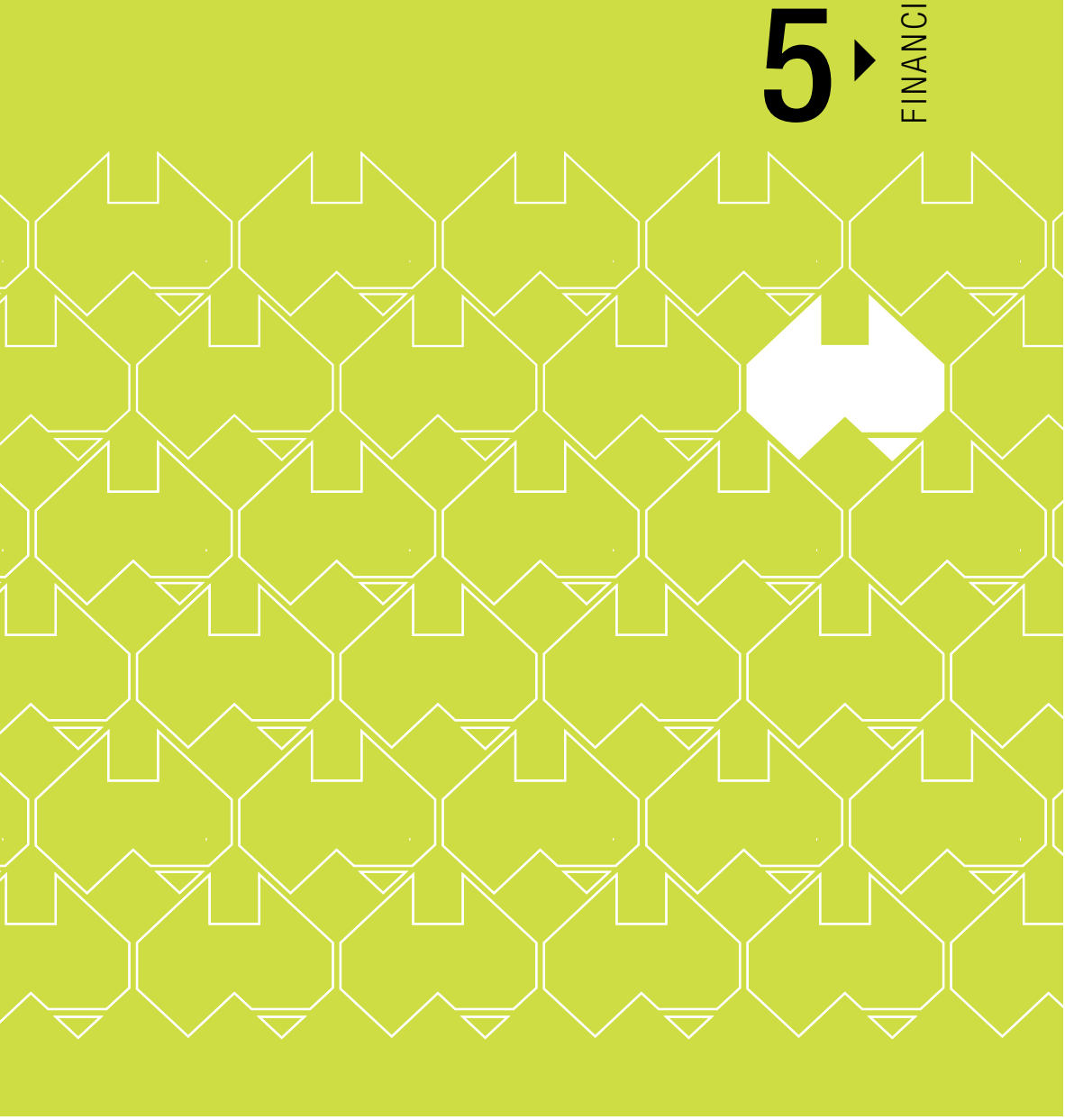


# 5

## FINANCIAL STATEMENTS





## INDEPENDENT AUDITOR'S REPORT

### To the Attorney-General

I have audited the accompanying annual financial statements of the Australian Law Reform Commission for the year ended 30 June 2016, which comprise the Statement by the President and Chief Financial Officer; Statement of Comprehensive Income; Statement of Financial Position; Statement of Changes in Equity; Cash Flow Statement; and Notes to and forming part of the financial statements.

### *Opinion*

In my opinion, the financial statements of the Australian Law Reform Commission:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Australian Law Reform Commission as at 30 June 2016 and its financial performance and cash flows for the year then ended.

### *Accountable Authority's Responsibility for the Financial Statements*

The President of the Australian Law Reform Commission is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act and is also responsible for such internal control as the President determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 entity's preparation and fair presentation of the

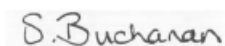
financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

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

***Independence***

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

Australian National Audit Office

A handwritten signature in black ink that reads "S. Buchanan". The signature is written in a cursive style and is positioned above the printed name of the signatory.

