



Financial Statements

IMAGE: 'Baby bird' Matt Wilson learns the flying trapeze during the 2003 Circus Oz season.
Circus Oz is supported by the Major Performing Arts Board. PHOTO: Ponch Hawkes.

Independent Audit Report

To the Minister for the Arts and Sport

Scope

I have audited the financial statements of the Australia Council for the year ended 30 June 2003. The financial statements comprise:

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

The members of the Australia Council are responsible for the preparation and presentation of the financial statements and the information they contain. I have conducted an independent audit of the financial statements in order 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 Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with my understanding of the Australia Council's financial position, its financial performance and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion the financial statements:

- (i) have been prepared in accordance with Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*
- (ii) give a true and fair view, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Finance Minister's Orders, of the financial position of the Australia Council as at 30 June 2003, and its financial performance and cash flows for the year then ended.

Australian National Audit Office



P Hinchey

Senior Director
Delegate of the Auditor-General
Sydney
12 September 2003

Statement by Council Members

For the year ended 30 June 2003

In our opinion, the attached financial statements for the year ended 30 June 2003 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 Council will be able to pay its debts as and when they become due and payable.



Jennifer Bott
Chief Executive Officer
12 September 2003



David Gonski
Chairman
12 September 2003

Statement of Financial Performance

For the year ended 30 June 2003

	Notes	2002-03 \$000	2001-02 \$000
REVENUE			
Revenues from ordinary activities			
Revenues from government	3(a)	135 928	131 222
Goods and services	3(b)	27	3
Interest	3(c)	1 832	1 581
Net foreign exchange gains	3(d)	–	20
Other	3(e)	3 135	4 199
Revenue from sale of assets	4(e)	38	69
Total revenues from ordinary activities		140 960	137 094
EXPENSE			
Expenses from ordinary activities			
Employees	4(a)	8 275	8 070
Suppliers	4(b)	3 949	4 097
Grants	5	123 992	118 058
Depreciation and amortisation	4(c)	1 183	921
Write-down of assets	4(d)	–	354
Value of assets sold	4(e)	41	85
Expenses from ordinary activities		137 440	131 585
Operating surplus from ordinary activities*		3 520	5 509
Transfer to special purpose reserve		2 000	–
Net credit to asset revaluation reserve		–	616
Total revenues, expenses and valuation adjustments recognised directly in equity		–	616
Total changes in equity other than those resulting from transactions with owners as owners		1 520	6 125

* The net operating surplus consists of revenue received in 2002-03 for specific projects which will be expensed in 2003-04.

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

Statement of Financial Position

as at 30 June 2003

	Notes	2002-03 \$000	2001-02 \$000
ASSETS			
Financial assets			
Cash	11(b)	9 640	7 459
Receivables	6	2 111	4 286
Total financial assets		11 751	11 745
Non-financial assets			
Land and buildings	7(a)(d)	2 861	3 103
Infrastructure, plant and equipment	7(b)(d)	1 912	2 087
Intangibles	7(c)(d)	819	1 170
Prepayments	7(e)	7 672	8 115
Total non-financial assets		13 264	14 475
Total assets		25 015	26 220
LIABILITIES			
Provisions			
Employees	8	1 759	1 872
Capital use charge	9(b)	–	541
Total provisions		1 759	2 413
Payables			
Suppliers	9(a)	850	922
Grants	9(c)	4 739	7 360
Total payables		5 589	8 282
Total liabilities		7 348	10 695
NET ASSETS		17 667	15 525
EQUITY			
Asset revaluation reserve	10	1 802	1 802
Accumulated surpluses	10	13 865	13 723
Special purpose reserve	10	2 000	–
Total equity		17 667	15 525
Current assets		19 423	19 860
Non-current assets		5 592	6 360
Current liabilities		6 929	10 321
Non-current liabilities		419	374

