits

Benefits

As required by the Finance Minister's Orders, the Council has early adopted AASB 119 Employee Benefits as issued in December 2004.

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for 'short-term employee benefits' (as defined in AASB 119) and termination benefits due within twelve months are measured at their nominal amounts.

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

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 2006. In determining the present value of the liability, the Council has taken into account attrition rates and pay increases through promotion and inflation.

Separation and redundancy

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

Superannuation

Employees of the Australia Council are members of the Commonwealth Superannuation Scheme, the Public Sector Superannuation Scheme (defined benefit), the Public Sector Superannuation Scheme (accumulation plan), 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 2006 represents outstanding contributions for the final fortnight of the year.

1(k) Grant Liabilities

Grants liabilities comprise grants and programs approved by the Council and Boards for 30 June 2006 or previous financial years for which signed conditions have been received from successful grants applicants.

1(l) 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(m) Leases

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

1(n) Intangibles

The Council's intangibles comprise internally developed software, which is carried at cost.

Intangible assets are amortised on a straight-line basis over their anticipated useful lives. Useful lives are:

| | 2006 | 2005 |
|----------|---------|---------|
| Software | 5 years | 5 years |

All software assets were assessed for impairment as at 30 June 2006. None were found to be impaired.

1(o) 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(p) Impairment of Financial Assets

Financial assets are assessed for impairment at each balance date.

Financial Assets held at Amortised Cost

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

Financial Assets held at Cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because it cannot be reliably measured, or a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

Available for Sale Financial Assets

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

Comparative Year

The above policies were not applied for the comparative year. For receivables, amounts were recognised and carried at original invoice amount less a provision for doubtful debts based on an estimate made when collection of the full amount was no longer probable. Bad debts were written off as incurred.

Other financial assets carried at cost which were not held to generate net cash inflows, were assessed for indicators of impairment. Where such indicators were found to exist, the recoverable amount of the assets was estimated and compared to the assets carrying amount and, if less, reduced to the carrying amount. The reduction was shown as an impairment loss.

1(q) Comparative Figures

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

1(r) Changes in Accounting Policies

The accounting policies used in the preparation of these financial statements are consistent with those used in 2004-05.

1(s) 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(t) 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(u) Financial Instruments

Accounting policies for financial instruments are stated at Note 17.

1(v) 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

FOR THE YEAR ENDED 30 JUNE 2006

2005-06 2004-05
\$000 \$000

NOTE 2 THE IMPACT OF THE TRANSITION TO AEIFRS FROM PREVIOUS AGAAP

Reconciliation of total equity as presented under previous AGAAP to that under AEIFRS

| | | |
|--|---------------|--------|
| Total equity under previous AGAAP | 24 034 | 18 567 |
| Adjustments to retained earnings: | | |
| — Make good assets ¹ | (125) | (125) |
| Total equity translated to AEIFRS | 23 909 | 18 442 |

Reconciliation of profit or loss as presented under previous AGAAP to AEIFRS

| | | |
|---|--------------|---|
| Prior year operating surplus as previously reported | 5 225 | — |
| Adjustments: | | |
| — Depreciation ² | (125) | — |
| | 5 100 | — |

The cash flow statement presented under previous AGAAP is equivalent to that prepared under AEIFRS.

- 1) AEIFRS requires the recording of assets reflecting future estimated restoration costs. Amounts for “makegood” provisions in existing accommodation leases (operating) have been taken up accordingly.
- 2) The operating result has been adjusted due to additional depreciation on ‘makegood’

NOTE 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.

NOTE 4 INCOME REVENUE

4(a) Revenues from Government

| | | |
|----------------------------|----------------|---------|
| Appropriations for outputs | 152 018 | 138 223 |
|----------------------------|----------------|---------|

4(b) Interest Revenue

| | | |
|----------|--------------|-------|
| Deposits | 3 737 | 2 442 |
|----------|--------------|-------|

