

Section 03
Financial statements

For the year ended
30 June 2007



INDEPENDENT AUDITOR'S REPORT

To the Minister for Communications, Information Technology and the Arts

Scope

We have audited the accompanying financial statements of the Australia Council for the Arts (Australia Council) for the year ended 30 June 2007. The financial statements comprise: a statement by the Council Members and Chief Financial Officer; income statement; balance sheet; statement of changes in equity; cash flow statement; schedules of commitments and contingencies; a summary of significant accounting policies, and other explanatory notes.

The Responsibility of the Council Members for the Financial Statements

The Council Members are responsible for the preparation and fair presentation of the financial statements in accordance with Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* and Australian Accounting Standards, including Australian Accounting Interpretations. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on our audit. Our audit has been conducted in accordance with Australian National Audit Office Auditing Standards, which incorporate Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Australia Council's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Australia Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council Members, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

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

Auditor's 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 Australian Accounting Standards (including Australian Accounting Interpretations); and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Australia Council's financial position as at 30 June 2007 and of its financial performance and its cash flows for the year then ended.

Australian National Audit Office

P Hinchey
Senior Director
Delegate of the Auditor-General

Sydney
5 September 2007

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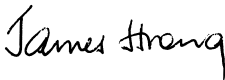
Statement by Council members and chief financial officer

for the year ended 30 June 2007

In our opinion, the attached financial statements for the year ended 30 June 2007 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 AO
Chairman
5 September 2007



Kathy Keele
Chief executive officer
5 September 2007



Emma Murphy
Chief financial officer
5 September 2007

Income statement

for the year ended 30 June 2007

	Notes	2006-07 \$'000	2005-06 \$'000
Income			
Revenue			
Revenues from government	2(a)	148,876	152,018
Interest	2(b)	3,653	3,737
Other	2(c)	9,870	11,310
Total revenue		162,399	167,065
Gains			
Sale of assets	2(d)	–	16
Total gains		–	16
Total income		162,399	167,081
Expense			
Employee benefits	3(a)	10,562	9,718
Suppliers	3(b)	4,957	3,910
Grants	4	152,813	137,011
Depreciation and amortisation	3(c)	876	827
Finance costs	3(d)	36	32
Other expenses	2(d)	3	–
Total expenses		169,247	151,498
Surplus/(deficit) from ordinary activities		(6,848)	15,583
Transfer from/(to) special purpose reserve		8,838	(12,407)
Surplus/(deficit)		1,990	3,176

The deficit before transfer from/(to) special purpose reserve arises from grant payments to the symphony orchestras upon the divestment from the Australian Broadcasting Corporation which occurred on 31/12/2006. Funding for this grant payment was received in 2005-06.

Balance sheet

as at 30 June 2007

	Notes	2006-07 \$'000	2005-06 \$'000
Assets			
Financial assets			
Cash	5(a)	18,718	32,736
Receivables	5(b)	3,081	2,470
Total financial assets		21,799	35,206
Non-financial assets			
Land and buildings	6(a)(d)	2,545	2,900
Infrastructure, plant and equipment	6(b)(d)	1,571	1,625
Intangibles	6(c)(d)	166	275
Other non-financial assets	6(e)	11,616	3,964
Total non-financial assets		15,898	8,764
Total assets		37,697	43,970
Liabilities			
Payables			
Suppliers	7(a)	887	309
Grants	7(b)	1,695	1,707
Total payables		2,582	2,016
Provisions			
Employees	8(a)	1,874	1,901
Other	8(b)	598	562
Total provisions		2,472	2,463
Total liabilities		5,054	4,479
Net assets		32,643	39,491
Equity			
Asset revaluation reserve		2,044	2,044
Accumulated surpluses		25,298	23,308
Special purpose reserve		5,301	14,139
Total equity		32,643	39,491
Current assets		33,415	39,170
Non-current assets		4,282	4,800
Current liabilities		3,584	2,963
Non-current liabilities		1,470	1,516