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

Statement of Cash Flows

For the year ended 30 June 2003

	Notes	2002-03 \$000	2001-02 \$000
OPERATING ACTIVITIES			
Cash received			
Appropriations		135 928	131 222
Sales of services		27	3
Interest		1 833	1 572
GST received from ATO		14 336	9 550
Other		3 135	3 358
Total cash received		155 259	145 705
Cash used			
Employees		(8 362)	(7 814)
Suppliers		(4 543)	(5 057)
Grants		(137 852)	(129 098)
Total cash used		(150 757)	(141 969)
Net cash from operating activities	11(a)	4 502	3 736
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment		-	44
Total cash received		-	44
Cash used			
Purchase of property, plant and equipment		(402)	(1 083)
Total cash used		(402)	(1 083)
Net cash used in investing activities		(402)	(1 039)
FINANCING ACTIVITIES			
Cash used			
Capital use charge paid		(1 919)	(1 464)
Total cash used		(1 919)	(1 464)
Net cash used in financing activities		(1 919)	(1 464)
Net increase/(decrease) in cash held		2 181	1 233
Cash at the beginning of the reporting period		7 459	6 226
Cash at the end of the reporting period	11(b)	9 640	7 459

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

Schedule of Commitments

as at 30 June 2003

	2002-03 \$000	2001-02 \$000
BY TYPE		
Capital commitments		
Infrastructure, plant and equipment	-	-
Total capital commitments	-	-
Other commitments		
Operating leases	12 007	13 599
Other commitments	172 972	171 958
Total other commitments	184 979	185 557
Commitments receivable	(16 758)	(16 809)
Net commitments	168 221	168 748
BY MATURITY		
Operating lease commitments		
One year or less	1 649	1 586
From one to five years	7 279	7 002
Over five years	3 079	5 011

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 2003

There were no contingent losses or gains at 30 June 2003.

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

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2003

Note Description

1.	Summary of Significant Accounting Policies
2.	Economic Dependency
3.	Operating Revenues
4.	Operating Expenses
5.	Operating Expenses—Grants and Initiatives
6.	Financial Assets
7.	Non-Financial Assets
8.	Provisions
9.	Payables
10.	Equity
11.	Cash Flow Reconciliation
12.	Remuneration of Council Members
13.	Related Party Disclosures
14.	Remuneration of Officers
15.	Remuneration of Auditors
16.	Financial Instruments
17.	Events Occurring After Reporting Date
18.	Appropriations
19.	Reporting of Outcomes

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2003

1. Summary of Significant Accounting Policies

1(a) Basis of Accounting

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

The Statements have been prepared in accordance with:

- Finance Minister's Orders (being the *Commonwealth Authorities and Companies (Financial Statements for reporting periods ending on or after 30 June 2003) Orders*);
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board; and
- Consensus Views of the Urgent Issues Group.

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

Assets and liabilities are recognised in the Council Statement of Financial Position when and only when it is probable that future economic benefits will flow and the amounts of the assets and liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are however not recognised unless required by an Accounting Standard. Liabilities and assets which are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies.

Revenues and expenses are recognised in the Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

1(b) Taxation

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

1(c) Revenue

The revenues described in this Note are revenues relating to the core operating activities of the Council. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenues from Government—Output Appropriations

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

Resources received free of charge

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

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

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2003

1(d) Reporting by Outcomes

A comparison of Budget and Actual figures by outcome specified in the Appropriation Acts relevant to the Council is presented in Note 18.

1(e) Acquisition of Assets

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

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

Asset Recognition Threshold

Assets are recognised initially at cost in the Statement of Financial Position. Except for the library collection, musical instruments and works of art, the Council adopts the policy of expensing all capital assets under \$2 000 in the year of purchase. The \$2 000 threshold was selected because it facilitates efficient asset management and recording without materially affecting asset values recognised.

Revaluations

Land, buildings, infrastructure, plant and equipment are revalued progressively in accordance with the 'deprival' method of valuation in successive three year cycles, so that no asset has a value greater than three years old.

All property, plant and equipment was revalued as at 30 June 2002.

Assets in each class acquired after the commencement of the progressive revaluation cycle are not captured by the progressive revaluation then in progress.

In accordance with the deprival methodology, land is measured at its current market buying price. Property (other than land) is measured at its depreciated replacement cost. Where assets are held which would not be replaced or are surplus to requirements, measurement is at net realisable value. At 30 June 2003, the Council had no assets in this situation.