4(c) Other Revenue

| | | |
|--|------------|-----|
| Returned grants | 443 | 303 |
| Rental and outgoings recovered from sub-leasing | 47 | 37 |
| Income from fund raising | | |
| — Venice Biennale 2005 • | 25 | 694 |
| — Venice Biennale 2007 • | 354 | — |
| — Books Alive campaign | — | 150 |
| — Other | | |
| Contribution from Department of Foreign Affairs and Trade for: | | |
| — OzArts Online | 65 | 65 |
| — Australian Indigenous Art Commission to Musée du quai Branly | 13 | 38 |
| — Two Cultural Award Scheme | — | 20 |
| — APAM 2006 | 60 | — |
| — Undergrowth – Australian Arts UK | 160 | 400 |

| | 2005-06 \$000 | 2004-05 \$000 |
|---|------------------|------------------|
| 4(c) Other Revenue / | | |
| Contribution from the Department of Communications Information Technology and the Arts for: | | |
| — Books Alive | 2 00 | — |
| — Regional Arts Fund | 100 | 100 |
| — Visual Arts and Craft Strategy | 5 500 | 4 300 |
| — OzArts Online | 65 | — |
| — Orchestras Review Implementation | 800 | — |
| — Cultural Ministers Council Small to Medium Arts Companies Business Development | 180 | — |
| Department of Education, Science, and Training for: | | |
| — Review of Education in Visual Communication | — | 125 |
| — Contribution towards Education and the Arts Symposium | — | 5 |
| Creative NZ | | |
| — Contribution to Fuel for Arts | 35 | — |
| Office of Indigenous Policy Communication | | |
| — Australian Indigenous Art Commission to Musée du quai Branly | — | 50 |
| NSW Ministry for the Arts | | |
| — Contribution to Theatre BIZ | — | 80 |
| — New resources for writing for performance in NSW | 160 | — |
| Arts Victoria | | |
| — Industry Adjustment Package on Governance | — | 12 |
| — Implementation of the Orchestras Review | — | 235 |
| — Reserves Incentive for Playbox | — | 55 |
| Arts Tasmania | | |
| — Implementation of the Orchestras Review | 314 | — |
| Agency French Development | | |
| — Australian Indigenous Art Commission to Musée du quai Branly | 243 | — |
| Musée du quai Branly | | |
| — Australian Indigenous Art Commission to Musée du quai Branly | 426 | — |
| Contributions from state governments for: | | |
| — Education and the Arts Symposium | — | 20 |
| — Backing our Creativity | — | 12 |
| — Australian Version of Boxing Clever | 19 | — |
| — Other | 85 | — |
| Other | 202 | 90 |
| Total other revenue | 11 310 | 6 816 |
| • Income from fundraising - Venice Biennale 2005 & 2007 | | |
| Australia Council Donations Fund | 282 | 439 |
| Sale of benefits | 47 | 71 |
| Contributions from other sources | 50 | 184 |
| Total of funds raised for Venice Biennale | 379 | 694 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

| | 2005-06 \$000 | 2004-05 \$000 |
|--|------------------|------------------|
| 4 (d) Gains | | |
| Proceeds from disposal of assets | 34 | 46 |
| Less: Net book value of assets disposed | (18) | (56) |
| Net gains (losses) from disposal of assets | 16 | (10) |

NOTE 5 OPERATING EXPENSES

5(a) Employee Expenses

| | | |
|--------------------------------|--------------|-------|
| Wages and Salaries | 7 665 | 7 309 |
| Superannuation | 1 102 | 1 111 |
| Leave and other entitlements | 951 | 1 109 |
| Total employee expenses | 9 718 | 9 529 |

5(b) Supplier Expenses

| | | |
|--|--------------|-------|
| Rendering of services – external parties | 2 346 | 2 823 |
| Operating lease rentals | 1 564 | 1 499 |
| Total supplier expenses | 3 910 | 4 322 |

5(c) Depreciation and Amortisation

Depreciation

| | | |
|--|------------|-----|
| Other infrastructure, plant and equipment | 235 | 237 |
| Buildings | 439 | 448 |
| Amortisation | | |
| Intangibles - computer software | 153 | 90 |
| Total depreciation and amortisation expense | 827 | 775 |

5(d) Finance Costs

| | | |
|-------------------------|----|---|
| Unwinding of 'Makegood' | 32 | — |
|-------------------------|----|---|

NOTE 6 OPERATING EXPENSES - GRANTS AND INITIATIVES

Grants and initiatives paid to individuals and organisations during the year were:

| | | |
|--------------------------------|----------------|---------|
| Board Grants • | 30 189 | 36 172 |
| Major Performing Arts | 74 790 | 71 727 |
| Divisional Programs * | 14 448 | 5 436 |
| Government Initiatives | 12 475 | 10 099 |
| Council Initiatives | 5 611 | 1 990 |
| Total grants paid | 137 513 | 125 334 |
| Net movement in grants accrued | (502) | 2 411 |
| Total grants expenses | 137 011 | 127 745 |

- In 2004-05, Board grant expenses included both the Community Cultural Development and New Media Arts Boards that no longer existed in 2005-06. Divisional Programs in 2005-06 include grants made through Community Partnerships and the Inter-Arts Office, some of which were formerly provided by the Community Cultural Development and the New Media Arts Boards.