Serena Buchanan  
Executive Director

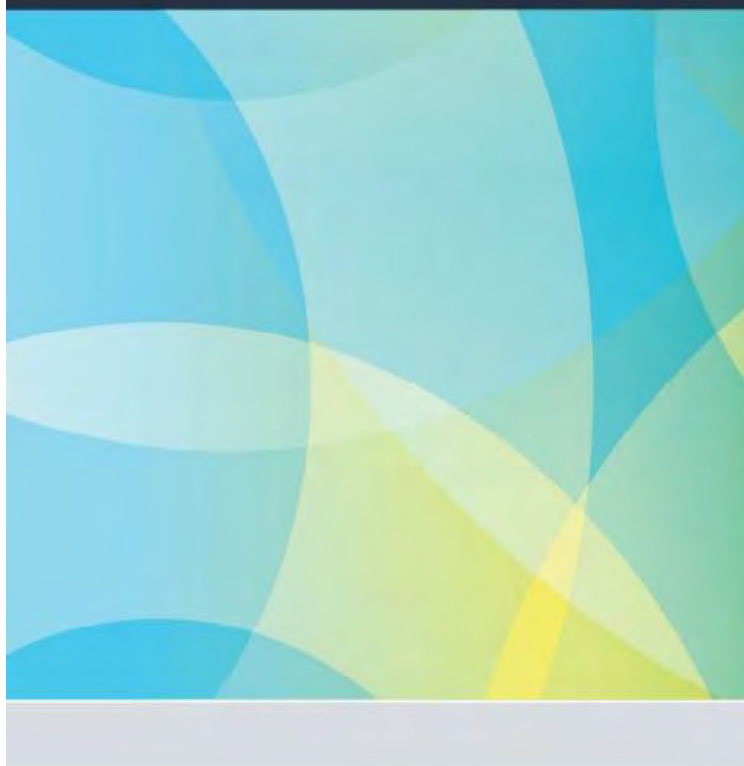
Delegate of the Auditor-General

Canberra  
16 September 2016

# Australian Law Reform Commission

## Financial Statements

*for the year ended 30 June 2016*



AUSTRALIAN LAW REFORM COMMISSION

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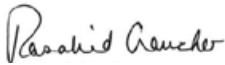
- 6.1 Reporting of Outcomes

AUSTRALIAN LAW REFORM COMMISSION

STATEMENT BY THE PRESIDENT AND CHIEF FINANCIAL OFFICER

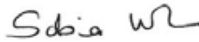
In our opinion, the attached financial statements for the year ended 30 June 2016 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Australian Law Reform Commission will be able to pay its debts as and when they fall due.



Professor Rosalind Croucher  
President

16 September 2016



Sabina Wynn  
Chief Financial Officer

16 September 2016

**AUSTRALIAN LAW REFORM COMMISSION**

**Statement of Comprehensive Income**

for the period ended 30 June 2016

	Notes	2016 \$	2015 \$	Original Budget \$
<b>NET COST OF SERVICES</b>				
<b>Expenses</b>				
Employee Benefits	1.1A	1,990,365	2,074,985	2,107,000
Suppliers	1.1B	602,354	611,661	707,000
Depreciation	2.2A	44,596	48,876	20,000
<b>Total expenses</b>		<b>2,637,315</b>	<b>2,735,522</b>	<b>2,834,000</b>
<b>Own-Source Income</b>				
<b>Own-source revenue</b>				
Sale of Goods and Rendering of Services	1.2A	4,387	4,712	5,000
Other Revenue	1.2B	29,000	27,000	23,000
<b>Total own-source revenue</b>		<b>33,387</b>	<b>31,712</b>	<b>28,000</b>
<b>Net cost of services</b>		<b>(2,603,928)</b>	<b>(2,703,810)</b>	<b>(2,806,000)</b>
Revenue from Government	1.2C	2,658,000	2,817,000	2,786,000
<b>Surplus/(Deficit) from continuing operations</b>		<b>54,072</b>	<b>113,190</b>	<b>(20,000)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items not subject to subsequent reclassification to net cost of services<sup>1</sup></b>				
Changes in asset revaluation surplus	2.2A	8,060	-	-
<b>Total comprehensive income</b>		<b>62,132</b>	<b>-</b>	<b>-</b>

1. Detail of reclassification adjustments relating to items of other comprehensive income are disclosed in Note 2.2A.

**Budget Variances Commentary**

The variance in total expenses and Revenue from Government between budget and actual, greater than 10%, is due to the following:

In 2015-16 the Commission's appropriation was reduced by \$127,000, as a Mid-Year Economic Fiscal Outlook (MYEFO), Attorney-General's one-off efficiency savings to specific agencies expense measure. The Commission also was subject to the Public Sector Superannuation Accumulation Plan administration fee of \$1,000 as a cross portfolio measure published in 2014-15 MYEFO. These measures have resulted in a reduction in the Commission's revenue from Government of \$128,000.

In response to this reduction, employee benefits and suppliers decreased against the budgeted amount. The Commission was only able to undertake one inquiry in the financial year instead of the usual two concurrent inquiries. A second full-time Commissioner was therefore not appointed and supplier costs were also reduced.

The variance in depreciation was a timing issue. The budgeted amount had not been updated to take into consideration the Commission's plant & equipment.

The Commission also received a \$40,000 reduction in its Departmental Capital Budget, as a MYEFO Attorney-General's one-off efficiency savings to specific agencies capital measure.

These measures have resulted in a total reduction to the Commission's revenue from Government of \$168,000.