Included under plant and equipment is the musical instrument and the library collection.

All valuations are independent.

Recoverable Amount Test

From 1 July 2002 Schedule 1 no longer requires the application of the recoverable amount test to the assets of the Council when the primary purpose of the asset is not the generation of cash inflows.

No property plant and equipment assets have been written to recoverable amount per *Australian Accounting Standards 10*. Accordingly the change in policy has had no financial effect.

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2003

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. Land and works of art are not depreciated.

Depreciation/amortisation rates (useful lives) and methods are reviewed at each balance 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:

	<u>2002-03</u>	<u>2001-02</u>
Buildings on freehold land	40 years	40 years
Buildings on leasehold land	50-75 years	60 years
Leasehold improvements	10 years	10 years
Plant and equipment— <i>excluding</i> musical instruments	3-50 years	3-50 years
Plant and equipment—musical instruments	15-100 years	15-100 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 4(c).

1(g) Employee Benefits

Benefits

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

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

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability. This is a change in accounting policy from last year required by initial application of a new *Accounting Standard AASB 1028* for 1 July 2002. As the Council's certified agreement raise pay rates in September each year, the financial effect of this change is not material.

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

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2003

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 normal 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 liability for long service leave has been determined in accordance with the guidelines in Finance Brief 13 – *Measurement of Commonwealth Sector employees' leave entitlements*. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and redundancy

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

Superannuation

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

The Council makes employer contributions to the Commonwealth at rates determined by the actuary to be sufficient to meet the cost to the Commonwealth of the superannuation entitlements of the Council's employees.

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

1(h) Grant Liabilities

Grants liabilities comprise grants and programs approved by Council and Boards for 30 June 2003 or previous financial years for which signed conditions have been received from successful grant applicants.

1(i) 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(j) Leases

Operating lease payments are charged to the Statement of Financial Performance on a basis which is representative of the pattern of benefits derived from the leased assets. The net present value of future net outlays in respect of surplus space under non-cancellable lease agreements is expensed in the period in which the space becomes surplus.

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2003

1(k) Intangibles

Intangible assets are carried at cost.

From 1 July 2002, Schedule 1 no longer requires the application of the recoverable amount test in Australian Accounting Standard *AAS10 Recoverable Amount of Non-Current Assets* to the assets of authorities when the primary purpose of the asset is not the generation of net cash in-flows.

However, Schedule 1 now requires such assets, if carried on the cost basis, to be assessed for indication of impairment. The carrying amount of impaired assets must be written down to the higher of its net market selling price or depreciated replacement cost.

All software assets were assessed for impairment as at 1 July 2002. None were found to be impaired. However, an impairment write-down was booked for certain software as at 30 June 2003.

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

Useful lives are:

	<u>2002-03</u>	<u>2001-02</u>
Computer software externally developed	5 years	5 years

1(l) Cash

Cash means notes and coins held and any deposits held at call with a bank or financial institution.

1(m) Comparative Figures

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

1(n) Changes in Accounting Policies

The accounting policies used in the preparation of these financial statements are consistent with those used in the prior year except where indicated.

1(p) Foreign Currency

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

1(q) Rounding

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

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

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2003

1(r) Financial Instruments

Accounting policies for financial instruments are stated at Note 16.

1(s) Insurance

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

2. 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.

3. Operating Revenues

	2002-03 \$000	2001-02 \$000
3(a) Revenues from government		
Appropriation for outputs	135 928	131 222
3(b) Sales of Goods and Services		
Services	27	3
Total sales of goods and services	27	3
Rendering of services to:		
External entities	27	3
Total rendering of services	27	3
3(c) Interest Revenue		
Deposits	1 832	1 581
Total Interest Revenue	1 832	1 581
3(d) Net foreign exchange gains		
Non-speculative	-	20

