



• Financial statements



INDEPENDENT AUDIT REPORT

To the Minister for Department of Education, Science and Training

Matters relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the financial statements published in both the annual report and on the website of Australian Institute of Aboriginal and Torres Strait Islander Studies for the year ended 30 June 2005. The Principal of the Australian Institute of Aboriginal and Torres Strait Islander is responsible for the integrity of both the annual report and the web site.

The audit report refers only to the financial statements, schedules and notes named below. It does not provide an opinion on any other information which may have been hyperlinked to/from the audited financial statements.

If the users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements in the Australian Institute of Aboriginal and Torres Strait Islander Studies annual report.

Scope

The financial statements and councillors' responsibility

The financial statements comprise:

- Statement by Councillors;
- Statements of Financial Performance, Financial Position and Cash Flows;
- Schedule of Commitments; and
- Notes to and forming part of the Financial Statements

of the Australian Institute of Aboriginal and Torres Strait Islander Studies, for the year ended 30 June 2005.

The Council is responsible for the preparing the financial statements that give a true and fair view of the financial position and performance of the presentation of the Australian Institute of Aboriginal and Torres Strait Islander Studies, and that comply with accounting

GPO Box 707 CANBERRA ACT 2601
Centenary House 19 National Circuit
BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

standards, other mandatory financial reporting requirements in Australian, and the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*. The Council is also responsible for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

Audit approach

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

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

Procedures were performed to assess whether, in all material respects, the financial statements present fairly, in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including accounting standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Australian Institute of Aboriginal and Torres Strait Islander Studies' financial position, and of its performance as represented by the statements of financial performance, and cash flows.

The audit opinion is formed on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements; and
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the Councillors.

Independence

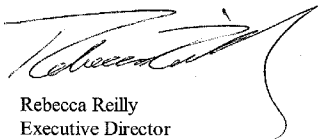
In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate Australian professional ethical pronouncements.

Audit Opinion

In my opinion, the financial statements:

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

Australian National Audit Office



Rebecca Reilly
Executive Director

Delegate of the Auditor-General

Canberra
30 September 2005

Australian Institute of Aboriginal and Torres Strait Islander Studies

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
REVENUE			
Revenues from ordinary activities			
Revenue from Government	4A	7,739	7,639
Goods and services	4B	1,359	1,198
Interest	4C	279	221
Revenue from sale of assets	4D	29	23
Grants	4E	1,915	979
Other revenues	4F	439	460
Revenues from ordinary activities		11,760	10,520
EXPENSE			
Expenses from ordinary activities			
Employees	5A	6,935	6,320
Suppliers	5B	3,118	2,927
Grants	5C	687	571
Depreciation and amortisation	5D	974	944
Write-down of assets	5E	83	62
Value of assets sold	4D	27	123
Expenses from ordinary activities		11,824	10,947
Operating surplus from ordinary activities		(64)	(427)
Net profit		(64)	(427)
Net credit to asset revaluation reserve		3,992	-
Total revenues, expenses and valuation adjustments recognised directly in equity		3,992	-
Total changes in equity other than those resulting from transactions with the Australian Government as owner		3,928	(427)

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

Australian Institute of Aboriginal and Torres Strait Islander Studies
STATEMENT OF FINANCIAL POSITION
as at 30 June 2005

	Notes	2005 \$'000	2004 \$'000
ASSETS			
Financial assets			
Cash	11B	4,376	1,797
Receivables	6A	343	198
Investments (s18 CAC Act)	6B	-	3,650
Total financial assets		4,719	5,645
Non-financial assets			
Land and buildings	7A, 7C	11,050	8,939
Infrastructure, plant and equipment	7B, 7C	10,989	9,459
Intangibles	7D, 7C	247	168
Inventories	7E	80	61
Other non-financial assets	7F	125	94
Total non-financial assets		22,491	18,721
Total assets		27,210	24,366
LIABILITIES			
Provisions			
Employees	8A	1,272	1,334
Total Provisions		1,272	1,334
Payables			
Suppliers	9A	791	408
Other payables	9B	307	1,712
Total payables		1,098	2,120
Total liabilities		2,370	3,454
NET ASSETS		24,840	20,912
EQUITY			
Reserves	10	6,709	2,717
Contributed equity	10	3	3
Accumulated surpluses	10	18,128	18,192
Total equity	10	24,840	20,912
Current assets		4,719	5,800
Non-current assets		22,491	18,566
Current liabilities		1,694	2,803
Non-current liabilities		676	651

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

Australian Institute of Aboriginal and Torres Strait Islander Studies

STATEMENT OF CASH FLOWS

for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations	19	7,739	7,639
Goods and services		3,555	3,764
Interest		270	243
Total cash received		<u>11,564</u>	<u>11,646</u>
Cash used			
Employees		(6,996)	(6,468)
Suppliers		(4,167)	(2,582)
Grants		(687)	(628)
Total cash used		<u>(11,850)</u>	<u>(9,678)</u>
Net cash from operating activities	11A	<u>(286)</u>	<u>1,968</u>
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant & equipment		51	23
Proceeds from sales of investments (s18)		3,650	3,100
Total cash received		<u>3,701</u>	<u>3,123</u>
Cash used			
Purchase of property, plant and equipment		(836)	(728)
Purchase of investments (s18)		-	(6,750)
Total cash used		<u>(836)</u>	<u>(7,478)</u>
Net cash from/(used by) investing activities		<u>2,865</u>	<u>(4,355)</u>
FINANCING ACTIVITIES			
Cash received			
Appropriations - contributed equity	19	-	3
Total cash received		<u>-</u>	<u>3</u>
Cash used			
Capital use charge paid		-	(2,186)
Total cash used		<u>-</u>	<u>(2,186)</u>
Net cash from financing activities		<u>-</u>	<u>(2,183)</u>
Net increase/(decrease) in cash held		2,579	(4,570)
Cash at the beginning of the reporting period		1,797	6,367
Cash at the end of the reporting period	11B	<u>4,376</u>	<u>1,797</u>