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

## AUSTRALIAN LAW REFORM COMMISSION

### Statement of Financial Position

as at 30 June 2016

	Notes	2016 \$	2015 \$	Original Budget \$
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and Cash Equivalents	2.1A	1,287,812	1,187,697	1,325,000
Trade and Other Receivables	2.1B	9,222	9,993	11,000
<b>Total financial assets</b>		<b>1,297,034</b>	<b>1,197,690</b>	<b>1,336,000</b>
<b>Non-financial assets</b>				
Plant and equipment	2.2A	65,479	102,015	210,000
Prepayments		15,310	51,270	56,000
<b>Total non-financial assets</b>		<b>80,789</b>	<b>153,285</b>	<b>266,000</b>
<b>Total assets</b>		<b>1,377,823</b>	<b>1,350,975</b>	<b>1,602,000</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers	2.3A	29,674	39,718	101,000
Other Payables	2.3B	161,778	244,753	278,000
<b>Total payables</b>		<b>191,452</b>	<b>284,471</b>	<b>379,000</b>
<b>Provisions</b>				
Employee Provisions	4.1A	494,729	452,994	453,000
<b>Total provisions</b>		<b>494,729</b>	<b>452,994</b>	<b>453,000</b>
<b>Total liabilities</b>		<b>686,181</b>	<b>737,465</b>	<b>832,000</b>
<b>Net assets</b>		<b>691,642</b>	<b>613,510</b>	<b>770,000</b>
<b>EQUITY</b>				
Contributed equity		255,000	239,000	295,000
Reserves		135,058	126,998	127,000
Retained surplus		301,584	247,512	348,000
<b>Total equity</b>		<b>691,642</b>	<b>613,510</b>	<b>770,000</b>

#### Budget Variances Commentary

The variance in the statement of financial position between budget and actual, greater than 10%, is due to the following:

The variance in other non-financial assets is the result of a timing issue concerning the prepayment of rent for the Commission's premises. In addition, the Commission did not purchase any new plant and equipment due to the reduction in the Departmental Capital Budget (DCB).

The variance in suppliers, other payables and employee provisions was due to a timing issue.

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



## AUSTRALIAN LAW REFORM COMMISSION

### Statement of Changes in Equity

for the period ended 30 June 2016

	2016	2015	Original Budget
	\$	\$	\$
<b>CONTRIBUTED EQUITY</b>			
Opening balance	239,000	183,000	239,000
<b>Transactions with owners</b>			
<b>Contributions by owners</b>			
Departmental capital budget	16,000	56,000	56,000
<b>Total transactions with owners</b>	<b>16,000</b>	<b>56,000</b>	<b>56,000</b>
<b>Closing balance as at 30 June</b>	<b>255,000</b>	<b>239,000</b>	<b>295,000</b>
<b>RETAINED EARNINGS</b>			
Opening balance	247,512	134,322	368,000
<b>Comprehensive income</b>			
Surplus/(Deficit) for the period	54,072	113,190	(20,000)
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	<b>54,072</b>	<b>113,190</b>	<b>(20,000)</b>
<b>Closing balance as at 30 June</b>	<b>301,584</b>	<b>247,512</b>	<b>348,000</b>
<b>ASSET REVALUATION RESERVE</b>			
Opening balance	126,998	126,998	127,000
<b>Comprehensive income</b>			
Other comprehensive income	8,060	-	-
<b>Total comprehensive income</b>	<b>8,060</b>	<b>-</b>	<b>-</b>
<b>Closing balance as at 30 June</b>	<b>135,058</b>	<b>126,998</b>	<b>127,000</b>
<b>TOTAL EQUITY</b>			
Opening balance	613,510	444,320	734,000
<b>Comprehensive income</b>			
Surplus/(Deficit) for the period	54,072	113,190	(20,000)
Other comprehensive income	8,060	-	-
<b>Total comprehensive income</b>	<b>62,132</b>	<b>113,190</b>	<b>(20,000)</b>
<b>Transactions with owners</b>			
<b>Contributions by owners</b>			
Departmental capital budget	16,000	56,000	56,000
<b>Total transactions with owners</b>	<b>16,000</b>	<b>56,000</b>	<b>56,000</b>
<b>Closing balance as at 30 June</b>	<b>691,642</b>	<b>613,510</b>	<b>770,000</b>

#### Accounting Policy

##### Equity Injections

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

#### Budget Variances Commentary

The variance in the statement of changes in equity between budget and actual, greater than 10%, is due to the following:

The total equity has a variance against budget due to the Commission's savings as mentioned in Statement of Comprehensive Income and Statement of Financial Position.

The Commission received a \$40,000 reduction in its Departmental Capital Budget, as a Mid-Year Economical Fiscal Outlook, (MYEFO) Attorney-General's one-off efficiency savings to specific agencies capital measure.