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2003

	2002-03 \$000	2001-02 \$000
3(e) Other revenue		
Recognition of assets:		
• Venice Pavilion*	-	652
• Works of art	-	172
• Plant and equipment	-	47
Returned grants	438	575
Rental and outgoings recovered from sub-leasing	101	131
Contribution from Arts Queensland:		
• Showcasing Publication	7	-
Contribution from Arts Victoria for Victorian participation at ARCO, Spain	-	35
Contribution from Department of Foreign Affairs and Trade for:		
• Australian International Cultural Council online project	-	40
• Australian Summer Arts Season Berlin	80	100
• Next Wave at Brooklyn Academy of Music New York	-	140
• artaustralia Berlin	175	-
Contribution from the Department of Communications, Information Technology and the Arts for:		
• Books Alive	2 000	2 000
• Contemporary Visual Arts and Craft enquiry costs	-	2
• Regional Arts	100	100
• Small to Medium Performing Arts Review	90	-
Contribution from Brisbane Festival		
• Major Festivals Initiative	10	-
Contribution from Images of Australia		
• AICC online project	80	-
Contribution from the NSW Ministry for the Arts		
• Review of Theatre for Young People	10	-
Contribution from Arts South Australia for:		
• Arts around Adelaide	-	10
• Australia at ARCO Spain in February 2002	-	100
Contribution from Commonwealth Scientific and Industrial Research Organisation for a residency program	-	35
Other	44	60
Total contribution revenues	3 135	4 199

* The Australia Council is deemed to have control of the Australian Pavilion in Venice (building on leasehold land) which has been recognised as an asset and as revenue at 30 June 2002. The cost of the building was expensed when it was built in 1988.

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2003

	2002-03 \$000	2001-02 \$000
4. Operating Expenses		
4(a) Employee Expenses		
Wages and Salaries	7 262	6 957
Superannuation	902	850
Leave and other entitlements	71	126
Separation and redundancy	13	104
Total employee benefits expenses	8 248	8 037
Workers compensation premiums	27	33
Total employee expenses	8 275	8 070
4(b) Supplier Expenses		
Services from related entities	–	–
Services from external parties	2 924	3 112
Operating lease rentals	1 025	985
Total supplier expenses	3 949	4 097
4(c) Depreciation and Amortisation		
Depreciation of property, plant and equipment	361	377
Amortisation of leased assets	287	223
Amortisation of intangibles—computer software	535	321
Total depreciation and amortisation expense	1 183	921
4(d) Write-Down of Assets		
Revaluation decrement—library	–	348
Plant and equipment written off	–	6
Total write-down of assets	–	354
4(e) Net losses from sale of assets		
Proceeds from sales	–	44
Proceeds from trade-in	38	25
Net book value at sale	(41)	(85)
Total net losses from sale of assets	(3)	(16)

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2003

	2002-03 \$000	2001-02 \$000
5. Operating Expenses—Grants and Initiatives		
Grants and initiatives paid to individuals and to non-profit institutions during the year were:		
Aboriginal and Torres Strait Islander Arts	4 304	4 118
Community Cultural Development	5 495	5 646
Dance	3 160	2 923
Literature	4 022	3 900
Major Performing Arts	74 924	68 922
Music	4 371	3 830
New Media Arts	2 565	2 608
Theatre	7 424	7 086
Visual Arts/Craft	6 431	5 889
Arts Development—Strategic Initiatives	632	389
Audience and Market Development	4 813	4 863
Policy Communication Research	3 187	2 564
Government Initiatives	5 313	4 898
Total grants paid	126 641	117 636
Net movement in grants accrued	(2 649)	422
Total grants expenses	123 992	118 058
6. Financial Assets		
RECEIVABLES		
Goods and Services	–	8
Other debtors	76	59
GST receivable	2 035	4 219
Total receivables (net)	2 111	4 286
Receivables (gross) are aged as follows:		
Not overdue	2 034	2 636
Overdue by:		
less than 30 days	66	1 643
30 to 60 days	–	1
60 to 90 days	2	–
more than 90 days	9	6
Total receivables (gross)	2 111	4 286