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

Australian Institute of Aboriginal and Torres Strait Islander Studies*as at 30 June 2005*

	Note	2005 \$'000	2004 \$'000
SCHEDULE OF COMMITMENTS			
By Type			
Capital commitments			
Infrastructure, plant and equipment ¹		<u>1,846</u>	<u>174</u>
Total capital commitments		1,846	174
Other commitments			
Research grants ²		83	107
Other commitments ³		<u>137</u>	<u>270</u>
Total other commitments		220	377
Commitments receivable ⁴		237	9
Net commitments		<u>1,829</u>	<u>542</u>
By Maturity			
One year or less		<u>1,829</u>	<u>542</u>
Net commitments		<u>1,829</u>	<u>542</u>

NB: Commitments are GST-inclusive where relevant.

¹ Plant and equipment commitments are mainly for technical equipment to support the expanded digitisation program.

² Research grant commitments are amounts payable under grant agreements in respect of which the recipient is yet to perform the services required.

³ Other commitments are mainly maintenance agreements, minor building works and book printing contracts where the services have not yet been provided.

⁴ Commitments receivable relate to amounts contracted but not received under consultancy contracts.

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

Australian Institute of Aboriginal and Torres Strait Islander Studies
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

No.	Description
1	Summary of Significant Accounting Policies
2	Economic Dependency
3	Events Occuring After Reporting Date
4	Operating Revenues
5	Operating Expenses
6	Financial Assets
7	Non-Financial Assets
8	Provisions
9	Payables
10	Equity
11	Cash Flow Reconciliation
12	Contingent Liabilities and Assets
13	Remuneration of Councillors
14	Related Party Disclosures
15	Remuneration of Officers
16	Remuneration of Auditors
17	Average Staffing Levels
18	Financial Instruments
19	Appropriations
20	Reporting of Outcomes
21	Adoption of Australian Equivalents to International Financial Reporting Standards from 2005-06

Note 1: Summary of Significant Accounting Policies

1.1 Basis of Accounting

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

The statements have been prepared in accordance with:

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

The statements have been prepared having regard to:

- The Explanatory Notes to Schedule 1 issued by the Department of Finance and Administration; and
- Finance Briefs issued by the Department of Finance and Administration.

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

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

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

1.2 Changes in Accounting Policy

The accounting policies used in the preparation of these financial statements are consistent with those used in 2003-04, except as outlined in Note 1.10.

1.3 Revenue

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

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

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

Revenue from disposal of non-current assets is recognised when control of the asset has passed to the buyer.

Revenue from the rendering of a service is recognised by reference to the stage of completion of the contract to provide the service. The stage of completion is determined according to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services are recognised at the nominal amounts due less any provisions for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collectability of the debt is judged to be less rather than more likely.

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 as revenue at their fair value when the asset qualifies for recognition.

Services are provided free of charge to support the Australian Indigenous Leadership Centre Ltd. The fair value of these services in 2004-05 was \$26,000 (2003-04 \$34,000)

1.4 Transactions by the Government as Owner

Equity Injections

Amounts appropriated by the Parliament as equity injections are recognised as 'contributed equity' in accordance with the Finance Minister's Orders.

1.5 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 (including non-monetary benefits), annual leave and sick leave are measured at their nominal amounts. Other employee benefits expected to be settled within 12 months of the reporting date are also measured at their nominal amounts.

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

All other employee benefit liabilities are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date, using a short-cut methodology to estimate the present value.

Leave

The liability for employee entitlements 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 Institute is estimated to be less than the annual entitlement for sick leave.

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

The non-current portion of the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2005. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and redundancy

No provision has been made for separation and redundancy benefit payments. There were no employees subject to termination of employment as at 30 June 2005.

Superannuation

Most Institute employees are members of the Commonwealth Superannuation Scheme or the Public Sector Superannuation Scheme. The liability for their superannuation benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course.

AIATSIS makes employer contributions to the Australian Government at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of the Institute's employees. Some employees are members of private schemes; AIATSIS contributes to these schemes at agreed levels, which are at least equal to the minimum employer contributions.

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

1.6 Grants

Most grant agreements require the grantee to perform services, provide facilities, or meet eligibility criteria. In these cases, the Institute recognises grant liabilities only to the extent that the services required have been performed or the eligibility criteria have been satisfied by the grantee.

In cases where grant agreements are made without conditions to be monitored, liabilities are recognised on signing of the agreement.

1.7 Cash

Cash means notes and coins held, and any deposits held at call with a bank or financial institution, plus cash equivalents. Cash equivalents are term deposits with a bank for periods of less than 3 months (91 days). Cash is recognised at its nominal amount. Interest is credited to revenue as it accrues.

1.8 Investments

Term deposits of 3 months or longer are classified as investments under s18 of the *Commonwealth Authorities and Companies Act 1997* (CAC Act). They are recognised at cost. Interest is payable on maturity.

1.9 Acquisition of Assets

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

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

1.10 Property (Land, Buildings and Infrastructure), Plant and Equipment

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The exception to this policy is for desktop computers, which are recognised as assets regardless of cost. This is a change of policy for 2004-05. The effect in 2004-05 was to reduce asset purchase expense by \$69,684; increase computer assets by \$69,684; and increase depreciation expense by \$2,010.