NOTE 7 OPERATING SURPLUSES

In 2005-06 the Australia Council received and recognised revenue of \$11.1m to implement the Government agreed outcomes of the Orchestras Review. Delays in the implementation of the Review meant that pre-conditions for payment of grants to the orchestras were not met as at 30 June 2006. It is anticipated that grant expenditure associated with the revenue will occur in 2006-07.

2005-06 2004-05
\$000 \$000

NOTE 8 FINANCIAL ASSETS

8(a) Cash and cash equivalents

| | | |
|--|---------------|--------|
| Cash at bank | 1 191 | 451 |
| Deposits at call | 31 543 | 26 057 |
| Cash on hand | 2 | 2 |
| Total cash and cash equivalents | 32 736 | 26 510 |

8(b) Receivables

| | | |
|--|--------------|-------|
| Other debtors | 275 | 234 |
| GST receivable from the Australian Taxation Office | 2 195 | 2 042 |
| Total receivables (net) | 2 470 | 2 276 |

Receivables are presented by:

| | | |
|--------------------------------|--------------|-------|
| Current | 2 470 | 2 276 |
| Non-current | — | — |
| Total Receivables (net) | 2 470 | 2 276 |

All receivables are with entities external to the entity. Credit terms are net 14 days (2005: 14 days).

Receivables (gross) are aged as follows:

| | | |
|----------------------------------|--------------|-------|
| Not overdue | 2 468 | 2 112 |
| Overdue by: | | |
| — less than 30 days | 1 | 156 |
| — 30 to 60 days | 1 | 4 |
| — 60 to 90 days | — | — |
| — more than 90 days | — | 3 |
| Total receivables (gross) | 2 470 | 2 276 |

All receivables are current assets

8(c) Investments under s18 of the CAC Act

| | | |
|---------------|---------------|--------|
| Term Deposits | 31 543 | 20 057 |
|---------------|---------------|--------|

Term deposits earn an effective interest rate of 5.59% (2005: 5.25%). Interest is payable monthly. Terms are between 1 and 2 months.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

| | 2005-06 \$000 | 2004-05 \$000 |
|--|------------------|------------------|
| NOTE 9 NON-FINANCIAL ASSETS | | |
| 9(a) Land and Buildings | | |
| Freehold land | | |
| — at 2005 valuation (fair value) | 149 | 149 |
| Total freehold land | 149 | 149 |
| Buildings on freehold land | | |
| — at 2005 valuation (fair value) | 390 | 390 |
| Accumulated depreciation | (7) | — |
| Total buildings on freehold land | 383 | 390 |
| Leasehold improvements | | |
| — at 2005 valuation (fair value)* | 3 505 | 3 505 |
| — at cost | 67 | — |
| Accumulated amortisation | (2 323) | (1 913) |
| Total leasehold improvements | 1 249 | 1 592 |
| Buildings on leasehold land | | |
| — at 2005 valuation (fair value)* | 1 291 | 1 291 |
| Accumulated amortisation | (172) | (150) |
| Total buildings on leasehold land | 1 119 | 1 141 |
| Total Land and Buildings (non-current) | 2 900 | 3 272 |
| <p>Included in Land and Buildings are studios in the Cité Internationale des Arts in Paris, an apartment in Rome, the Australian Pavilion in Venice and cost of leasehold improvements at 372 Elizabeth Street, Surry Hills, NSW.</p> <ul style="list-style-type: none"> • The methodology used for the revaluation of these assets was Depreciated Replacement Cost (see Note 1(h)). | | |
| 9(b) Infrastructure, Plant and Equipment | | |
| Plant and Equipment | | |
| — at 2005 valuation (fair value) | 1 648 | 1 666 |
| — at cost | 214 | — |
| Accumulated depreciation | (237) | (2) |
| Total Infrastructure, Plant and Equipment (non-current) | 1 625 | 1 664 |
| <p>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, in London.</p> <p>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 and Arthur Beare (London).</p> | | |
| 9(c) Intangibles | | |
| Computer software - internally developed - at cost | 594 | 475 |
| Accumulated amortisation | (319) | (166) |
| Total Intangibles | 275 | 309 |