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

Statement of cash flows

for the year ended 30 June 2007

	Notes	2006-07 \$'000	2005-06 \$'000
Operating activities			
Cash received			
Appropriations	17	148,876	152,018
Interest		3,613	3,719
GST received from ATO		13,943	12,636
Other		9,298	11,749
Total cash received		175,730	180,122
Cash used			
Employees		(10,611)	(9,551)
Suppliers		(4,391)	(4,419)
Grants		(174,385)	(159,559)
Total cash used		(189,387)	(173,529)
Net cash (used by)/from operating activities	9(b)	(13,657)	6,593
Investing activities			
Cash received			
Proceeds from sales of property, plant and equipment		-	34
Total cash received		-	34
Cash used			
Purchase of property, plant and equipment		(361)	(401)
Total cash used		(361)	(401)
Net cash used by investing activities		(361)	(367)
Net increase/(decrease) in cash held		(14,018)	6,226
Cash at the beginning of the reporting period		32,736	26,510
Cash at the end of the reporting period	9(a)	18,718	32,736

Statement of changes in equity

for the year ended 30 June 2007

	Retained surplus		Asset revaluation reserve		Special purpose reserve		Total equity	
	2006-07 \$'000	2005-06 \$'000	2006-07 \$'000	2005-06 \$'000	2006-07 \$'000	2005-06 \$'000	2006-07 \$'000	2005-06 \$'000
Balance carried forward from previous period	23,308	20,132	2,044	2,044	14,139	1,733	39,491	23,909
Net surplus/(deficit)	1,990	3,176	-	-	-	-	1,990	3,176
Transfer (from)/to Books Alive Reserve	-	-	-	-	(9)	(320)	(9)	(320)
Transfer (from)/to Golbas, Sigrid & Estate Asher Bequest	-	-	-	-	4	(12)	4	(12)
Transfer (from)/to Orchestras Review Reserve	-	-	-	-	(8,404)	11,033	(8,404)	11,033
Transfer (from)/to NOISE Reserve	-	-	-	-	137	121	137	121
Transfer (from)/to Young and Emerging Reserve	-	-	-	-	59	682	59	682
Transfer (from)/to Visual Arts Craft Strategy Reserve	-	-	-	-	(315)	592	(315)	592
Transfer (from)/to Fund Raising Reserve	-	-	-	-	(310)	310	(310)	310
Closing balance at 30 June	25,298	23,308	2,044	2,044	5,301	14,139	32,643	39,491

Schedule of contingencies

as at 30 June 2007

There were no contingent losses or gains at 30 June 2007.

Schedule of commitments

as at 30 June 2007

	2006-07 \$'000	2005-06 \$'000
By type		
Other commitments		
Operating leases	5,013	8,674
Other commitments	333,807	109,226
Total other commitments	338,820	117,900
Commitments receivable	(30,747)	(10,660)
Net commitments	308,073	107,240
By Maturity		
Operating lease commitments		
One year or less	1,928	1,855
From one to five years	2,541	4,461
Over five years	544	587
Total operating lease commitments	5,013	6,903
Other commitments		
One year or less	132,377	109,226
From one to five years	201,430	–
Over five years	–	–
Total other commitments	333,807	109,226
Commitments receivable	(30,747)	(10,660)
Net commitments	308,073	105,469

All commitments are GST inclusive where relevant

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

Other commitments

Other commitments comprise commitments payable of \$313.3m to MPAB companies and \$20.4m of support for the arts funding under grant agreements in respect of which the recipient is yet to comply with certain requirements or meet eligibility.

Notes to and forming part of the financial statements

For the year ended 30 June 2007

Note	Description
1	Summary of significant accounting policies
2	Revenues
3	Expenses
4	Grants and initiatives expenses
5	Financial assets
6	Non-financial assets
7	Payables
8	Provisions
9	Cash flow reconciliation
10	Remuneration of Council members
11	Related party disclosures
12	Executive remuneration
13	Average staffing levels
14	Remuneration of auditors
15	Financial instruments
16	Events occurring after reporting date
17	Appropriations
18	Reporting of outcomes

Notes to and forming part of the financial statements for the year ended 30 June 2007

Note 1. Summary of significant accounting policies

1(a) Basis of preparation of the financial report

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 Australia Council in its present form and with its present programs is dependent on government policy and on continuing appropriations by Parliament for the Australia Council's administration and programs.