Revaluations

Land, buildings, infrastructure, plant and equipment (P & E) are carried at cost or valuation. Revaluations undertaken up to 30 June 2002 were done on a deprival basis; revaluations since that date are at fair value. This change in accounting policy is required by Australian Accounting Standard AASB 1041 *Revaluation of Non-Current Assets*. The effect of this change in 2004-05 is immaterial. Valuations conducted are as at 31 March 2005 (Library collection and building infrastructure, plant and equipment) and 30 April 2003 (Artworks and artefacts).

Fair and deprival values for each class of assets are determined as shown below.

Asset Class	Fair Value Measured at:	Deprival Value Measured at:
Land	Market selling price	Market selling price
Building	Market selling price	Depreciated replacement cost
Leasehold Improvements	Depreciated replacement cost	Depreciated replacement cost
Plant & Equipment	Market selling price	Depreciated replacement cost

Under both deprival and fair value, assets which are surplus to requirement are measured at their net realisable value. At 30 June 2005 the net realisable value of surplus assets was \$nil (30 June 2004: \$600)

Frequency

Land, buildings, infrastructure, plant and equipment have been revalued on a progressive basis over a three year cycle in previous years. In 2003-04, the planned revaluations of the AIATSIS building and library collection were deferred until 2004-05. This was because of the uncertainty over the effects of prospective valuation requirements under the Australian Equivalents to International Financial Reporting Standards, and is allowed under the Finance Minister's Orders.

The Australian Valuation Office conducted revaluations during the 2004-05 year. At 31 March 2005:

- The building was valued at \$11.092m, an increase of \$2.255m.
- Infrastructure, plant and equipment was valued at \$3.854m, a decrease of \$0.048m.
- The library collection was valued at \$3.440m, an increase of \$1.737m.

The art and artefacts collection was revalued in 2002-03 by Wally Caruana from Caruana Fine Art.

All other P&E assets are measured at cost. Assets in each class acquired after the commencement of a revaluation are recorded at cost until the next revaluation.

Conduct

Revaluations are conducted by independent qualified valuers.

Depreciation

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

Depreciation rates (useful lives) and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2005	2004
Building	40 to 70 years	40 to 70 years
Major plant and equipment items	5 to 20 years	5 to 20 years
Minor plant and equipment items, mainly office equipment.	2 to 5 years	2 to 5 years
Library collection	50 years	50 years

Art and artefacts are not depreciated due to their indefinite lives.

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 5D.

Impairment

Non-current assets carried at up-to-date fair value at the reporting date are not subject to impairment testing.

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

No assets were assessed as being impaired at 30 June 2005.

1.11 Intangibles

The Institute's intangibles at 30 June 2005 comprise software licences and associated implementation costs, a registered trademark and internally-developed software. There was no change to these categories during 2004-05. The assets are carried at cost.

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

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

Useful lives are:

	2005	2004
Internally-developed software and software licences	3 to 7 years	5 years
Trade marks	5 years	5 years

1.12 Inventories

Inventories held for resale are valued at the lower of cost and net realisable value.

AIATSIS has no inventories other than those held for resale.

Costs incurred in bringing each item of inventory to its present location and condition are assigned as cost of direct labour and materials plus attributable costs that are capable of being allocated on a reasonable basis.

1.13 Taxation

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

Revenues, expenses and assets are recognized net of GST:

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

1.14 Insurance

The Institute has insured for risks through the Government's insurable risk managed fund, "Comcover". Workers' compensation is insured through Comcare Australia.

Note 2: Economic Dependency

AIATSIS was established by section 4 of the *Australian Institute of Aboriginal and Torres Strait Islander Studies Act 1989* and is controlled by the Commonwealth of Australia.

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

Note 3: Events Occurring After Reporting Date

The Institute is not aware of any events occurring after the reporting date which materially affects its future viability.

Australian Institute of Aboriginal and Torres Strait Islander Studies
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

	2005	2004
	\$'000	\$'000
Note 4: Operating Revenue		
<u>Note 4A: Revenues from Government</u>		
Appropriations for outputs	<u>7,739</u>	7,639
Total revenues from government	<u>7,739</u>	<u>7,639</u>
<u>Note 4B: Sales of Goods and Services</u>		
Goods	255	335
Services	<u>1,104</u>	863
Total sales of goods and services	<u>1,359</u>	<u>1,198</u>
Provisions of goods to:		
Related entities	4	97
External entities	<u>251</u>	238
Total sales of goods	<u>255</u>	<u>335</u>
Rendering of services to:		
Related entities	169	595
External entities	<u>935</u>	268
Total rendering of services	<u>1,104</u>	<u>863</u>
<u>Note 4C: Interest</u>		
Deposits	<u>279</u>	221
Total interest revenue	<u>279</u>	<u>221</u>
<u>Note 4D: Revenue from Sale of Assets</u>		
Infrastructure, plant and equipment:		
Proceeds from disposal	29	23
Net book value of assets disposed	<u>(27)</u>	(123)
Net gain (loss) from sale of assets	<u>2</u>	<u>(100)</u>
<u>Note 4E: Grants</u>		
From related entities	<u>1,898</u>	906
From external entities	<u>17</u>	73
	<u>1,915</u>	<u>979</u>
<u>Note 4F: Other Revenue</u>		
Conference fees	310	199
Contract administration	116	133
Other revenue	<u>13</u>	128
Total other revenue	<u>439</u>	<u>460</u>

Australian Institute of Aboriginal and Torres Strait Islander Studies
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