| | Land \$000 | Buildings on freehold and lease- hold land \$000 | Buildings lease-hold- improvements \$000 | Other infrastructure Plant and Equipment \$000 | Computer software \$000 | Total \$000 |
|---|---------------|--|---|--|-------------------------------|----------------|
| 9(d) Table A – Reconciliation of the opening and closing balances of properties, plant and equipment | | | | | | |
| As at 1 July 2005 Gross book value | 149 | 1 681 | 3 505 | 1 666 | 475 | 7 476 |
| Accumulated depreciation/ amortisation | — | (150) | (1 913) | (2) | (166) | (2 231) |
| Opening Net book value | 149 | 1 531 | 1 592 | 1 664 | 309 | 5 245 |
| Additions by purchase | — | — | 67 | 214 | 119 | 400 |
| Net Revaluations increment/(decrement) | — | — | — | — | — | — |
| Depreciation/amortisation expense | — | (29) | (410) | (235) | (153) | (827) |
| Disposals From disposal of operations | — | — | — | (18) | — | (18) |
| As at 30 June 2006 | | | | | | |
| Gross book value | 149 | 1 681 | 3 572 | 1 862 | 594 | 7 858 |
| Accumulated depreciation /amortisation | — | (179) | (2 323) | (237) | (319) | (3 058) |
| Closing Net book value | 149 | 1 502 | 1 249 | 1 625 | 275 | 4 800 |

| | Land \$000 | Buildings on freehold and lease- hold land \$000 | Buildings lease-hold- improvements \$000 | Other infrastructure Plant and Equipment \$000 | Total \$000 |
|---------------------------------------|---------------|--|---|--|----------------|
| Table B - Assets at valuation | | | | | |
| As at 30 June 2006 | | | | | |
| Gross value | 149 | 1 681 | 3 505 | 1 648 | 6 983 |
| Accumulated Depreciation/amortisation | — | (179) | (2 212) | (210) | (2 601) |
| Net book value | 149 | 1 502 | 1 293 | 1 438 | 4 382 |
| As at 30 June 2005 | | | | | |
| Gross value | 149 | 1 681 | 3 505 | 1 666 | 7 001 |
| Accumulated Depreciation/amortisation | — | (150) | (1 913) | (2) | (2 065) |
| Net book value | 149 | 1 531 | 1 592 | 1 664 | 4 936 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

| | 2005-06 \$000 | 2004-05 \$000 |
|---|------------------|------------------|
| 9(e) Other Non-Financial Assets | | |
| Prepaid property rentals | 133 | 128 |
| Other prepayments • | 3 831 | 76 |
| Total other non-financial assets | 3 964 | 204 |

• \$3.7m is related to grant prepayments to Major Performing Arts companies

NOTE 10 PROVISIONS

10(a) Employee Provisions

| | | |
|----------------------------------|--------------|-------|
| Salaries and wages | 287 | 159 |
| Leave | 1 533 | 1 497 |
| Superannuation | 81 | 78 |
| Total employee provisions | 1 901 | 1 734 |
| Current | 947 | 784 |
| Non-Current | 954 | 950 |
| Total employee provisions | 1 901 | 1 734 |

10(b) Other Provisions

| | | |
|--------------------------|-----|-----|
| Provision for 'Makegood' | 562 | 530 |
|--------------------------|-----|-----|

NOTE 11 PAYABLES

11(a) Supplier Payables

| | | |
|---|------------|-----|
| Trade creditors | 138 | 149 |
| Other creditors | 18 | 86 |
| GST payable on supplier and grant liabilities | 153 | 693 |
| Total supplier payables | 309 | 928 |

Supplier payables are represented by:

| | | |
|--------------------------------|------------|-----|
| Current | 309 | 928 |
| Non-current | — | — |
| Total supplier payables | 309 | 928 |

11(b) Grants Payable

| | | |
|---|-------|-------|
| Individuals and non-profit institutions | 1 707 | 7 134 |
|---|-------|-------|