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

**AUSTRALIAN LAW REFORM COMMISSION**

**Cash Flow Statement**

*for the period ended 30 June 2016*

Notes	2016 \$	2015 \$	Budget \$
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations	2,658,000	2,817,000	2,786,000
Sale of goods and rendering of services	4,388	5,097	5,000
Net GST received	64,703	68,677	-
<b>Total cash received</b>	<b>2,727,091</b>	<b>2,890,774</b>	<b>2,791,000</b>
<b>Cash used</b>			
Employees	2,003,567	2,094,037	2,107,000
Suppliers	639,409	980,054	684,000
<b>Total cash used</b>	<b>2,642,976</b>	<b>3,074,091</b>	<b>2,791,000</b>
<b>Net cash from/(used by) operating activities</b>	<b>84,115</b>	<b>(183,317)</b>	<b>-</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash used</b>			
Purchase of plant and equipment	-	10,073	56,000
<b>Total cash used</b>	<b>-</b>	<b>10,073</b>	<b>56,000</b>
<b>Net cash from/(used by) investing activities</b>	<b>-</b>	<b>(10,073)</b>	<b>(56,000)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Contributed equity	16,000	56,000	56,000
<b>Total cash received</b>	<b>16,000</b>	<b>56,000</b>	<b>56,000</b>
<b>Net cash from financing activities</b>	<b>16,000</b>	<b>56,000</b>	<b>56,000</b>
<b>Net increase/(decrease) in cash held</b>	<b>100,115</b>	<b>(137,390)</b>	<b>-</b>
Cash and cash equivalents at the beginning of the reporting period	1,187,697	1,325,087	1,325,000
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>1,287,812</b>	<b>1,187,697</b>	<b>1,325,000</b>
2.1A			

**Budget Variances Commentary**

The variance in the cash flow statement between budget and actual, greater than 10%, is due to the following:

The variance in the Commission's appropriation was due to a reduction of \$127,000, as a Mid-Year Economic Fiscal Outlook (MYEFO) Attorney-General's one-off efficiency savings to specific agencies expense measure.

The variance in net GST received from the budgeted amount was due to the net outcome from the recovery of GST on supplier payments and GST collected on invoices raised.

Total cash used by operating activities was lower than anticipated due to the savings that the Commission had to make in response to the MYEFO measure.

The variance in the Commission's purchase of plant and equipment reflects the savings made in response to the Mid-Year Economic Fiscal Outlook (MYEFO) Attorney-General's one-off efficiency savings to specific agencies capital measure.

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

## AUSTRALIAN LAW REFORM COMMISSION

### Overview

#### Objectives of the Australian Law Reform Commission

The Australian Law Reform Commission (the Commission) is an Australian Government controlled entity. It is a not-for-profit entity. The objective of the Commission is to report to the Attorney-General on the results of any review for the purposes of developing and reforming the law.

The Commission is structured to meet one outcome: informed government decisions about the development, reform and harmonisation of Australian laws and related processes through research, analysis, reports and community consultation and education.

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

Commission activities contributing towards this outcome are classified as Departmental Activities. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by the Commission in its own right.

Section 45 of the *Australian Law Reform Commission Act 1996* (the ALRC Act), requires that money appropriated by the Parliament be transferred to the Law Reform Special Account (refer to note 3.2).

#### The Basis of Preparation

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

The financial statements have been prepared in accordance with:

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

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

#### New Accounting Standards

##### *Adoption of New Australian Accounting Standard Requirements*

No accounting standard has been adopted earlier than the application date as stated in the standard.

All other new, revised amending standards and interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect, and are not expected to have a future material effect, on the Commission's financial statements.

## AUSTRALIAN LAW REFORM COMMISSION

Overview (cont'd)

### *Future Australian Accounting Standard Requirements*

The following new, revised, amending standards and interpretations were issued by the Australian Accounting Standards Board prior to the signing of the statement by the President and Chief Financial Officer, which may have a material impact on the Commission's financial statements for future reporting period(s):

Standard/ Interpretation	Application date for the entity <sup>1</sup>	Nature of impending change/s in accounting policy and likely impact on initial application
AASB 2015-5 Amendments to Australian Accounting Standards-Extending Related Party Disclosures to Not-for-Profit Public Sector Entities (AASB 10, AASB 124 & AASB 1049)	1-Jul-16	The amendments extend the scope of AASB 124 to include application by not-for-profit public sector entities. Implementation guidance is included to assist application of the standard by not-for-profit public sector entities. This standard also makes related amendments to AASB 10 Consolidated Financial Statements and AASB 1049 Whole of Government and General Government Sector Financial Reporting and an editorial correction to AASB 124. Expected impact is still under review.
AASB 16 Leases	1-Jan-19	AASB 16 addresses this issue by bringing all leases onto the balance sheet of lessees, there by increasing the transparency surrounding such arrangements and making the lessee's balance sheet better reflect the economics of its transactions. Expected impact is still under review.
AASB 15 Revenue from Contracts with Customers	1-Jan-18	AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. Expected impact is still under review.

1. The Commission's expected initial application date is when the accounting standard becomes operative at the beginning of the Commission's reporting period.

All other new standards, revised standards, interpretations and amending standards that were issued prior to the sign-off date and are applicable to future reporting period(s) are not expected to have a future material impact on the Commission's financial statements.

### **Taxation**

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

### **Events After the Reporting Period**

There have been no subsequent events that have the potential to significantly affect the ongoing structure and the financial activities of the Commission.

**AUSTRALIAN LAW REFORM COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**Financial Performance**

This section analyses the financial performance of the Australian Law Reform Commission for the year ended 2016.