	2005	2004
	\$'000	\$'000

Note 5: Operating Expenses

Note 5A: Employee Expenses

Wages and salaries	5,110	4,700
Superannuation	797	740
Leave and other entitlements	532	469
Separation and redundancy	72	103
Other employee benefits	311	233
Total employee benefits expenses	6,822	6,245
Workers compensation premiums	113	75
Total employee benefits expenses	6,935	6,320

Note 5B: Supplier Expenses

Goods from external entities	2,076	2,024
Services from related entities	207	238
Services from external parties	835	665
Total supplier expenses	3,118	2,927

Note 5C: Grants Expense

Research grants	650	570
Manuscript development grants	37	1
Total grants expenses	687	571

Note 5D: Depreciation and Amortisation

Depreciation of property, plant and equipment	920	892
Amortisation of intangible assets	54	52
Total depreciaton and amortisation	974	944

The aggregate amounts of depreciation or amortisation expensed during the reporting period for each class of depreciable asset are as follow:

Building on leasehold land	144	136
Plant and equipment	776	756
Intangibles	54	52
Total depreciation and amortisation	974	944

Note 5E: Write-Down of Assets

Write down of I, P & E	35	62
Plant & equipment – revaluation decrement	48	-
	83	62

Australian Institute of Aboriginal and Torres Strait Islander Studies
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

	2005	2004
	\$'000	\$'000

Note 6: Financial Assets

Note 6A: Receivables

Goods and services	252	167
<i>Less: Provision for doubtful debts</i>	<u>(2)</u>	<u>(2)</u>
	250	165
Interest receivable	-	16
GST receivable	<u>93</u>	<u>17</u>
Total receivables (net)	<u>343</u>	<u>198</u>

All receivables are current assets

Receivables (gross) are aged as follows:

Not overdue	<u>332</u>	<u>165</u>
Overdue by:		
61 to 90 days	13	-
More than 90 days	<u>-</u>	<u>35</u>
Total receivables (gross)	<u>345</u>	<u>200</u>

The provision for doubtful debts is aged as follows:

More than 90 days	<u>-</u>	<u>2</u>
Total provision for doubtful debts	<u>-</u>	<u>2</u>

Receivables for goods and services

Credit terms generally are net 30 days, however some suppliers are on terms between 7 and 90 days.

Accrued interest

The interest rates range from 4.82% to 5.78%. Interest is payable either on the 1st of each month or on maturity

Note 6B: Investments (section 18 CAC Act)

Term deposits	<u>-</u>	<u>3,650</u>
Total investments	<u>-</u>	<u>3,650</u>

Term deposits were with Bankwest.

Australian Institute of Aboriginal and Torres Strait Islander Studies
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

	2005 \$'000	2004 \$'000
Note 7: Non-Financial Assets		
<u>Note 7A: Land and Buildings</u>		
Leasehold improvements		
Building on leasehold land - at cost	-	9,425
Accumulated depreciation	-	(486)
Total Land and Buildings (non-current)	<u>-</u>	<u>8,939</u>
Building on leasehold land - at valuation	11,092	-
Accumulated depreciation	(42)	-
Total Land and Buildings (non-current)	<u>11,050</u>	<u>-</u>
Leaseholds improvements are the AIATSIS building at Acton, ACT.		
<u>Note 7B: Infrastructure, Plant and Equipment</u>		
Plant and equipment - at cost	2,338	7,298
- Accumulated depreciation	(1,004)	(2,022)
	<u>1,334</u>	<u>5,276</u>
Artworks and artefacts - at cost	19	17
Library rare book collection - at cost	<u>20</u>	<u>11</u>
	<u>1,373</u>	<u>5,304</u>
Library rare book collection - at 2000-01 valuation (deprival)	-	1,830
- Accumulated depreciation	-	(110)
	-	1,720
Artworks and artefacts - at 2002-03 valuation (fair value)	2,435	2,435
Library collection - at 2004-05 valuation (fair value)	3,440	-
- Accumulated depreciation	(17)	-
	<u>3,422</u>	<u>-</u>
Plant and equipment - at 2004-05 valuation (fair value)	3,854	-
- Accumulated depreciation	(95)	-
	<u>3,759</u>	<u>-</u>
	<u>9,616</u>	<u>4,155</u>
Total Infrastructure, Plant and Equipment (non-current)	<u>10,989</u>	<u>9,459</u>

Australian Institute of Aboriginal and Torres Strait Islander Studies
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

	2005	2004
	\$'000	\$'000

Note 7B: Infrastructure, Plant and Equipment (continued)

Movement in asset revaluation reserve

Increment for Library collection	1,737	-
Increment for building revaluation	2,255	-
	<u>3,992</u>	<u>-</u>

Note 7D: Intangibles

Software licences - purchased	508	408
Internally developed software and trade mark	59	43
	<u>567</u>	<u>451</u>
- Accumulated amortisation	<u>(320)</u>	<u>(283)</u>
Total intangibles	<u>247</u>	<u>168</u>

Note 7E: Inventories

Inventories held for sale	400	459
Provision for obsolete stock	<u>(320)</u>	<u>(398)</u>
Total inventories	<u>80</u>	<u>61</u>

All inventories are current assets.

Note 7F: Other Non-Financial Assets

Other prepayments	125	94
Total other non-financial assets	<u>125</u>	<u>94</u>

Australian Institute of Aboriginal and Torres Strait Islander Studies
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

Note 7C - Analysis of Property, Plant, Equipment and Intangibles

TABLE A - Reconciliation of the opening and closing balances of property, plant, equipment.