All grants payable are current

| | 2005-06 \$000 | 2004-05 \$000 |
|---|------------------|------------------|
| NOTE 12 CASH FLOW RECONCILIATION | | |
| 12(a) Reconciliation of cash per Income Statement to Statement of Cash Flows | | |
| Cash at year end per Statement of Cash Flows | 32 736 | 26 510 |
| Balance Sheet items comprising above cash: | | |
| Financial Asset – Cash | 32 736 | 26 510 |
| 12(b) Reconciliation of Operating surplus to net cash from Operating Activities: | | |
| Operating surplus | 15 583 | 5 100 |
| Non-cash items | | |
| Depreciation and amortisation | 827 | 775 |
| (Gain)/Loss on disposal of assets | (16) | 10 |
| Changes in Assets and Liabilities | | |
| (Increase)/decrease in receivables | (194) | 3 801 |
| (Increase)/decrease in prepayments | (3 759) | 8 638 |
| Increase/(decrease) in employee provisions | 167 | 135 |
| Increase/(decrease) in grants and supplier payables | (6 047) | 2 819 |
| Increase/(decrease) in other provisions | 32 | — |
| Net cash from operating activities | 6 593 | 21 278 |

NOTE 13 REMUNERATION OF COUNCIL MEMBERS

| | | |
|--|----------------|---------|
| Aggregate amount of superannuation payments in connection with the retirement of Council Members | 18 310 | 21 350 |
| Other remuneration received or due and receivable by Council Members | 220 092 | 228 348 |
| Total remuneration received or due and receivable by Council Members | 238 402 | 249 698 |

| | Number | Number |
|--|-----------|--------|
| The number of Council members included in these figures is shown below in the relevant remuneration bands: | | |
| \$0 - \$14 999 | 10 | 8 |
| \$15 000 - \$29 999 | 5 | 5 |
| \$30 000 - \$44 999 | 2 | 2 |
| Total | 17 | 15 |

The chief executive officer is an *ex-officio* member of the Council, but receives no additional remuneration as a member of the Council. The remuneration of the chief executive officer is included in Note 15 on the Executive Remuneration.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

NOTE 14 RELATED PARTY DISCLOSURES

Council members

Council members during the year were:

| Name | Appointed | Term Concludes/ Concluded |
|-----------------------|------------|------------------------------|
| Bott, Jennifer • | 08/02/1999 | 19/09/2006 |
| Allert, Rick | 01/02/2006 | 31/01/2009 |
| Alway, Lesley | 30/11/2004 | 29/11/2007 |
| Arcus, Terrey | 22/06/2002 | 30/06/2006 |
| Black, Barbara | 03/04/2006 | 02/04/2009 |
| Carroll, Shane | 21/05/2003 | 20/05/2006 |
| Downer, Nicola | 18/12/2003 | 17/12/2006 |
| Goldsworthy, Peter | 04/12/2001 | 23/06/2006 |
| Gonski, David | 02/05/2002 | 30/06/2006 |
| Koehne, Graeme | 19/12/2002 | 18/12/2006 |
| Lewis, Adam | 01/10/2001 | 02/06/2006 |
| McRae, Ian | 24/07/2002 | 23/07/2007 |
| O'Loughlin, Tim | 12/09/2005 | 11/09/2008 |
| Pulvirenti, Christine | 24/07/2002 | 23/07/2005 |
| Salusinsky, Imre | 24/06/2006 | 23/06/2009 |
| Sarra, Chris | 09/03/2005 | 08/03/2008 |
| Tassell, Christopher | 25/06/2002 | 24/07/2005 |
| Ward, Mel | 04/11/2002 | 03/02/2006 |

- *ex officio* member of the Council by virtue of appointment as chief executive officer

Other transactions with members of the Council 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 members of the Council 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.

| Council Member | Organisation in receipt of Grant | Position held by Council Member | Amount of Grant \$ |
|---------------------|----------------------------------|----------------------------------|-----------------------|
| David Gonski | Art Gallery of NSW | President | 8 859 |
| | Bangarra Dance Theatre | | |
| | International Federation of Arts | Director | 627 003 |
| Ian McRae | Councils and Cultural Agencies | Board Member | 36 300 |
| Nicola Downer | State Theatre of South Australia | Governor | 469 228 |
| Tim O'Loughlin | Adelaide Symphony Orchestra | Chair | 5 515 094 |
| Dr Imre Salusinszky | Quadrant | Member of the Advisory Committee | 33 000 |
| | Bangarra Dance Theatre | Guest Teacher | 627 003 |
| Shane Carroll | The Australian Ballet | Guest Artist | 4 189 984 |