**1.1 Expenses**

	2016	2015
	\$	\$
<b>1.1A: Employee Benefits</b>		
Wages and salaries	1,540,389	1,622,213
Superannuation		
Defined contribution plans	118,554	121,211
Defined benefit plans	145,955	152,966
Leave and other entitlements	185,467	178,595
<b>Total employee benefits</b>	<b>1,990,365</b>	<b>2,074,985</b>

**Accounting Policy**

Accounting policies for employee related expenses are contained in the People and Relationships section. Refer to Note 4.1.

**1.1B: Suppliers**

**Goods and services supplied or rendered**

Committees	5,068	22,285
Library	35,823	31,454
Professional services	63,035	73,251
Printing and office requisites	32,261	18,474
Freight and removals	1,874	1,747
Telephone and postage	15,461	24,828
Incidentals	6,155	10,417
Minor assets	3,481	10,090
Staff training	9,129	9,632
Maintenance	7,662	7,125
Promotional activities	33,722	9,942
Advertising	751	-
Travel	39,078	29,110
IT services	19,067	25,987
Other	-	200

**Total goods and services supplied or rendered**

**272,567**      **274,542**

Goods supplied

243,567      247,542

Services rendered

29,000      27,000

**Total goods and services supplied or rendered**

**272,567**      **274,542**

**Other suppliers**

Operating lease rentals in connection with

    Minimum lease payments

320,079      322,520

    Workers compensation expenses

9,708      14,599

**Total other suppliers**

**329,787**      **337,119**

**Total suppliers**

**602,354**      **611,661**

**Leasing commitments**

The Commission's lease payments are subject to an annual increase of approximately 4% in accordance with upwards movements in the Consumer Price Index. The commitments are GST inclusive where relevant. Operating lease included is effectively non-cancellable.

**Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:**

Within 1 year	419,291	404,545
Between 1 to 5 years	546,298	968,894

**Total operating lease commitments**

**965,589**      **1,373,439**

**Accounting Policy**

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

**AUSTRALIAN LAW REFORM COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

1.2 Own-Source Revenue and Gains	2016	2015
	\$	\$

**Own-Source Revenue**

**1.2A: Sale of Goods and Rendering of Services**

Sale of goods	4,387	4,712
<b>Total sale of goods and rendering of services</b>	<b>4,387</b>	<b>4,712</b>

**Accounting Policy**

Sale of goods and services are recognised when the goods and services have been provided.

**1.2B: Other Revenue**

Resources received free of charge

Remuneration of auditors	29,000	27,000
<b>Total other revenue</b>	<b>29,000</b>	<b>27,000</b>

**Accounting Policy**

Resources Received Free of Charge

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

**1.2C: Revenue from Government**

Appropriations

Departmental appropriations	2,658,000	2,817,000
<b>Total revenue from Government</b>	<b>2,658,000</b>	<b>2,817,000</b>

**Accounting Policy**

Revenue from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the Commission gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations are recognised at their nominal amounts.

**AUSTRALIAN LAW REFORM COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**Financial Position**

This section analyses the Australian Law Reform Commission's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

**2.1 Financial Assets**

	2016	2015
	\$	\$
<b>2.1A: Cash and Cash Equivalents</b>		
Cash in special accounts	1,265,653	1,177,780
Cash on hand	22,159	9,917
<b>Total cash and cash equivalents</b>	<b>1,287,812</b>	<b>1,187,697</b>

**2.1B: Trade and Other Receivables**

<b>Goods and services receivables</b>		
Goods and services	6,559	727
Statutory receivables	2,663	9,266
<b>Total trade and other receivables - not more than 12 months</b>	<b>9,222</b>	<b>9,993</b>

**Accounting Policy**

Receivables

Trade and other receivables, that have fixed or determinable payments and that are not quoted in an active market are classified as "receivables". Receivables are measured at amortised cost using the effective interest method less impairment. Trade and other receivables are assessed for impairment at the end of each reporting period. At year end none are overdue. Credit terms for goods and services were within 30 days (2015: 30 days).

**AUSTRALIAN LAW REFORM COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**2.2 Non-Financial Assets**

**2.2A: Reconciliation of the Opening and Closing Balances of Plant and Equipment.**

**Reconciliation of the opening and closing balances of plant and equipment for 2016**

	Plant and equipment \$
<b>As at 1 July 2015</b>	
Gross book value	207,801
Accumulated depreciation	(105,786)
<b>Total as at 1 July 2015</b>	<b>102,015</b>
Revaluations recognised in other comprehensive income	8,060
Depreciation	(44,596)
<b>Total as at 30 June 2016</b>	<b>65,479</b>
 <b>Total as at 30 June 2016 represented by</b>	
Gross book value	103,938
Accumulated depreciation	(38,459)
<b>Total as at 30 June 2016</b>	<b>65,479</b>

No indicators of impairment were found for plant and equipment.

**Revaluations of non-financial assets**

Plant and equipment were subject to revaluation. All revaluations were conducted in accordance with the revaluation policy stated below. On 30 June 2016, an independent valuer - Australian Valuation Solutions - conducted the revaluation, which resulted in a revaluation increment of \$8,060 for plant and equipment (2015: \$0). The increment was credited to the asset revaluation surplus by class and included in the equity section of the balance sheet, no increments/decrements were expensed (2015: \$0) to the asset.