Item	Buildings \$'000	Infrastructure, plant and equipment \$'000	Intangibles \$'000	Total \$'000
Gross value as at 1 July 2004	9,425	11,591	451	21,467
Additions: purchase of assets	-	650	136	786
Revaluation increment	2,255	1,688	-	3,943
Depreciation cancelled on revaluation	(588)	(1,626)	-	(2,214)
Disposals	-	(196)	(20)	(216)
Gross value as at 30 June 2005	11,092	12,107	567	23,766
Accumulated Depreciation /				
Amortisation as at 1 July 2004	486	2,133	283	2,902
Depreciation / Amortisation charge for the year	144	777	53	974
Depreciation cancelled on revaluation	(588)	(1,626)	-	(2,214)
Assets written down	-	2	4	6
Disposals	-	(168)	(20)	(188)
Accumulated Depreciation /				
Amortisation as at 30 June 2005	42	1,118	320	1,480
Net book value as at 30 June 2005	11,050	10,989	247	22,286

**Australian Institute of Aboriginal and Torres Strait Islander Studies
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005**

Note 7C - Analysis of Property, Plant, Equipment and Intangibles (continued)

TABLE B - Assets at valuation

Item	Buildings - Leasehold Improvements	Other infrastructure, plant and equipment	TOTAL
	\$'000	\$'000	\$'000
As at 30 June 2005			
Gross value	11,092	9,729	20,821
Accumulated depreciation / amortisation	(42)	(112)	(154)
Net book value	11,050	9,617	20,667
As at 30 June 2004			
Gross value	-	4,265	4,265
Accumulated depreciation / amortisation	-	(110)	(110)
Net book value	-	4,155	4,155

TABLE C - Assets under Construction

There were no assets under construction at 30 June 2005 or at 30 June 2004.

Australian Institute of Aboriginal and Torres Strait Islander Studies
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

	2005	2004
	\$'000	\$'000

Note 8: Provisions

Note 8A: Employee Provisions

Salaries and wages	28	-
Leave	1,157	1,182
Superannuation	87	87
Separation and Redundancy	-	65
Aggregate employee entitlement liability	1,272	1,334

Employee provisions are categorised as follows:

Current	596	683
Non-current	676	651
	1,272	1,334

Note 8B - Capital Use Charge

Balance owing 1 July	-	2,186
Capital Use Charge paid	-	(2,186)
	-	-

Note 9: Payables

Note 9A: Supplier Payables

Trade creditors	65	272
Other	726	136
Total supplier payables	791	408

All supplier payables are current.

Note 9B: Other Payables

Unearned revenue	307	1,712
Total other payables	307	1,712

All other payables are current.

Australian Institute of Aboriginal and Torres Strait Islander Studies
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

Note 10: Equity

Note 10A - Analysis of Equity

Item	Accumulated Results		Asset Revaluation Reserve		Total Contributed Equity		TOTAL EQUITY	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Opening balance as at 1 July	18,192	18,619	2,717	2,717	3	-	20,912	21,336
Net Surplus / (Deficit)	(64)	(427)	-	-	-	-	(64)	(427)
Net revaluation increment/(decrement)	-	-	3,992	-	-	-	3,992	-
Transactions with owner:								
Returns on Capital								
Contributions by owner								
Appropriation (equity injection)						3		3
Closing balance as at 30 June	18,128	18,192	6,709	2,717	3	3	24,840	20,912
Less: outside equity interests	-	-	-	-	-	-	-	-
Total equity attributable to the Australian Government	18,128	18,192	6,709	2,717	3	3	24,840	20,912

Australian Institute of Aboriginal and Torres Strait Islander Studies
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

	2005	2004
	\$'000	\$'000
Note 11: Cash Flow Reconciliation		
<u>Note 11A: Reconciliation of Operating Surplus to Net Cash from Operating Activities</u>		
Operating surplus before extraordinary items	(64)	(427)
Non-cash items		
Depreciation and amortisation	974	944
Revaluation decrement	48	
Net write-down of non-current assets	35	62
Net gain on sale of assets	(2)	100
Change in assets and liabilities		
(Increase)/decrease in receivables (other than loans)	(144)	81
(Increase)/decrease in inventories	(19)	80
(Increase)/decrease in other non-financial Assets	(32)	35
Increase/(decrease) in supplier payables	383	335
Increase/(decrease) in provision for employees	(61)	(205)
Increase/(decrease) in grants payable	-	(488)
Increase/(decrease) in other payables	(1,404)	1,451
Net cash from/(used by) operating activities	<u>(286)</u>	<u>1,968</u>

Note 11B: Reconciliation of Cash

Cash balance comprises:		
Cash on hand	29	40
Deposits at call	1,302	1,757
Term deposits	3,045	-
	<u>4,376</u>	<u>1,797</u>
Investments	-	3,650
	<u>4,376</u>	<u>5,447</u>
Balance of cash as at 30 June shown in the Statement of Cash Flows	4,376	1,797

Australian Institute of Aboriginal and Torres Strait Islander Studies
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

2005 2004

Note 12: Contingent Liabilities and Assets

The Institute has no knowledge of any material contingencies, whether remote or otherwise.

Note 13: Remuneration of Councillors

2005 2004

The number of Councillors of the Institute included in these figures are shown below in the relevant remuneration bands

\$Nil - \$10,000	9	9
	\$	\$
Total remuneration received or due and receivable by members of the Council of the Institute	33,857	52,218

A description of the methods by which Councillors are appointed is included in the "Corporate Governance" section of the Annual Report.

Remuneration includes payments to Councillors for all activities including Council, Research Advisory Committee and other representative business.