The financial statements and notes have been prepared in accordance with:

- Finance Minister's Orders (FMOs), for reporting periods ending on or after 1 July 2006; and
- Australian Accounting Standards, Interpretations issued by the Australian Accounting Standards Board (AASB) and Urgent Issues Group (UIG) that apply for the reporting period.

The financial report has been prepared on an accrual basis and is in accordance with historical cost convention, except for certain assets that are recorded at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial report is presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow to the Australia Council 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, 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 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 Australia 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 Australia 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) Revenue

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.

Other types of revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 Financial Instruments: Recognition and Measurement.

Notes to and forming part of the financial statements for the year ended 30 June 2007

Resources received free of charge

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

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(e) Gains

Sale of Assets

Gains from disposal of non-current assets are recognised when control of the assets has passed to the buyer.

1(f) Employee benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have 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.

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 Australia 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 Australia 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 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 2007. In determining the present value of the liability, the Australia 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. These costs are recognised when a detailed formal plan has been developed and the employees affected by the plan are informed.

Superannuation

Employees of the Australia Council are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap), and other private schemes.

The CSS and PSS are defined benefit schemes of the Australian Government. The PSSap is a defined contribution scheme. The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. The Australia Council makes employer contributions to the CSS and PSS at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of the Australia Council's employees.

The liability for superannuation contributions at 30 June 2007 represents outstanding contributions for the final fortnight of the year.

1(g) Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to the ownership of leased non-current assets. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Operating lease payments are expensed in a straight line basis which is representative of the pattern of benefit derived from the leased assets.

The Australia Council has no finance leases.

Notes to and forming part of the financial statements for the year ended 30 June 2007

1(h) Cash

Cash means notes and coins held and any deposit held at call with a bank or financial institution. Cash is recognised at its nominal amount.

1(i) Financial risk management

The activities of the Australia Council expose it to normal commercial financial risk. As a result of the nature of the Australia Council's business, internal and Australian Government policies dealing with the management of financial risk, the Australia Council's exposure to market, liquidity and cash flow and fair value interest rate risk is considered low.

1(j) Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or the asset is transferred to another Entity. In the case of a transfer to another Entity, it is necessary that the risks and rewards of ownership are also transferred.

Financial liabilities are derecognised when the obligation under the contract is discharged, cancelled or expires.

1(k) 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.

1(l) Supplier and other payables

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (irrespective of having been invoiced).

1(m) Grant liabilities and commitments

Grant liabilities comprise grants and programs approved by the Council and boards for 30 June 2007 or previous financial years for which signed conditions have been received from successful grants applicants.

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(n) Contingent assets and liabilities

Contingent Assets and Liabilities are not recognised in the Balance Sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an existing liability or asset in respect of which settlement is not probable or the amount cannot be reliably measured. Contingent assets are reported when settlement is probable, and contingent liabilities are recognised when settlement is greater than remote.

1(o) Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and 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 2007

1(p) Property, plant and equipment

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost on the Balance Sheet, except for purchases costing less than \$2000, 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 Australia Council where there exists an obligation to restore the property to its original condition. These costs are included in the value of the Australia Council’s leasehold improvements with a corresponding provision for the “makegood” taken up.

Revaluations

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

Asset class	Fair value measured at:
Land	Market selling price
Buildings (excluding leasehold improvements)	Market selling price
Leasehold improvements	Depreciated replacement cost
Plant and equipment	Market selling price
Heritage and cultural assets	Market selling price

Following initial recognition at cost, property, plant and equipment are carried at fair value less accumulated depreciation and accumulated impairment loss. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from 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 the Income Statement. Revaluation decrements for a class of assets are recognised directly through the Income Statement except to the extent that they reverse a previous revaluation increment for that class.