**Reconciliation of the opening and closing balances of plant and equipment for 2015**

	Plant and equipment \$
<b>As at 1 July 2014</b>	
Gross book value	197,728
Accumulated depreciation	(56,910)
<b>Total as at 1 July 2014</b>	<b>140,818</b>
Additions - Purchase	10,073
Depreciation	(48,876)
<b>Total as at 30 June 2015</b>	<b>102,015</b>
 <b>Total as at 30 June 2015 represented by</b>	
Gross book value	207,801
Accumulated depreciation	(105,786)
<b>Total as at 30 June 2015</b>	<b>102,015</b>



## AUSTRALIAN LAW REFORM COMMISSION

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 2.2 Non-Financial Assets (cont'd)

##### **Accounting Policy**

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

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

##### Asset Recognition Threshold

Purchases of plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$1,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

##### Revaluations

Following initial recognition at cost plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets did not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depended upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reversed a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

##### Depreciation

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

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying at present are 3-10 years.

**AUSTRALIAN LAW REFORM COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**2.3 Payables**

	2016	2015
	\$	\$
<b>2.3A: Suppliers</b>		
Trade creditors and accruals - not more than 12 months	<u>29,674</u>	<u>39,718</u>
<b>Total suppliers</b>	<u>29,674</u>	<u>39,718</u>

Settlement was usually made within 30 days.

**2.3B: Other Payables**

Salaries and wages	53,930	108,867
Lease incentive	<u>107,848</u>	<u>135,886</u>
<b>Total other payables</b>	<u>161,778</u>	<u>244,753</u>

**Other payables to be settled**

No more than 12 months	63,355	112,537
More than 12 months	<u>98,423</u>	<u>132,216</u>
<b>Total other payables</b>	<u>161,778</u>	<u>244,753</u>

**Accounting Policy**

Lease incentives - refer to Note 1.1B.

**AUSTRALIAN LAW REFORM COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**Funding**  
 This section identifies the Australian Law Reform Commission's funding structure.

**3.1 Appropriations**

**3.1A: Annual Appropriations ('Recoverable GST exclusive')**

**Annual Appropriations for 2016**

	Appropriation Act		PGPA Act		Appropriation applied in 2016 (current and prior years)	Total appropriation	Variance <sup>2</sup>
	Annual Appropriation <sup>1</sup>	Advance to the Finance Minister	Section 74 Receipts	Section 75 Transfers			
Departmental							
Ordinary annual services	2,786,000	-	4,387	-	2,790,387	2,662,387	128,000
Capital Budget <sup>3</sup>	56,000	-	-	-	56,000	16,000	40,000
<b>Total departmental</b>	<b>2,842,000</b>	<b>-</b>	<b>4,387</b>	<b>-</b>	<b>2,846,387</b>	<b>2,678,387</b>	<b>168,000</b>

1. In 2015-16, an amount of \$0.168m of appropriation was withheld (section 51 of the PGPA Act) and quarantined for administrative purposes.

2. In 2015-16, there was a variance of \$1,668,000.

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

**Annual Appropriations for 2015**

	Appropriation Act		PGPA Act		Appropriation applied in 2015 (current and prior years)	Total (current and prior years)	Variance <sup>3</sup>
	Annual Appropriation <sup>1</sup>	Advance to the Finance Minister <sup>2</sup>	Section 74 Receipts	Section 75 Transfers			
Departmental							
Ordinary annual services	2,817,000	-	4,712	-	2,821,712	2,821,712	-
Capital Budget <sup>4</sup>	56,000	-	-	-	56,000	56,000	-
<b>Total departmental</b>	<b>2,873,000</b>	<b>-</b>	<b>4,712</b>	<b>-</b>	<b>2,877,712</b>	<b>2,877,712</b>	<b>-</b>

1. In 2014-15, there were no appropriations that have been quarantined.

2. In 2014-15, there were no adjustments that met the recognition criteria of a formal addition or reduction in revenue (in accordance with FRR Part 6 Div3) but at law the appropriations had not been amended before the end of the reporting period.

3. In 2014-15, there was no variance.

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

**AUSTRALIAN LAW REFORM COMMISSION  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**3.1 Appropriations (Cont'd)**

**3.1B: Unspent Annual Appropriations ('Recoverable GST exclusive')**

	2016	2015
	\$	\$
<b>Departmental</b>		
Appropriation Act (No.1) 2015-16	168,000	-
<b>Total departmental</b>	<u>168,000</u>	<u>-</u>

**3.1C: Disclosures by Agent in Relation to Annual and Special Appropriations ('Recoverable GST exclusive')**

Attorney-General's Department<sup>1</sup>

	2016	2015
	\$	\$
Total receipts	-	-
Total payments	-	196,588

1. In 2015, additional inquiries were undertaken on behalf of the Attorney-General. The unearned income balance has been expensed.