NOTE 15 EXECUTIVE REMUNERATION & STAFFING LEVELS

15(a) Remuneration of Officers

The number of officers who received or were due to receive total remuneration of \$130,000 or more:

| | 2005-06 Number | 2004-05 Number |
|------------------------|---------------------------|-------------------|
| \$130 000 - \$144 999• | 2 | — |
| \$145 000 - \$159 999• | 1 | 2 |
| \$160 000 - \$174 999 | — | 1 |
| \$175 000 - \$189 999• | 4 | 4 |
| \$190 000 - \$204 999 | — | 1 |
| \$205 000 - \$219 999• | 1 | — |
| \$220 000 - \$259 999 | — | — |
| \$260 000 - \$299 999• | 1 | 1 |
| Total | 9 | 9 |

• Includes salary, superannuation, accrued recreation leave, cost of motor vehicles and fringe benefits tax at 30 June 2006 to which officers are currently entitled and accrued long service leave to which officers are not entitled until they have 10 years of service with the Australia Council. Only three of the officers listed above were entitled to long service leave as at 30 June 2006.

| | 2005-06 \$ | 2004-05 \$ |
|--|-----------------------|---------------|
| The aggregate amount of total remuneration of officers shown above is: | 1 662 533 | 1 648 775 |
| The aggregate amount of separation and redundancy/termination benefit payments during the year to officers shown above is: | 259 202 | 3 780 |

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.

| | 2005-06 Number | 2004-05 Number |
|---|---------------------------|-------------------|
| 15(b) Staffing levels | | |
| The average staffing levels for the Authority during the year were: | 145 | 143 |

NOTE 16 REMUNERATION OF AUDITORS

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

| | | |
|-------------------------|---------------|--------|
| — the Australia Council | 38 000 | 36 000 |
| — Books Alive | 1 600 | 1 600 |
| | 39 600 | 37 600 |

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 2006

NOTE 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) |
|----------------------------------|-------|---|---|
| Financial Assets | | 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 | 8(c) | 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 | 8(b) | 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. |
| Financial Liabilities | | 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 | 11(a) | Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the services have been received (and irrespective of having been invoiced). | Settlement is usually made net 30 days. |
| Grants Liabilities | 11(b) | Grants liabilities comprise grants and programs approved by Council and Boards for 30 June 2006 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. |

17(b) Interest Rate Risk

| Financial Instruments | Notes | Floating Interest Rate | | Non-Interest Bearing | | Total | | Weighted Average Effective Interest Rate | |
|------------------------------|-------|------------------------|----------------|----------------------|----------------|----------------|----------------|--|----------------|
| | | 05-06 \$000 | 04-05 \$000 | 05-06 \$000 | 04-05 \$000 | 05-06 \$000 | 04-05 \$000 | 05-06 \$000 | 04-05 \$000 |
| Financial Assets | | | | | | | | | |
| Cash at Bank | 7(a) | 1 191 | 451 | — | — | 1 191 | 451 | 2.85 | 2.85 |
| Cash on Hand | 7(a) | — | — | 2 | 2 | 2 | 2 | n/a | n/a |
| Deposits at call | 7(c) | 31 543 | 26 057 | — | — | 31 543 | 26 057 | 5.29 | 5.25 |
| Receivables | 7(b) | — | — | 2 470 | 2 276 | 2 470 | 2 276 | n/a | n/a |
| Total | | 32 734 | 26 508 | 2 472 | 2 278 | 35 206 | 28 786 | | |
| Total Assets | | | | | | 43 970 | 34 235 | | |
| Financial Liabilities | | | | | | | | | |
| Trade and other Creditors | 10(a) | — | — | 453 | 928 | 453 | 928 | n/a | n/a |
| Grants Liabilities | 10(b) | — | — | 1 563 | 7 134 | 1 563 | 7 134 | n/a | n/a |
| Total | | — | — | 2 016 | 8 062 | 2 016 | 8 062 | | |
| Total Liabilities | | | | | | 4 447 | 10 326 | | |

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

| Financial Assets | Notes | 2005-06 | | 2004-05 | |
|---|--------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | | Total carrying amount \$000 | Aggregate fair value \$000 | Total carrying amount \$000 | Aggregate fair value \$000 |
| Cash at Bank | 7(a) | 1 191 | 1 191 | 451 | 451 |
| Cash on Hand | 7(a) | 2 | 2 | 2 | 2 |
| Deposits at call | 7(c) | 31 543 | 31 543 | 26 057 | 26 057 |
| Receivables | 7(b) | 2 470 | 2 470 | 2 276 | 2 276 |
| Total Financial Assets | | 35 206 | 35 206 | 28 786 | 28 786 |
| Financial Liabilities (Recognised) | | | | | |
| Trade and other Creditors | 10 (a) | 453 | 453 | 928 | 928 |
| Grants Liabilities | 10 (b) | 1 563 | 1 563 | 7 134 | 7 134 |
| Total Financial Liabilities (Recognised) | | 2 016 | 2 016 | 8 062 | 8 062 |

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

NOTE 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.