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2003

	2002-03 \$000	2001-02 \$000
7. Non-Financial Assets		
7(a) Land and Buildings		
Freehold land		
– at 2002 valuation (market buying price)	90	90
Total freehold land	90	90
Buildings on freehold land		
– at 2002 valuation (deprival)	235	235
Accumulated depreciation	(65)	(59)
Total buildings on freehold land	170	176
Leasehold improvements		
– at cost	46	–
Accumulated amortisation	(4)	–
	42	–
Leasehold improvements		
– at 2002 valuation (deprival)	2 502	2 502
Accumulated amortisation	(840)	(584)
Total leasehold improvements	1 662	1 918
Buildings on leasehold land		
– at 2002 valuation (deprival)	1 226	1 226
Accumulated amortisation	(329)	(307)
Total buildings on leasehold land	897	919
Total Land and Buildings (non-current)	2 861	3 103

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.

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2003

	2002-03 \$000	2001-02 \$000
7(b) Infrastructure, Plant and Equipment		
Plant and equipment		
– at cost	227	–
Accumulated depreciation	(26)	–
	201	–
Plant and equipment		
– at 2002 valuation (deprival)	2 796	2 983
Accumulated depreciation	(1 085)	(896)
	1 711	2 087
Total Infrastructure, Plant and Equipment (non-current)	1 912	2 087
7(c) Intangibles		
Computer software – externally developed – at cost	1 876	1 692
Accumulated amortisation	(1 057)	(522)
Total Intangibles	819	1 170

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. The Council purchased this item in 1974. The cello and bows were valued on 30 June 2002. The valuation was performed by independent valuers, John and Arthur Beare's, in London.

The revaluations were in accordance with the revaluation policy stated at Note 1 and were completed by independent valuers Edward Rushton Australia Pty Ltd (Sydney), Jones Lang LaSalle (Paris), Massimo Finotti, Architect (Rome), Carlo Gallina, Engineer (Venice) and John & Arthur Beare (London).

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2003

7(d) Analysis of Property, Plant, Equipment and Intangibles

	Land \$000	Buildings on freehold and leasehold land \$000	Buildings Lease-hold improve- ments \$000	Other infra- structure, Plant and equipment \$000	Computer software \$000	TOTAL \$000
As at 1 July 2002						
Gross book value	90	1 461	2 502	2 983	1 692	8 728
Accumulated depreciation/ amortisation		(366)	(584)	(896)	(522)	(2 368)
Net book value	90	1 095	1 918	2 087	1 170	6 360
Additions by purchase	–	–	45	227	184	456
from acquisition of operations	–	–	–	–	–	–
Net Revaluations increment/ decrement						
Depreciation/ amortisation expense	–	(28)	(259)	(361)	(535)	(1 183)
Recoverable amount write-downs						
Disposals						
From disposal of operations	–	–	–	–	–	–
Other disposals	–	–	–	(41)	–	(41)
As at 30 June 2003						
Gross book value	90	1 461	2 548	3 023	1 876	8 998
Accumulated depreciation/ amortisation	–	(394)	(844)	(1 111)	(1 057)	(3 406)
Net book value	90	1 067	1 704	1 912	819	5 592

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2003

7(d) Analysis of Property, Plant, Equipment and Intangibles (continued)

Table B – Assets at valuation

	Land \$000	Buildings on freehold and leasehold land \$000	Buildings Lease-hold improve- ments \$000	Other infra- structure, Plant and equipment \$000	TOTAL \$000
As at 30 June 2003					
Gross value	90	1 461	2 503	2 796	6 850
Accumulated depreciation/ amortisation	–	(395)	(840)	(1 085)	(2 320)
Net book value	90	1 066	1 663	1 711	4 530
As at 30 June 2002					
Gross value	90	1 461	2 502	2 983	7 036
Accumulated depreciation/ amortisation	–	(366)	(584)	(897)	(1 847)
Net book value	90	1 095	1 918	2 086	5 189
7(e) Other Non-Financial Assets				2002–03 \$000	2001–02 \$000
Prepaid property rentals				118	114
Prepaid grants				7 499	7 952
Other prepayments				55	49
Total other non-financial assets				7 672	8 115

All other non-financial assets are current assets.