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

Depreciation and amortisation

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

Leasehold improvements and leasehold property are amortised over the life of the underlying leases or their estimated useful life, whichever is the 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:

	2006-07	2005-06
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 – excluding 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	50-250 years

Notes to and forming part of the financial statements for the year ended 30 June 2007

Impairment

All assets were assessed for impairment at 30 June 2007. 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 Australia Council were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

1(q) Intangibles

The Australia 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:

	2006-07	2005-06
Software	5 years	5 years

All software assets were assessed for impairment as at 30 June 2007. None were found to be impaired. Assets are fully utilized and will be utilized in the future.

1(r) Taxation

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

Revenue, expenses and assets are recognised net of GST:

- except where the amount of GST incurred is not recoverable from the Australian Tax Office; and
- except for receivables and payables.

1(s) Comparative figures

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

1(t) 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.

Notes to and forming part of the financial statements for the year ended 30 June 2007

	2006-07 \$'000	2005-06 \$'000
Note 2. Revenues		
2(a) Revenues from government		
Appropriations for outputs	148,876	152,018
2(b) Interest revenue		
Deposits	3,653	3,737
2(c) Other revenue		
Returned grants	165	443
Rental and outgoings recovered from sub-leasing	45	47
Income from fund raising		
– Venice Biennale 2005	–	25
– Venice Biennale 2007	917	354
– Musee du quai Branly	400	–
– Artsupport Australia grant	34	–
– Other	–	14
Contribution from Department of Foreign Affairs and Trade for:		
– OzArts Online	–	65
– Australian Indigenous Art Commission to Musee du quai Branly	–	13
– APAM 2006	–	60
– Undergrowth: Australian Arts UK	–	160
Contribution from the Department of Communications, Information Technology and the Arts for:		
– Books Alive	2,000	2,000
– Regional Arts Fund	100	100
– Visual Arts and Craft Strategy	5,500	5,500
– OzArts Online	65	65
– Orchestras Review Implementation	–	800
– Cultural Ministers Council Small to Medium Arts Companies Business Development	90	180
Creative NZ		
– Contribution to fuel4arts	35	35
NSW Ministry for the Arts		
– New resources for writing for performance in NSW	–	160
Arts SA		
– Funding for State Opera of South Australia	100	–
– Implementation of the Orchestras Review	11	314
Musee du quai Branly		
– Australian Indigenous Art Commission to Musee du quai Branly	345	669
Contributions from state governments for:		
– Australian Version of Boxing Clever	–	19
– Other	–	85
Other	63	202
Total other revenue	9,870	11,310

Notes to and forming part of the financial statements for the year ended 30 June 2007

	2006-07 \$'000	2005-06 \$'000
2 (d) Gains on sale of assets		
Proceeds from sale	–	34
Carrying value of assets held	(3)	(18)
Net gain (loss) from sale of assets	(3)	16

Note 3. Expenses

3 (a) Employee benefits

Wages and salaries	8,343	7,665
Superannuation	1,351	1,102
Leave and other entitlements	868	951
Total employee benefits	10,562	9,718

3(b) Suppliers

Rendering of services – external parties	2,823	2,346
Operating lease rentals	2,134	1,564
Total supplier expenses	4,957	3,910

3(c) Depreciation and amortisation

Depreciation

Other infrastructure, plant and equipment	243	235
Buildings	439	439

Amortisation

Intangibles – computer software	194	153
Total depreciation and amortisation expense	876	827

3(d) Finance costs

Unwinding of 'makegood'	36	32
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Note 4. Grants and initiatives expenses

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

Board grants	33,546	30,189
Major performing arts	89,436	74,790
Divisional programs	15,729	14,448
Government initiatives	12,312	12,475
Council initiatives	1,790	5,611
Total grants paid	152,813	137,513
Net movement in grants accrued	–	(502)
Total grants expenses	152,813	137,011

Notes to and forming part of the financial statements for the year ended 30 June 2007

	2006-07 \$'000	2005-06 \$'000
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Note 5. Financial assets

5(a) Cash and cash equivalents

Cash at bank	208	1,191
Term deposits (Investments under s18 of the CAC Act)	18,508	31,543
Cash on hand	2	2
Total cash and cash equivalents	18,718	32,736

Term deposits earn an effective interest rate of 6.00% (2006: 5.59%).
Interest is payable monthly. Terms are all between one and two months.