Note 14: Related Party Disclosures

Members of Council

The members of the Council of the Institute during the year were:

M. Dodson, Chair
 R. Tonkinson, Deputy Chair
 M Williams
 J Huggins AM
 M Nakata
 E Bedford
 R Marika
 N McNamara AM, MBE
 L Behrendt

The Institute paid a Directors and Officers indemnity premium of \$6,525 on behalf of Councillors during the year. Royalty payments totalling \$338 were made to Ms Huggins and \$49 to Prof Tonkinson, Council members during the year, in relation to their books published through Aboriginal Studies Press. Other than these payments and remuneration as Councillors, no benefits were provided to Council members.

Australian Institute of Aboriginal and Torres Strait Islander Studies
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

Note 15: Remuneration of Officers

	2005	2004
The number of Officers who received, or were due to receive, total remuneration of \$100,000 or more:		
\$110,001 - \$120,000	-	1
\$150,001 - \$160,000	-	1
\$170,001 - \$180,000	1	-
\$190,001 - \$200,000	-	1
\$200,001 - \$210,000	1	-
Total	<u>2</u>	<u>3</u>
	\$	\$
The aggregate amount of total remuneration of officers shown above was:	<u>376,606</u>	<u>427,740</u>

Note 16: Remuneration of Auditors

	2005	2004
	\$	\$
Remuneration to the Auditor-General for the audit of special purpose financial statements of grant activities for the reporting period.	-	4,000
Remuneration to the Auditor-General for auditing in relation to the transition to AEIFRS.	2,200	
Remuneration to the Auditor-General for auditing the financial statements for the reporting period.	32,500	32,000
	<u>34,700</u>	<u>36,000</u>
These amounts represent the fair value of services provided.		

RSM Bird Cameron has been contracted by the Australian National Audit Office (ANAO) to provide audit services on the ANAO's behalf. Fees for these services are included above. No other services were provided by the Auditor-General or RSM Bird Cameron during the reporting period.

Note 17: Average Staffing Levels

	2005	2004
The average staffing levels for the Institute during the year were:	<u>95</u>	<u>93</u>

**Australian Institute of Aboriginal and Torres Strait Islander Studies
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005**

Note 18: Financial Instruments

Note 18A: Interest rate risk

	Notes	Floating Interest Rate		Fixed Interest Rate Maturing In 1 year or less		Non-Interest Bearing		Total		Weighted Average Effective Interest Rate	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 %	2004 %
Financial Assets											
Cash on hand	11B	28	39	-	-	1	1	29	40	4.82	3.38
Deposits at call		1,302	363	-	1,394	-	-	1,302	1,757	5.44	5.46
Term deposits		-	-	3,045	-	-	-	3,045	-	5.76	5.63
Investments		-	-	-	3,650	-	-	-	3,650	-	-
Receivables for goods and services (gross)	6A	-	-	-	-	343	198	343	198	NA	NA
Accrued interest		-	-	-	-	-	-	-	-	NA	NA
Total		1,330	402	3,045	5,044	344	199	4,719	5,645		
Total Assets								27,210	24,366		
Financial Liabilities											
Supplier payables	9A	-	-	-	-	791	408	791	408	NA	NA
Other payables	9B	-	-	-	-	307	1,712	307	1,712	NA	NA
Total		-	-	-	-	1,098	2,120	1,098	2,120		
Total Liabilities								2,370	3,454		

Australian Institute of Aboriginal and Torres Strait Islander Studies
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

Note 18: Financial Instruments (continued)

Note 18B: Net Fair Values of Financial Assets and Liabilities

	Notes	2005		2004	
		Total Carrying Amount \$'000	Aggregate Net Fair Value \$'000	Total Carrying Amount \$'000	Aggregate Net Fair Value \$'000
Financial Assets					
Cash on hand		29	29	40	40
Deposits at call		1,302	1,302	1,757	1,757
Term deposits		3,045	3,045	-	-
Investments		-	-	3,650	3,650
Receivables for goods and services (gross)	6A	343	343	198	198
Accrued interest		-	-	-	-
Total Financial Assets		4,719	4,719	5,645	5,645
Financial Liabilities					
Supplier payables	9A	791	791	408	408
Other payables	9C	307	307	1,712	1,712
Total Financial Liabilities		1,098	1,098	2,120	2,120

The net fair values of all assets and liabilities approximate their carrying amounts.

**Australian Institute of Aboriginal and Torres Strait Islander Studies
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005**

Note 18: Financial Instruments (continued)

Note 18C: Terms, Conditions and Accounting Policies

Financial Instrument	Notes	Accounting Policies and Methods adopted (including the criteria for recognition and the basis of measurement applied).	Extent and nature of underlying financial instruments, including significant terms and conditions that may affect the carrying amount, timing and certainty of future cash flows.
Financial Assets		<i>Financial assets are recognised when control over future economic benefits is established and the amount of the benefits can be reliably measured.</i>	
Cash	11B	Cash is recognised at its nominal amount. Cash includes term deposits of less than 3 months.	Temporarily surplus funds are held at call with the Institute's banker or placed on term deposit with a bank. Interest on call deposits is earned on the daily balance at the prevailing daily rate and is paid at month end. Term deposits are invested based on a tender process. At 30 June 2005, there were 3 term deposits with annual interest rates between 5.72% and 5.78%.
Receivables for goods and services	6A	These receivables are recognised at the nominal amounts due less a provision for doubtful debts.	Credit terms are generally net 30 days, however a small number of suppliers are on terms between 7 and 90 days. The same terms applied for 2003-04.
Accrued interest	6A	Accrued interest is recognised on an accrual basis.	As for receivables for goods and services once billed.
Investments	6B	Term deposits for three months or more are classified as investments for the purpose of s18 of the <i>CAC Act</i> . They are recognised at their nominal amount.	Term deposits are invested based on a tender process, interest is paid at maturity. At 30 June 2005, there were no term deposits.