NOTE 19 APPROPRIATIONS

| Particulars | Departmental Outputs | | Total | |
|--|----------------------|------------------|------------------|------------------|
| | 2005-06 \$000 | 2004-05 \$000 | 2005-06 \$000 | 2004-05 \$000 |
| Year ended 30 June 2006 | | | | |
| Balance carried forward from previous year | — | — | — | — |
| Appropriation Acts 1 and 3 | 150 978 | 138 223 | 150 978 | 138 223 |
| Appropriation Act 4 | — | 3 000 | — | 3 000 |
| Appropriation Act 5 | 1 040 | — | 1 040 | — |
| Available for payment of CRF | 152 018 | 141 223 | 152 018 | 141 223 |
| Payments made out of CRF | 152 018 | 141 223 | 152 018 | 141 223 |
| Balance carried forward to next year | — | — | — | — |
| 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.

NOTE 20 REPORTING OF OUTCOMES

20(a) Outcomes of the Australia Council

The Australia Council is structured to meet two outcomes and five 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 | |
|--|---------------|---------------|---------------|---------------|----------------|----------------|
| | 2006 \$000 | 2005 \$000 | 2006 \$000 | 2005 \$000 | 2006 \$000 | 2005 \$000 |
| Expenses | | | | | | |
| Administered | — | — | — | — | — | — |
| Departmental | 86 051 | 80 871 | 65 447 | 61 510 | 151 498 | 142 381 |
| Total expenses | 86 051 | 80 871 | 65 447 | 61 510 | 151 498 | 142 381 |
| Costs recovered from provision of goods and services to the non-government sector | | | | | | |
| Administered | — | — | — | — | — | — |
| Departmental | — | — | — | — | — | — |
| Total costs recovered | — | — | — | — | — | — |
| Other external revenues | | | | | | |
| Departmental | | | | | | |
| — Sale of goods and services – to related parties | — | — | — | — | — | — |
| — Interest | 2 122 | 1 388 | 1 615 | 1 054 | 3 737 | 2 442 |
| — Net gains from disposal of assets | 8 | — | 8 | — | 16 | — |
| — Reversal of previous asset write-downs | — | — | — | — | — | — |
| — Other | 6 424 | 3 872 | 4 886 | 2 944 | 11 310 | 6 816 |
| Total Departmental | 8 554 | 5 260 | 6 509 | 3 998 | 15 063 | 9 258 |
| Total other external revenues | 8 554 | 5 260 | 6 509 | 3 998 | 15 063 | 9 258 |
| Net cost/(contribution) of outcome | 77 497 | 75 611 | 58 938 | 57 512 | 136 435 | 133 123 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

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

| | Outcome Group 1 | | | |
|--|-----------------|---------------|---------------|---------------|
| | Output 1.1 | | Output 1.2 | |
| | 2006 | 2005 | 2006 | 2005 |
| | \$000 | \$000 | \$000 | \$000 |
| Operating expenses | | | | |
| Employees | 3 311 | 3 249 | 2 209 | 2 163 |
| Suppliers | 1 332 | 1 474 | 889 | 981 |
| Grants | 46 673 | 43 564 | 31 148 | 28 995 |
| Depreciation and amortisation | 282 | 264 | 188 | 176 |
| Finance costs | 12 | — | 7 | — |
| Write-down of assets | — | — | — | — |
| Other | — | 3 | — | 2 |
| Total operating expenses | 51 610 | 48 554 | 34 441 | 32 317 |
| Funded by: | | | | |
| Revenues from government | 51 842 | 47 137 | 34 504 | 31 374 |
| Sale of goods and services | — | — | — | — |
| Interest | 1 272 | 834 | 850 | 554 |
| Net gains from disposal of assets | — | — | — | — |
| Reversal from previous asset write-downs | — | — | — | — |
| Other | 3 853 | 2 325 | 2 571 | 1 547 |
| Total operating revenues | 56 967 | 50 296 | 37 925 | 33 475 |