5(b) Receivables

Other debtors	428	275
GST receivable from the Australian Taxation Office	2,653	2,195
Total receivables (net)	3,081	2,470

Receivables are presented by:

Current	3,042	2,470
Non-current	39	-
Total receivables (net)	3,081	2,470

All receivables are with entities external to the entity. Credit terms are net 14 days (2006: 14 days).

Receivables (gross) are aged as follows:

Not overdue	3,042	2,468
Overdue by:		
- less than 30 days	-	1
- 30 to 60 days	-	1
- 60 to 90 days	5	-
- more than 90 days	34	-
Total receivables (gross)	3,081	2,470

Notes to and forming part of the financial statements for the year ended 30 June 2007

	2006-07 \$'000	2005-06 \$'000
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Note 6. Non-financial assets

6(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	(15)	(7)
Total buildings on freehold land	375	383

Buildings on leasehold land

– at 2005 valuation (fair value)	1,291	1,291
Accumulated amortisation	(194)	(172)
Total buildings on leasehold land	1,097	1,119

Leasehold improvements

– at 2005 valuation (fair value)	3,505	3,445
– at cost	24	–
Accumulated amortisation	(2,605)	(2,196)
Total leasehold improvements	924	1,249
Total land and buildings (non-current)	2,545	2,900

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, Sydney. No indications of impairment were found for land and buildings.

6(b) Plant and equipment

Plant and equipment

– at 2005 valuation (fair value)	1,648	1,858
– at cost	398	–
Accumulated depreciation	(475)	(233)
Total plant and equipment (non-current)	1,571	1,625

Plant and equipment includes a Guarnerius cello, made in 1721, together with a Pajeot bow and a Dodd bow made early in the 19th century. The Australia 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.

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).

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

6(c) Intangibles

Computer software – internally developed – at cost	679	594
Accumulated amortisation	(513)	(319)
Total intangibles	166	275

**Notes to and forming part of the financial statements
for the year ended 30 June 2007**

	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
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6(d) Analysis of property plant & equipment

A. Reconciliation of the opening and closing balances of properties, plant and equipment (2006-07)

As at 1 July 2006

Gross book value	149	1,681	3,445	1,858	594	7,727
Accumulated depreciation/ amortisation	–	(179)	(2,196)	(233)	(319)	(2,927)
Opening net book value	149	1,502	1,249	1,625	275	4,800
Additions by purchase	–	–	84	192	85	361
Depreciation/amortisation expense	–	(31)	(409)	(242)	(194)	(876)
Disposals	–	–	(3)	–	–	(3)

As at 30 June 2007

Gross book value	149	1,681	3,529	2,046	679	8,084
Accumulated depreciation /amortisation	–	(209)	(2,605)	(475)	(513)	(3,802)
Closing net book value	149	1,472	924	1,571	166	4,282

B. Reconciliation of the opening and closing balances of properties, plant and equipment (2005-06)

As at 1 July 2005

Gross book value	149	1,681	3,378	1,666	475	7,349
Accumulated depreciation /amortisation	–	(150)	(1,786)	(2)	(166)	(2,104)
Opening net book value	149	1,531	1,592	1,664	309	5,245
Additions by purchase	–	–	67	214	119	400
Depreciation/amortisation expense	–	(29)	(410)	(235)	(153)	(827)
Disposal	–	–	–	(18)	–	(18)

As at 30 June 2006

Gross book value	149	1,681	3,445	1,858	594	7,727
Accumulated depreciation /amortisation	–	(179)	(2 196)	(233)	(319)	(2,927)
Closing net book value	149	1,502	1,249	1,625	275	4,800

Notes and forming part of the financial statements for the year ended 30 June 2007

	2006-07 \$'000	2005-06 \$'000
6(e) Other non-financial assets		
Prepaid property rentals	139	133
Other prepayments*	11,477	3,831
Total other non-financial assets	11,616	3,964

*Other prepayments relate to grant payments to major performing arts companies.