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2003

	2002-03 \$000	2001-02 \$000
8. Provisions		
Employee Provisions		
Salaries and wages	321	294
Leave	1 362	1 449
Superannuation	76	25
Separation and redundancy	–	104
Aggregate employee benefit liability	1 759	1 872
Workers compensation	–	–
Aggregate employee benefit Liabilities and related on costs	1 759	1 872
Current	1 026	1 104
Non-Current	733	768
9. Payables	2002-03 \$000	2001-02 \$000
9(a) Supplier Payables		
Trade creditors	206	184
Other creditors	178	4
GST payable on grants liabilities	466	734
Total supplier payables	850	922
All supplier payables are current liabilities.		
9(b) Capital Use Charge Provision		
Capital Use Charge		
Balance owing 1 July	541	372
Capital Use Charge provided for during the period	–	169
Capital Use Charge paid	541	–
Balance owing 30 June	–	541
The Capital Use Charge provision is a current liability.		
9(c) Grants Payable		
Individuals and non-profit institutions	4 739	7 360

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2003

10. Equity

Note 10A: Analysis of Equity

ITEM	Accumulated Results		Asset Revaluation Reserve		Special Purpose Reserve		Total Equity	
	2002-03 \$000	2001-02 \$000	2002-03 \$000	2001-02 \$000	2002-03 \$000	2001-02 \$000	2002-03 \$000	2001-02 \$000
Opening balance at 1 July	13 723	9 847	1 802	1 186	–	–	15 525	11 033
Net surplus	1 520	5 509	–	–	–	–	1 520	5 509
Transfer to special purpose reserve*	–	–	–	–	2 000	–	2 000	–
Net revaluation increment/ (decrement)	–	–	–	616	–	–	–	616
Capital use charge	(1 378)	(1 633)	–	–	–	–	(1 378)	(1 633)
Closing balance as at 30 June	13 865	13 723	1 802	1 802	2 000	–	17 667	15 525

* Funds received from the government in 2002-03 for the Books Alive initiative.

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2003

	2002-03 \$000	2001-02 \$000
11. Cash Flow Reconciliation		
11(a) Reconciliation of Operating surplus to net cash from Operating Activities:		
Operating surplus before extraordinary items	3 520	5 509
Non-cash items		
Depreciation and amortisation	1 183	921
Recognition of non-current assets	–	(871)
Write down of assets	–	354
Gain on exchange	–	(20)
Loss on disposal of assets	3	16
Trade-in on asset disposals	–	24
Changes in Assets and Liabilities		
(Increase)/decrease in receivables	2 175	(1 883)
Increase/(decrease) in employee provisions	(113)	256
Increase/(decrease) in supplier payables	(72)	(151)
Increase/(decrease) in grants payable	(2 687)	422
(Increase)/decrease in prepayments	443	(874)
Capital creditors	50	33
Net cash from operating activities	4 502	3 736
11(b) Reconciliation of Cash		
Cash balance comprises:		
Cash on hand	2 195	159
Deposits at call	7 445	7 300
Total cash	9 640	7 459

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2003

	2002-03 \$000	2001-02 \$000
12. Remuneration of Council Members		
Aggregate amount of superannuation payments on behalf of Council members	21 893	21 906
Other remuneration received or due and receivable by Council members	243 259	273 827
Total remuneration received or due and receivable by Council members	265 152	295 733

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

	2002-03 Number	2001-02 Number
\$0 – \$9 999	7	5
\$10 000 – \$19 999	6	4
\$20 000 – \$29 999	5	7
\$30 000 – \$30,999*	1	2
Total	19	18

* Includes payment to Victoria Lynn in the role of Commissioner, Venice Biennale.

The Chief Executive Officer is an *ex officio* member of the Council, but receives no additional remuneration as a Councillor. The remuneration of the Chief Executive Officer is included in Note 14 on the Remuneration of Officers.