| Outcome Group 2 | | | | | | Total | |
|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Output 2.1 | | Output 2.2 | | Output 2.3 | | | |
| 2006 \$000 | 2005 \$000 | 2006 \$000 | 2005 \$000 | 2006 \$000 | 2005 \$000 | 2006 \$000 | 2005 \$000 |
| 1 540 | 1 511 | 2 225 | 2 187 | 433 | 419 | 9 718 | 9 529 |
| 620 | 685 | 895 | 992 | 174 | 190 | 3 910 | 4 322 |
| 21 716 | 20 259 | 31 366 | 29 316 | 6 108 | 5 611 | 137 011 | 127 745 |
| 131 | 123 | 189 | 178 | 37 | 34 | 827 | 775 |
| 5 | — | 7 | — | 1 | — | 32 | — |
| — | — | — | — | — | — | — | — |
| — | 2 | — | 3 | — | — | — | 10 |
| 24 012 | 22 580 | 34 682 | 32 676 | 6 753 | 6 254 | 151 498 | 142 381 |
| 24 108 | 21 921 | 34 885 | 31 720 | 6 679 | 6 071 | 152 018 | 138 223 |
| — | — | — | — | — | — | — | — |
| 592 | 387 | 856 | 560 | 167 | 107 | 3 737 | 2 442 |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — |
| 1 793 | 1 081 | 2 589 | 1 564 | 504 | 299 | 11 310 | 6 816 |
| 26 493 | 23 389 | 38 330 | 33 844 | 7 350 | 6 477 | 167 065 | 147 481 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

NOTE 21 REGIONAL ARTS FUND

Statement of Income and Expenses for the year ended 30 June 2006

| | Notes | 2005-06 \$000 | 2004-05 \$000 |
|---|-------|------------------|------------------|
| Revenue | | | |
| Revenue from related entity – DCITA | | 100 | 100 |
| Interest | | 4 | 5 |
| Total Revenue | | 104 | 105 |
| Expenses | (1) | 202 | 210 |
| Net surplus/(deficit) at 30 June 2006 | | (98) | (105) |
| Add accumulated surplus at 1 July 2005 | (2) | 98 | 203 |
| Accumulated surplus at 30 June 2006 | | 0 | 98 |
| Regional community engagement project – Tasmania | | 30 | 150 |
| Little People Big People Make Stories – NT | | 168 | – |
| Community sustainability and cultural vitality pilot project – Victoria | | – | 55 |
| Administrative expenses | | 4 | 5 |
| Total Expenses | | 202 | 210 |

1) Expenses

2) Accumulated surplus

The accumulated surplus at 1 July 2004 has been reduced by \$10,000 to correct an overstatement of accumulated surplus as at 30 June 2004.

The functions of the Australia Council are defined in Section 5 of the *Australia Council Act 1975*:

- a) to formulate and carry out policies designed:
 - i) to promote excellence in the arts
 - ii) to provide, and encourage provision of, opportunities for persons to practise the arts
 - iii) to promote the appreciation, understanding and enjoyment of the arts
 - iv) to promote the general application of the arts in the community
 - v) to foster the expression of a national identity by means of the arts
 - vi) to uphold and promote the rights of persons to freedom in the practice of the arts
 - vii) to promote the knowledge and appreciation of Australian arts by persons in other countries
 - viii) to promote incentives for, and recognition of, achievement in the practice of the arts
 - ix) to encourage the support of the arts by the states, local governing bodies and other persons and organisations
- b) to furnish advice to the Government of the Commonwealth either of its own motion or upon request made to it by the Minister, on matters connected with the promotion of the arts or otherwise related to the performance of its functions; and
- c) to do anything incidental or conducive to the performance of any of the foregoing functions.

Australia Council
372 Elizabeth Street, Surry Hills NSW 2010
PO Box 788, Strawberry Hills NSW 2012
Telephone 02 9215 9000
Toll free 1800 226 912
Fax 02 9215 9111
Email comms@ozco.gov.au
www.ozco.gov.au

This publication has not been printed on recycled paper in accordance with the Australian Government's *Printing standards for documents presented to Parliament*. Please direct enquiries about this publication to the Director, Marketing and Communication at the above address.

Design by MonchoDavey
Print by SOS Print + Media