Note 7. Payables

7(a) Supplier payables

Trade creditors	849	138
Other creditors	35	18
GST payable on supplier and grant liabilities	3	153
Total supplier payables	887	309
Supplier payables are represented by:		
Current	887	309
Non-current	-	-
Total supplier payables	887	309

7(b) Grants payable

Individuals and non-profit institutions	1,695	1,707
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Note 8. Provisions

8(a) Employee provisions

Salaries and wages	207	287
Leave	1,556	1,606
Superannuation	-	8
Redundancies	111	-
Total employee provisions	1,874	1,901
Current	997	947
Non-current	877	954
Total employee provisions	1,874	1,901

8(b) Other provisions

Provision for 'Makegood'	598	562
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Notes to and forming part of the financial statements for the year ended 30 June 2007

	2006-07 \$'000	2005-06 \$'000
Note 9. Cash flow reconciliation		
9(a) Reconciliation of cash per income statement to statement of cash flows		
Cash at year end per Statement of Cash Flows	18,718	32,736
Balance Sheet items comprising above cash:		
Financial Asset – Cash	18,718	32,736
9(b) Reconciliation of operating surplus to net cash from operating activities:		
Operating surplus	(6,848)	15,583
Non-cash items		
Depreciation and amortisation	876	827
(Gain)/Loss on disposal of assets	3	(16)
Changes in assets and liabilities		
(Increase)/decrease in receivables	(611)	(194)
(Increase)/decrease in prepayments	(7,652)	(3,759)
Increase/(decrease) in employee provisions	(28)	167
Increase/(decrease) in grants and supplier payables	566	(6,047)
Increase/(decrease) in other provisions	37	32
Net cash from operating activities	(13,657)	6,593

Note 10. Remuneration of Council members

Aggregate amount of superannuation payments in connection with the retirement of Council members	26,596	18,310
Other remuneration received or due and receivable by Council members	268,912	220,092
Total remuneration received or due and receivable by Council members	295,508	238,402

The number of Council members included in these figures is shown below in the relevant remuneration bands:

	Number	Number
\$0 – \$14,999	5	10
\$15,000 – \$29,999	7	5
\$30,000 – \$44,999	1	2
Total	13	17

The chief executive officer is an *ex-officio* member of the Council, but receives no additional remuneration as a Council member. The remuneration of the chief executive officer is included in Note 12 on the Executive Remuneration.

Notes to and forming part of the financial statements for the year ended 30 June 2007

Appointed Term concludes/concluded

Note 11. Related party disclosures

Council members

Council members during the year were:

Keele, Kathy*	07/02/2007	06/02/2010
Allert, Richard	01/02/2006	31/01/2009
Alway, Lesley	30/11/2004	30/09/2006
Black, Barbara	03/04/2006	02/04/2009
Bott, Jennifer*	08/02/1999	19/09/2006
Downer, Nicola	18/12/2003	17/12/2009
Fisher, Dominique	09/08/2006	08/08/2009
Gersh, Joseph	01/07/2006	30/06/2009
Koehne, Graeme	19/12/2002	18/12/2008
McRae, Ian	24/07/2002	23/01/2008
O'Loughlin, Tim	12/09/2005	11/09/2008
Salusinsky, Imre	24/06/2006	23/06/2009
Sarra, Chris	09/03/2005	08/03/2008
Snell, Edgar	27/12/2006	28/12/2009
Strong, James	01/07/2006	30/06/2009

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

Other transactions with Council members or Council member-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 10) or travelling and related allowances. The following is a list of transactions with Council members 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 \$
Richard Allert	Australia Business Arts Foundation	Director	10,945
Lesley Alway	Heide Museum of Modern Art	Director/CEO	26,000
Barbara Black	University of Western Australia	Director, UWA Albany Centre	3,900
Nicola Downer	State Theatre of South Australia	Governor	459,066
Tim O'Loughlin	Adelaide Symphony Orchestra	Chair	7,356,828
Imre Salusinszky	Quadrant	Former editorial board member	30,000
Graeme Koehne	West Australian Ballet	Commissioned composer	411,476
	University of Adelaide	Head of Studies (Composition)	4,400
Ian McRae	IFACCA	Director	10,000
	Bangarra Dance Theatre	Director	481,283
	Experimenta Media Arts Inc	Related Party	65,960
Edgar Snell	Curtin University of Technology	Dean of Art	15,000
	Object: Australian Centre for Craft and Design	Member Living Treasures Committee	577,343