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2003

13. Related Party Disclosures

Council members

Council members during the year were:

Name	Appointed	Term concludes/ concluded
Bott, Jennifer*	08/02/1999	07/02/2004
Arcus, Terrey	22/06/2002	21/06/2005
Carroll, Shane	21/05/2003	20/05/2006
Chance, Sally	03/12/1999	02/12/2002
Goldsworthy, Peter	04/12/2001	03/12/2004
Gonski, David	02/05/2002	01/05/2005
Koehne, Graeme	19/12/2002	18/12/2005
Lewis, Adam	01/10/2001	30/09/2004
Lynn, Victoria	10/06/2001	09/06/2004
McRae, Ian	24/07/2002	23/07/2005
Morgan, Patrick	24/07/1999	23/07/2002
Nugent, Helen	01/07/1997	03/10/2002
Pearson, Christopher	27/03/1997	13/05/2003
Pulvirenti, Christine	24/07/2002	23/07/2005
Snelling, Michael	20/09/2001	19/09/2004
Tassel, Christopher	25/06/2002	24/06/2005
Waks, Nathan	04/12/1998	30/11/2002
Walley, Richard	31/05/2000	30/11/2002
Ward, Mel	04/11/2002	03/11/2005
Whitney, David	24/07/1999	23/07/2002

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

Other Transactions with Councillors or Council-related entities

No Council member has, since the end of the previous financial year, received or become entitled to receive any benefits, other than fixed stipends or travelling and related allowances (except as disclosed in Note 12), by reason of a contract made by the Council with the Council member. All transactions with Council members, or organisations in which they have a substantial financial interest, were conducted in accordance with standard procedures and on conditions no more beneficial than those of other grant applicants.

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2003

Council Member	Organisation in receipt of Grant	Position held by Council Member	Amount of Grant \$
Sally Chance	Australian Festival for Young People	Festival Director	61 664
Ian McRae	The Bell Shakespeare Co. Victorian College of the Arts	Director Deputy President	563 645 22 000
Christopher Pearson	National Museum of Australia	Council Member	11 000
Christine Pulvirenti	The Australian Festival for Chamber Music	Board Member	17 800
Michael Snelling	Institute of Modern Art Elision Contemporary Music Ensemble	Director Deputy Chair	110 150 154 000
Christopher Tassel	Queen Victoria Museum and Art Gallery	Director	1 168

14. Remuneration of Officers

	2002-03 Number	2001-02 Number
The number of officers who received or were due to receive total remuneration of \$100,000 or more:		
\$100 000 – \$109 999	–	1
\$110 000 – \$119 999	–	1
\$120 000 – \$129 999	3	3
\$130 000 – \$139 999	3	–
\$160 000 – \$169 999	1	–
\$180 000 – \$189 999	–	1
\$240 000 – \$249 999	1	–
Total	8	6
The aggregate amount of total remuneration of officers shown above is:*	1 198 705	790 064
The aggregate amount of separation and redundancy/termination benefit payments during the year to officers shown above is:	–	–

* Includes superannuation, cost of motor vehicles and fringe benefits tax at 30 June 2003.

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 economic entity.

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2003

15. Remuneration of Auditors

	2002-03 \$000	2001-02 \$000
Remuneration to the Auditor-General for auditing the financial statements of:		
– the Australia Council	32 000	32 000
– Books Alive	–	700
	32 000	32 700

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 2003

16. Financial Instruments

16(a) Terms, Conditions and Accounting Policies

Financial Instruments	Notes	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of underlying Instruments (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
<i>Financial assets</i>			
		Financial Assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Deposits at call	11(b)	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	Temporarily surplus funds, mainly from 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	6	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 (2001-02: 14 days).
<i>Financial liabilities</i>			
		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Trade creditors	9(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	9(c)	Grants liabilities comprise grants and programs approved by Council and Boards for 30 June 2003 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 2003