**AUSTRALIAN LAW REFORM COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

Funding (cont'd)

**3.2 Special Accounts**

	Law Reform Special Account (Departmental)	
	2016 \$	2015 \$
<b>Balance brought forward from previous period</b>	1,187,697	1,325,087
<b>Increases</b>	2,678,388	2,878,097
<b>Total increases</b>	3,866,085	4,203,184
<b>Available for payments</b>	3,866,085	4,203,184
<b>Decreases</b>		
<b>Departmental</b>	2,578,273	3,015,487
<b>Total departmental</b>	2,578,273	3,015,487
<b>Total decreases</b>	2,578,273	3,015,487
<b>Total balance carried to the next period</b>	1,287,812	1,187,697

1. Appropriation: *Public Governance, Performance and Accountability Act 2013* section 80; Establishing Instrument: *Australian Law Reform Commission Act 1996*, section 45.

2. The Commission has a Law Reform Special Account. This account was established under section 80 of the *Public Governance, Performance and Accountability Act 2013*. For the year ended 30 June 2016, the account had a \$1.288m balance and there were transactions debited and credited to it during the current reporting period.

3. The purpose of the Special Account is:

- (a) to pay the costs, expenses and other obligations incurred by the Commonwealth in the performance of the Commission's functions;
- (b) to pay any remuneration and allowances payable to a person under this Act;
- (c) to pay the expenses of administering the Account;
- (d) to pay any amount that is required or permitted to be repaid; and
- (e) to reduce the balance of the Account (and, therefore, the available appropriation for the Account) without making a real or notional payment.

**3.3 Net Cash Appropriation Arrangements**

	2016 \$	2015 \$
<b>Total comprehensive income less depreciation expenses previously funded through revenue appropriations<sup>1</sup></b>	106,728	162,066
Plus: depreciation expenses previously funded through revenue appropriation	(44,596)	(48,876)
<b>Total comprehensive income as per the Statement of Comprehensive Income</b>	62,132	113,190

1. From 2010-11, the Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required.

**AUSTRALIAN LAW REFORM COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**3.4 Cash Flow Reconciliation**

**3.4: Cash Flow Reconciliation**

	2016	2015
	\$	\$
<b>Reconciliation of net cost of services to net cash from/(used by) operating activities</b>		
Net cost of services	(2,603,928)	(2,703,810)
Revenue from Government	2,658,000	2,817,000
<b>Adjustments for non-cash items</b>		
Depreciation	44,596	48,876
<b>Movement in assets and liabilities</b>		
<b>Assets</b>		
(Increase)/Decrease in net receivables	771	1,009
(Increase)/Decrease in prepayments and other non-financial assets	35,959	5,161
<b>Liabilities</b>		
Increase/(Decrease) in employee provisions	41,737	323
Increase/(Decrease) in other payables	(93,020)	(351,876)
<b>Net cash from/(used by) operating activities</b>	<b>84,115</b>	<b>(183,317)</b>

**AUSTRALIAN LAW REFORM COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**People and relationships**

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

**4.1 Employee Provisions**

	2016	2015
	\$	\$
<b>4.1: Employee Provisions</b>		
Leave	494,729	452,994
<b>Total employee provisions</b>	<b>494,729</b>	<b>452,994</b>
<b>Employee provisions expected to be settled</b>		
No more than 12 months	114,912	143,730
More than 12 months	379,817	309,264
<b>Total employee provisions</b>	<b>494,729</b>	<b>452,994</b>

1. Employee provision balances expected to be settled in 2015 have been restated.

**Accounting policy**

Liabilities for short-term employee benefits and termination benefits expected within twelve months of the end of reporting period 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.

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

Leave

The liability for employee benefits includes provision for annual leave and long service leave. 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 Commission is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the Commission's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Superannuation

The Commission's staff are members of the Public Sector Superannuation Scheme (PSS), or the PSS accumulation plan (PSSap), or other superannuation funds held outside the Australian Government. The PSS is a defined benefit scheme for 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. This liability is reported in the Department of Finance's administered schedules and notes.

The Commission makes employer contributions to the employees' defined benefit superannuation schemes at rates determined by an actuary to be sufficient to meet the current cost to the Government. The Commission accounts for the contributions as if they were contributions to defined contribution plans.

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

**Accounting Judgements and Estimates**

The employee benefits provisions have been estimated in accordance with AASB 119 Employee Benefits and reflect the expected value of those benefits.

**AUSTRALIAN LAW REFORM COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

People and Relationships (cont'd)

**4.2 Senior Management Personnel Remuneration**

	2016	2015
	\$	\$
<b>Short-term employee benefits</b>		
Salary	576,068	624,719
Motor vehicle and other allowances	32,627	51,958
<b>Total short-term employee benefits</b>	<b>608,695</b>	<b>676,677</b>
<b>Post-employment benefits</b>		
Superannuation	105,853	109,309
<b>Total post-employment benefits</b>	<b>105,853</b>	<b>109,309</b>
<b>Other long-term employee benefits</b>		
Annual leave	46,994	51,444
Long-service leave	15,273	16,719
<b>Total other long-term employee benefits</b>	<b>62,267</b>	<b>68,163</b>
<b>Total senior executive remuneration expenses</b>	<b>776,815</b>	<b>854,149</b>

The total number of senior management personnel that are included in the above table are 3 of senior management personnel (2015: 4 of senior management personnel).