Notes to and forming part of the financial statements for the year ended 30 June 2007

	2006-07 number	2005-06 number
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Note 12. Executive remuneration

12(a) Remuneration of officers

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

\$130 000 – \$144 999*	1	1
\$145 000 – \$159 999*	–	1
\$160 000 – \$174 999*	1	–
\$175 000 – \$189 999*	2	2
\$190 000 – \$204 999*	1	–
\$205 000 – \$219 999*	–	1
\$220 000 – \$234 999*	1	–
\$235 000 – \$249 999*	–	–
\$250 000 – \$264 999*	–	–
\$265 000 – \$279 999*	–	–
\$280 000 – \$294 999*	–	1
Total	6	6

*Includes salary, superannuation, recreation leave, cost of motor vehicles and fringe benefits tax at 30 June 2007 to which officers are currently entitled and long service leave to which officers are not entitled until they have 10 years of service with the Australia Council. Only two of the officers listed above were entitled to long service leave as at 30 June 2007.

	\$	\$
The aggregate amount of total remuneration of officers shown above is:	1,097,918	1,152,491

The officer remuneration includes the chief executive officer who is a member of the Council *ex officio*, and all officers concerned with or taking part in the management of the Australia Council.

	number	number
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Note 13. Average staffing levels

The average staffing levels during the year were:	145	145
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	\$	\$
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Note 14. Remuneration of auditors

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

– the Australia Council	35,100	38,000
– Visual Arts and Craft	6,000	–
– Books Alive	1,900	1,600
Total	43,000	39,600

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 2007

Note 15. Financial instruments

15(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	5(a)	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	5(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. (2006: 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	7(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	7(b)	Grants liabilities comprise grants and programs approved by the Council and boards for 30 June 2007 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 2007

Financial instruments	Notes	Floating interest rate		Non-interest bearing		Total		Weighted average effective interest rate	
		2006-07 \$'000	2005-06 \$'000	2006-07 \$'000	2005-06 \$'000	2006-07 \$'000	2005-06 \$'000	2006-07 %	2005-06 %
15(b) Interest rate risk									
Financial assets									
Cash at bank	5(a)	208	1,191	–	–	208	1,191	3.10	2.85
Cash on hand	5(a)	–	–	2	2	2	2	n/a	n/a
Deposits at call	5(a)	18,508	31,543	–	–	18,508	31,543	6.00	5.29
Receivables	5(b)	–	–	3,081	2,470	3,081	2,470	n/a	n/a
Total		18,716	32,734	3,083	2,472	21,799	35,206		
Total assets						37,697	43,970		
Financial liabilities									
Trade and other creditors	7(a)	–	–	887	453	887	309	n/a	n/a
Grants liabilities	7(b)	–	–	1,695	1,563	1,695	1,707	n/a	n/a
Total			–	2,582	2,016	2,582	2,016		
Total liabilities						5,054	4,479		

Notes	2006-07		2005-06	
	Total carrying amount \$'000	Aggregate fair value \$'000	Total carrying amount \$'000	Aggregate fair value \$'000

15(c) Net fair values of financial assets and liabilities

Financial assets					
Cash at bank	5(a)	208	208	1,191	1,191
Cash on hand	5(a)	2	2	2	2
Deposits at call	5(a)	18,508	18,508	31,543	31,543
Receivables	5(b)	3,081	3,081	2,470	2,470
Total financial assets		21,799	21,799	35,206	35,206
Financial liabilities (recognised)					
Trade and other creditors	7(a)	887	887	309	309
Grants liabilities	7(b)	1,695	1,695	1,707	1,707
Total financial liabilities (recognised)		2,582	2,582	2,016	2,016

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 carrying amounts.