Australian Institute of Aboriginal and Torres Strait Islander Studies
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

Note 18: Financial Instruments (continued)

Note 18C: Terms, Conditions and Accounting Policies

Financial Instrument	Notes	Accounting Policies and Methods adopted (including the criteria for recognition and the basis of measurement applied).	Extent and nature of underlying financial instruments, including significant terms and conditions that may affect the carrying amount, timing and certainty of future cash flows.
Financial Liabilities			
Supplier payables	9A	<p><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.</i></p> <p>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 goods and services have been received (and irrespective of having been invoiced).</p>	Settlement is usually made net 30 days.
Other payables	9B	Revenue is recognised as unearned to the extent that activities for which revenue has been received have not yet been undertaken.	The Institute receives grants and consultancy fees, primarily from the OIPC. Funds not expended for the purposes of the grant / consultancy may need to be repaid to the funding agency.

Australian Institute of Aboriginal and Torres Strait Islander Studies
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

Note 19: Appropriations

	2005	2004
	\$'000	\$'000

The Institute received the following appropriations during the year out of the Consolidated

Appropriation Acts Nos 1 & 3	7,739	7,639
Appropriation Acts Nos 2 & 4	-	<u>3</u>
	<u>7,739</u>	<u>7,642</u>

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

Australian Institute of Aboriginal and Torres Strait Islander Studies
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

Note 20: Reporting of Outcomes

Note 20A: Outcomes of the Institute

AIATSIS is structured to meet one outcome:

"Promotion of knowledge and understanding of Australian Indigenous cultures, past and present".

Three outputs have been identified for this outcome:

Output 1. Research

Output 2. Dissemination of information

Output 3. Collection development and management

Note 20B: Net Cost of Outcomes Delivery

	Outcome 1	
	2005	2004
	\$'000	\$'000
Departmental expenses	11,824	10,947
Total expenses	11,824	10,947
Costs recovered from provision of goods and services to the non-government sector	1,203	579
Total costs recovered	1,203	579
Other external revenues		
Interest	279	221
Proceeds from sale of assets	29	23
Other	439	460
Total other external revenues	747	704
Net cost/(contribution) of outcome	9,874	9,664

The Institute only has one outcome and therefore fully attributes shared revenue and expenditure items to that outcome. Attribution of shared costs to outputs is based on staff numbers, adjusted where relevant for significant one-off costs.

Australian Institute of Aboriginal and Torres Strait Islander Studies
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

Note 20: Reporting of Outcomes (continued)

Note 20C: Departmental Revenues and Expenses by Output

	Output 1		Output 2		Output 3		Total	
	2005 \$'000	2004 \$'000	2,005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Operating expenses								
Employees	2,584	2,202	513	505	3,838	3,613	6,935	6,320
Suppliers	1,320	1,363	363	560	1,435	1,012	3,118	2,935
Grants	680	570	-	1	7	-	687	571
Depreciation and amortisation	335	324	72	93	567	527	974	944
Write-down of assets	28	21	6	3	49	30	83	54
Value of assets disposed	11	44	2	12	14	67	27	123
Total operating expenses	4,958	4,524	956	1,174	5,910	5,249	11,824	10,947
Funded by:								
Revenues from Government	2,661	2,777	572	794	4,506	4,068	7,739	7,639
Sale of goods and services	1,445	1,138	340	336	1,489	703	3,274	2,177
Interest	96	82	21	23	162	116	279	221
Revenue from sale of assets	10	8	2	2	17	13	29	23
Other revenues from independent sources	365	320	8	22	66	118	439	460
Total operating revenues	4,577	4,325	943	1,177	6,240	5,018	11,760	10,520

Note 21: Adoption of Australian Equivalents to International Financial Reporting Standards from 2005-06

The Australian Accounting Standards Board has issued replacement Australian Accounting Standards to apply from 2005-06. The new standards are the Australian Equivalents to International Financial Reporting Standards (AEIFRS). The International Financial Reporting Standards are issued by the International Accounting Standards Board. The new standards cannot be adopted early. The standards being replaced are to be withdrawn with effect from 2005-06, but continue to apply in the meantime, including reporting periods ending on 30 June 2005.

The purpose of issuing AEIFRS is to enable Australian reporting entities reporting under the *Corporations Act 2001* to be able to more readily access overseas capital markets by preparing their financial reports according to accounting standards more widely used overseas.

For-profit entities complying with AEIFRS will be able to make an explicit and unreserved statement of compliance with International Financial Reporting Standards (IFRS) as well as a statement that the financial report has been prepared in accordance with Australian Accounting Standards.

AEIFRS contain certain additional provisions that will apply to not-for-profit entities, including not-for-profit Australian Government Authorities. Some of these provisions are in conflict with IFRS, therefore AIATSIS will only be able to assert that the financial report has been prepared in accordance with Australian Accounting Standards.

AAS 29 Financial Reporting by Government Departments will continue to apply under AEIFRS.

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

- An explanation of how the transition to the AEIFRS is being managed.
- Narrative explanations of the key policy differences arising from the adoption of AEIFRS.
- Any known or reliably estimable information about the impacts on the financial report had it been prepared using the Australian equivalents to the IFRS. and
- If the impacts of the above are not known or reliably estimable, a statement to that effect.

Where an entity is not able to make a reliable estimate, or where quantitative information is not known, the entity should update the narrative disclosures of the key differences in accounting policies that are expected to arise from the adoptions of AEIFRS.

The purpose of this Note is to make these disclosures.