**AUSTRALIAN LAW REFORM COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**Managing uncertainties**

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

**5.1 Financial Instruments**

	2016	2015
	\$	\$

**5.1A: Categories of Financial Instruments**

**Financial Assets**

**Loans and receivables**

Cash and cash receivables	1,287,812	1,187,697
Trade and other receivables	6,559	727
<b>Total loans and receivables</b>	<b>1,294,371</b>	<b>1,188,424</b>
<b>Total financial assets</b>	<b>1,294,371</b>	<b>1,188,424</b>

**Financial Liabilities**

**Financial liabilities measured at amortised cost**

Trade creditors	29,674	39,718
Other payables	161,778	244,753
<b>Total financial liabilities measured at amortised cost</b>	<b>191,452</b>	<b>284,471</b>
<b>Total financial liabilities</b>	<b>191,452</b>	<b>284,471</b>

**5.1B: Credit Risk**

The Commission's maximum exposures to credit risk are cash and trade receivables. The maximum exposure to credit risk was the risk that arises from potential default of a debtor. The Commission has determined its exposure to credit risk is not material.

**5.1C: Liquidity Risk**

The Commission's financial liabilities were payables and other liabilities. The exposure to liquidity risk is based on the notion that the Commission will not encounter difficulty in meeting its obligations associated with financial liabilities.

The Commission is appropriated funding from the Australian Government and the Commission manages budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, the Commission has policies in place to ensure timely payments are made when due and has no past experience of default.

The Commission has no derivative financial liabilities in 2016 or 2015.

**AUSTRALIAN LAW REFORM COMMISSION  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**Financial Instruments (cont'd)**

**5.2 Fair Value Measurement**

The following tables provide an analysis of assets and liabilities that are measured at fair value. The remaining assets and liabilities disclosed in the statement of financial position do not apply to the fair value hierarchy.

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

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

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

Level 3: Unobservable inputs for the asset or liability.

**Accounting Policy**

The Commission engaged the service of the Australian Valuation Solutions (AVS) to conduct an external valuation of all non-financial assets at 30 June 2016 and has relied upon those outcomes to establish carrying amounts. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. Comprehensive valuations carried out at least once every three years. AVS has provided written assurance to the Commission that the models developed are in compliance with AASB 13.

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

**Physical Depreciation and Obsolescence** - Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have measured utilising the Depreciated Replacement Cost approach. Under the Depreciated Replacement Cost approach the estimated cost to replace the asset is calculated and then adjusted to take into physical depreciation and obsolescence. Physical depreciation and obsolescence has been determined based on the professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration.

**AUSTRALIAN LAW REFORM COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

Financial Instruments (cont'd)  
**5.2A: Fair Value Measurement**

	Fair value measurements at the end of the reporting period		Valuation Technique(s) and Inputs Used
	2016	2015	
	\$	\$	Category (Level 1, 2 or 3) <sup>3,4</sup>
<b>Non-financial assets<sup>2</sup></b>			
Plant and equipment <sup>1</sup>	34,100	73,145	2
			<b>Market approach:</b> This approach seeks to estimate the fair value of an asset with reference to recent market transactions involving identical or comparable assets.
			<b>Inputs:</b> Prices and other relevant information generated by market transactions involving plant and equipment assets were conducted.
Plant and equipment <sup>1</sup>	29,000	28,870	3
			<b>Market approach:</b> This approach seeks to estimate the fair value of an asset with reference to market transactions involving assets with varying degrees of comparability.
			<b>Inputs:</b> Professional judgement and available information generated by market transactions artwork assets were considered.
<b>Total Non-financial assets<sup>5</sup></b>	<b>63,100</b>	<b>102,015</b>	

1. No non-financial assets were measured at fair value on a non-recurring basis as at 30 June 2016 (2015: Nil)
2. The Commission's assets are held for operational purposes and not held for the purpose of deriving a profit. The current use of all non-financial assets is considered their highest and best use.
3. There were no transfers between levels during the year.
4. The remaining assets and liabilities reported by the Commission are not measured at fair value in the Statement of Financial Position.
5. The total amount of non-financial assets at fair value are different from plant and equipment, (note 2.2 A ) because software was not included in the valuation.

**5.2B: Reconciliation for Recurring Level 3 Fair Value Measurements**

	Non-financial assets	
	2016	2015
	\$	\$
<b>As at 1 July</b>		
Total gains/(losses) recognised in net cost of services <sup>1</sup>	(120)	(130)
Total gains/(losses) recognised in other comprehensive income <sup>2</sup>	250	-
<b>Total as at 30 June</b>	<b>29,000</b>	<b>28,870</b>
Changes in unrealised gains/(losses) recognised in net cost of services for assets held at the end of the reporting period	-	-
<b>1. These gains/(losses) are presented in the Statement of Comprehensive Income under Depreciation.</b>		
<b>2. These gains/(losses) are presented in the Statement of Comprehensive Income under Other Changes in Asset Revaluation Reserves.</b>		

AUSTRALIAN LAW REFORM COMMISSION  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## Other information

### 6.1: Reporting of Outcomes

The Australian Law Commission has only one outcome: Informed government decisions about the development, reform and harmonisation of Australian laws and related processes through research, analysis, reports and community consultation and education. All amounts are attributed to this one outcome.

Major classes of revenue and expenses are shown in the Statement of Comprehensive Income and Assets and Liabilities in the Statement of Financial Position.