Notes to and forming part of the financial statements for the year ended 30 June 2007

15(d) Credit risk exposure

The Australia 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 Balance Sheet. The Australia Council has no significant exposures to any concentrations of credit risk.

Note 16. 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 17. Appropriations

Particulars	Departmental outputs		Total	
	2006-07 \$'000	2005-06 \$'000	2006-07 \$'000	2005-06 \$'000
Year ended 30 June 2007				
Balance carried forward from previous year	-	-	-	-
Appropriation Acts 1 and 3	148,876	150,978	148,876	150,978
Appropriation Act 5	-	1,040	-	1,040
Available for payment of CRF	148,876	152,018	148,876	152,018
Payments made out of CRF	148,876	152,018	148,876	152,018
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 Australia Council. When received by the Australia Council, the payments made are legally the money of the Australia Council and do not represent any balance remaining in the CRF.

Note 18. Reporting of outcomes

18(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.

Notes to and forming part of the financial statements
for the year ended 30 June 2007

	Outcome 1		Outcome 2		Total	
	2006-07 \$'000	2005-06 \$'000	2006-07 \$'000	2005-06 \$'000	2006-07 \$'000	2005-06 \$'000
18(b) Net cost of outcome delivery						
Expenses						
Administered	-	-	-	-	-	-
Departmental	96,132	86,051	73,115	65,447	169,247	151,498
Total expenses	96,132	86,051	73,115	65,447	169,247	151,498
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	2,076	2,122	1,577	1,615	3,653	3,737
- Net gains from disposal of assets	-	8	-	8	-	16
- Reversal of previous asset write-downs	-	-	-	-	-	-
- Other	5,606	6,424	4,264	4,886	9,870	11,310
Total Departmental	7,682	8,554	5,841	6,509	13,523	15,063
Total other external revenues	7,682	8,554	5,841	6,509	13,523	15,063
Net cost/(contribution) of outcome	88,450	77,497	67,274	58,938	155,724	136,435

Notes and forming part of the financial statements
for the year ended 30 June 2007

	Outcome Group 1			
	Output 1.1		Output 1.2	
	2006-07 \$'000	2005-06 \$'000	2006-07 \$'000	2005-06 \$'000
18(c) Departmental revenues and expenses by output groups and output				
Operating expenses				
Employees	3,602	3,311	2,397	2,209
Suppliers	1,690	1,332	1,125	889
Grants	52,114	46,673	34,684	31,148
Depreciation and amortisation	299	282	199	188
Finance costs	12	12	8	7
Write-down of assets	1	-	1	-
Other	-	-	-	-
Total operating expenses	57,718	51,610	38,414	34,441
Funded by:				
Revenues from government	50,771	51,842	33,791	34,504
Sale of goods and services	-	-	-	-
Interest	1,247	1,272	829	850
Net gains from disposal of assets	-	-	-	-
Reversal from previous asset write-downs	-	-	-	-
Other	3,366	3,853	2,240	2,571
Total operating revenues	55,384	56,967	36,860	37,925

Notes to and forming part of the financial statements for the year ended 30 June 2007

Outcome Group 2						Total	
Output 2.1		Output 2.2		Output 2.3			
2006-07 \$'000	2005-06 \$'000	2006-07 \$'000	2005-06 \$'000	2006-07 \$'000	2005-06 \$'000	2006-07 \$'000	2005-06 \$'000
1,675	1,540	2,424	2,225	464	433	10,562	9,718
786	620	1,138	895	218	174	4,957	3,910
24,235	21,716	35,067	31,366	6,713	6,108	152,813	137,011
139	131	201	189	38	37	876	827
6	5	8	7	2	1	36	32
-	-	1	-	-	-	3	-
-	-	-	-	-	-	-	-
26,841	24,012	38,839	34,682	7,435	6,753	169,247	151,498
23,610	24,108	34,164	34,885	6,540	6,679	148,876	152,018
-	-	-	-	-	-	-	-
579	592	838	856	160	167	3,653	3,737
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,565	1,793	2,265	2,589	434	504	9,870	11,310
25,754	26,493	37,267	38,330	7,134	7,350	162,399	167,065

Functions of the Australia Council

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

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