Management of the transition to AEIFRS

AIATSIS has taken the following steps in preparation towards the implementation of AEIFRS:

- The Institute's Audit Committee is tasked with oversight of the transition to and implementation of the AEIFRS. The Chief Finance Officer (CFO) is formally responsible for the project and reports to the Audit Committee on progress.
- The CFO has assessed that no system changes are required to be able to report under AEIFRS.
- An independent assessment of the effect of the changes has been performed by KPMG. That assessment concurs with AIATSIS' view that the effects will be minor.
- Preparation of an AEIFRS balance sheet will be completed shortly after the 30 June 2005 statements are finalised.
- Meeting reporting deadlines set by Finance for 2005-06 balance sheet under AEIFRS.

Major changes in accounting policy

AIATSIS believes that the first financial report prepared under AEIFRS ie at 30 June 2006, will be prepared on the basis that it will be a first time adopter under *AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. Changes in accounting policies under AEIFRS are applied retrospectively i.e. as if the new policy had always applied except in relation to the exemptions available and prohibitions under AASB 1. This means that an AEIFRS compliant balance sheet has to be prepared as at 1 July 2004. This will enable the 2005-06 financial statements to report comparatives under AEIFRS.

A first time adopter of AEIFRS may elect to use exemptions under paragraphs 13 to 25E. When developing the accounting policies applicable to the preparation of the 1 July opening balance sheet, no exemptions were applied by AIATSIS.

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

Management's review of the quantitative impacts of AEIFRS represents the best estimate of the impacts of the changes as at reporting date. The actual effects of the impacts of AEIFRS may differ from these estimates due to:

- continuing review of the impacts of AEIFRS on AIATSIS' operations;
- potential amendments to the AEIFRS and AEIFRS Interpretations; and
- emerging interpretation as to the accepted practice in the application of AEIFRS and the AEIFRS Interpretations.

Property, plant and equipment

It is expected that the 2005-06 Finance Minister's Orders will continue to require property plant and equipment assets to be valued at fair value in 2005-06.

Revaluation of assets.

As indicated in Note 1.10, the Library collection and AIATSIS building, plant and equipment were revalued during 2004-05. The valuers also assessed the values as at 30 June 2004. If those values had been included in the 2004-05 opening balances, net assets would have been increased by \$1.716m and \$2.227m respectively, with total equity at 1 July 2004 increased by \$3.943m.

Intangible Assets

An assessment of intangible assets has resulted in a need for trade mark costs to be de-recognised. The impact of this change will be to reduce gross intangible assets by \$5,400; reducing provision for amortisation by \$1,722; reducing retained earnings by \$3,678. Amortisation of intangibles is expected to decrease by \$1,080 per annum.

Impairment of Intangibles and Property, Plant and Equipment

AIATSIS's policy on impairment of non-current assets is at Note 1.10.

Under AEIFRS these assets will be subject to assessment for impairment and, if there are indications of impairment, measurement of any impairment (impairment measurement must also be done, irrespective of any indications of impairment, for intangible assets not yet available for use). The impairment test is that the carrying amount of an asset must not exceed the greater of (a) its fair value less costs to sell and (b) its value in use. 'Value in use' is the net present value of net cash inflows for cash generating units assets of the Authority and depreciated replacement cost for other assets that would be replaced if AIATSIS were deprived of them.

An impairment assessment of the Institute's non-current assets indicated that no adjustments will be required.

Decommissioning, Restoration and Make-good

AIATSIS does not expect any obligation to arise for decommissioning, restoration or make good costs.

Inventory

AIATSIS recognises inventory not held for sale at cost, except where no longer required, in which case net realisable value is applied.

The new AEIFRS standard will require inventory held for distribution for no consideration or at a nominal amount to be carried at the lower of cost or current replacement cost. AIATSIS does not currently hold any inventory in this category. Therefore no adjustment is required.

Employee Benefits

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

The 2003-04 Financial Report noted that AEIFRS may require the market yield on corporate bonds to be used. The AASB has decided that a deep market in high quality corporate bonds does not exist and therefore national government bonds will be referenced.

AEIFRS also require that annual leave that is not expected to be taken within 12 months of balance date is to be discounted. After assessing the staff leave profile, AIATSIS has estimated that the present value of annual leave to be taken in future year is \$10,000 less than the nominal value. The effect will be to reduce the provision for annual leave by \$10,000 and increase retained earnings by \$10,000.

Financial Instruments

AEIFRS include an option for entities not to restate comparative information in respect of financial instruments in the first AEIFRS report. It is expected that Finance Minister's Orders will require entities to use this option. Therefore, the amounts for financial instruments presented in the Institute's 2004-05 primary financial statements are not expected to change as a result of the adoption of AEIFRS.

AIATSIS will be required by AEFIRS to restate the carrying amount of financial instruments at 1 July 2005 to align with the accounting policies required by AEIFRS. It is expected that the carrying amounts of most financial instruments held by AIATSIS will be unaffected by this requirement.

Reconciliation of Impacts – AGAAP to AEIFRS

	30 June 2005 \$'000	30 June 2004 \$'000
Total equity under AGAAP	24,840	20,912
Effect of future leave liabilities being recorded at present value	+10	+5
Derecognition of intangible assets	-4	-4
Revaluation of Library collection and buildings, plant and equipment.	-	+3,943
Total equity under AEIFRS	24,846	24,856

Total accumulated results under AGAAP	18,128	18,192
Effect of future leave liabilities being recorded at present value	+10	+5
Derecognition of intangible assets	-4	-4
Revaluation of Library collection and buildings, plant and equipment.	-	-49
Total accumulated results under AEIFRS	18,134	18,144

Total reserves under AGAAP	6,712	2,720
Revaluation of Library collection and buildings, plant and equipment.	-	+3,992
Total reserves under AEIFRS	6,712	6,712