16(b) Interest Rate Risk

FINANCIAL INSTRUMENTS	NOTES	FLOATING INTEREST RATE		NON-INTEREST BEARING		TOTAL		WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	
		02-03 \$000	01-02 \$000	02-03 \$000	01-02 \$000	02-03 \$000	01-02 \$000	02-03 %	01-02 %
Financial Assets									
Cash at bank	11(b)	2 193	157	–	–	2 193	157	2.1	2.1
Cash on hand	11(b)	–	–	2	2	2	2	n/a	n/a
Deposits at call	11(b)	7 445	7 300	–	–	7 445	7 300	4.5	4.5
Receivables	6	–	–	2 111	4 286	2 111	4 286	n/a	n/a
Total		9 638	7 457	2 113	4 288	11 751	11 745		
Assets									
						25 015	26 220		
Financial Liabilities									
Trade and other creditors	9(a)	–	–	850	922	850	922	n/a	n/a
Grants liabilities	9(c)	–	–	4 739	7 360	4 739	7 360	n/a	n/a
Total		–	–	5 589	8 282	5 589	8 282		
Total Liabilities									
						7 348	10 695		

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

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.

16(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 2003

17. 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.

18. Appropriations

Particulars	Departmental Outputs		Total	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Year ended 30 June 2003				
Balance carried forward from previous year	–	–	–	–
Appropriation Acts 1 and 3	135 928	131 222	135 928	131 222
Appropriation Acts 2 and 4	–	–	–	–
Available for payment of CRF	135 928	131 222	135 928	131 222
Payments made out of CRF	135 928	131 222	135 928	131 222
Balance carried forward to next year	–	–	–	–
Represented by:				
Appropriations Receivable	–	–	–	–

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

19. Reporting of Outcomes

19(a) Outcomes of the Australia Council

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

Outcome 1: That Australian artists create and present a body of distinctive cultural works.

Output 1.1: Investments in artist production and development of artistic practice through Council programs which support both artists and arts companies.

Output 1.2: Industry development for Australia's creative arts.

Outcome 2: That the Australian people's appreciation, participation in, enjoyment and celebration of the arts with and through our civic institutions is enhanced.

Output 2.1: Policy, promotional and cultural relations services.

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2003

19(b) Net Cost of Outcome Delivery

	OUTCOME 1		OUTCOME 2		TOTAL	
	ACTUAL \$000	BUDGET \$000	ACTUAL \$000	BUDGET \$000	ACTUAL \$000	BUDGET \$000
Net cost of Council outputs	121 406	122 719	11 003	11 122	132 409	133 841
Net cost to Budget outcome	121 406	122 719	11 003	11 122	132 409	133 841

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

	OUTCOME 1				OUTCOME 2		TOTAL	
	OUTPUT GROUP 1.1		OUTPUT GROUP 1.2		OUTPUT GROUP 2.1			
	2002-03 \$000	2001-02 \$000	2002-03 \$000	2001-02 \$000	2002-03 \$000	2001-02 \$000	2002-03 \$000	2001-02 \$000
Operating expenses								
Employees	6 956	6 783	631	616	688	671	8 275	8 070
Suppliers	3 320	3 444	301	313	328	340	3 949	4 097
Grants	104 231	99 242	9 458	9 006	10 303	9 810	123 992	118 058
Depreciation and amortisation	995	774	90	70	98	77	1 183	921
Write-down of assets	-	298	-	27	-	29	-	354
Value of assets disposed	35	72	3	6	3	7	41	85
Borrowing cost expense	-	-	-	-	-	-	-	-
Extraordinary loss	-	-	-	-	-	-	-	-
Total operating expenses	115 537	110 613	10 483	10 038	11 420	10 934	137 440	131 585
Funded by:								
Revenues from Government	114 264	110 308	10 369	10 010	11 295	10 904	135 928	131 222
Sale of goods and services	23	3	2	-	2	-	27	3
Interest	1 540	1 329	140	121	152	131	1 832	1 581
Donations and bequests	-	-	-	-	-	-	-	-
Industry contributions	-	-	-	-	-	-	-	-
Revenue from Sale of Assets	32	58	3	5	3	6	38	69
Reversal of previous asset write-downs	-	-	-	-	-	-	-	-
Net foreign exchange gains	-	16	-	2	-	2	-	20
Other	2 635	3 530	239	320	261	349	3 135	4 199
Other non-taxation revenues	-	-	-	-	-	-	-	-
Total operating revenues	118 494	115 244	10 753	10 458	11 713	11 392	140 960	137 094