

CERTIFICATION

PRIMARY FINANCIAL STATEMENTS

- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Cash Flow Statement
- Administered Schedule of Comprehensive Income
- Administered Schedule of Assets and Liabilities
- Administered Reconciliation Schedule
- Administered Cash Flow Statement

OVERVIEW

NOTES TO THE FINANCIAL STATEMENTS

- 1. Departmental Financial Performance**
 - 1.1: Expenses
 - 1.2: Own-Source Revenue and Gains
- 2. Income and Expenses Administered on Behalf of Government**
 - 2.1: Administered - Expenses
 - 2.2: Administered - Income
- 3. Departmental Financial Position**
 - 3.1: Financial Assets
 - 3.2: Non-Financial Assets
 - 3.3: Payables
 - 3.4: Other Provisions
- 4. Assets and Liabilities Administered on Behalf of Government**
 - 4.1: Administered - Financial Assets
 - 4.2: Administered - Non-Financial Assets
 - 4.3: Administered - Payables
- 5. Funding**
 - 5.1: Appropriations
 - 5.2: Special Accounts
 - 5.3: Regulatory Charging Summary
 - 5.4: Cash Flow Reconciliation
 - 5.5: Administered - Cash Flow Reconciliation
- 6. People and relationships**
 - 6.1: Employee Provisions
 - 6.2: Senior Management Personnel Remuneration
- 7. Managing uncertainties**
 - 7.1: Contingent Assets and Liabilities
 - 7.2: Financial Instruments
 - 7.3: Administered - Financial Instruments
 - 7.4: Fair Value Measurements
 - 7.5: Administered - Fair Value Measurements
- 8. Other Information**
 - 8.1: Restructuring
 - 8.2: Reporting of Outcomes
 - 8.3: Budgetary Reports and Explanations of Major Variances

Department of Communications and the Arts
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
NET COST OF SERVICES			
Expenses			
Employee benefits	1.1A	66,037	50,825
Suppliers	1.1B	35,201	40,784
Grants	1.1C	2,313	-
Depreciation and amortisation	3.2A	5,166	5,906
Finance costs	1.1D	33	65
Write-down and impairment of assets	1.1E	800	730
Other expenses	1.1F	-	11
Total expenses		109,550	98,321
Own-Source Income			
Own-source revenue			
Sale of goods and rendering of services	1.2A	3,302	795
Rental income	1.2B	226	215
Other revenue	1.2C	696	203
Total own-source revenue		4,224	1,213
Gains			
Net gain from sale of assets	1.2D	9	4
Other gains	1.2E	508	391
Total gains		517	395
Total own-source income		4,741	1,608
Net cost of services		(104,809)	(96,713)
Revenue from Government	1.2F	99,915	91,377
Deficit before income tax on continuing operations		(4,894)	(5,336)
Deficit after income tax on continuing operations		(4,894)	(5,336)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus		(750)	(1,645)
Total other comprehensive income before income tax		(750)	(1,645)
Total other comprehensive income after income tax		(750)	(1,645)
Total comprehensive loss		(5,644)	(6,981)

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

Department of Communications and the Arts
STATEMENT OF FINANCIAL POSITION
as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
ASSETS			
Financial assets			
Cash and cash equivalents	3.1A	1,685	655
Trade and other receivables	3.1B	25,738	19,954
Other financial assets	3.1C	-	366
Total financial assets		27,423	20,975
Non-financial assets			
Buildings	3.2A	5,197	3,245
Property, plant and equipment	3.2A	39,205	2,452
Intangibles	3.2A	9,177	8,550
Other non-financial assets	3.2B	1,024	908
Total non-financial assets		54,603	15,155
Total assets		82,026	36,130
LIABILITIES			
Payables			
Suppliers	3.3A	5,990	9,621
Other payables	3.3B	4,620	3,135
Total payables		10,610	12,756
Provisions			
Employee provisions	6.1	22,872	16,666
Other provisions	3.4	4,843	4,177
Total provisions		27,715	20,843
Total liabilities		38,325	33,599
Net assets		43,701	2,531
EQUITY			
Contributed equity/capital		62,694	15,880
Reserves		7,439	8,189
Accumulated deficit		(26,432)	(21,538)
Total equity		43,701	2,531

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

Department of Communications and the Arts
STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2016

	Retained earnings		Asset revaluation reserve		Contributed equity/capital		Total equity	
	2016	2015	2016	2015	2016	2015	2016	2015
Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance								
Balance carried forward from previous period	(21,538)	(5,204)	8,189	9,834	15,880	5,385	2,531	10,015
Adjustment to opening balance ¹	-	(267)	-	-	-	-	-	(267)
Adjusted opening balance	(21,538)	(5,471)	8,189	9,834	15,880	5,385	2,531	9,748
Comprehensive income								
Surplus (Deficit) for the year	(4,894)	(5,336)	-	-	-	-	(4,894)	(5,336)
Other comprehensive income	-	-	(750)	(1,645)	-	-	(750)	(1,645)
Total comprehensive income	(4,894)	(5,336)	(750)	(1,645)	-	-	(5,644)	(6,981)
Transactions with owners								
Distributions to owners								
Returns of appropriation								
Reductions of appropriations <i>Omnibus Repeal Day (Autumn 2014) Act 2014²</i>	-	(10,731)	-	-	-	-	-	(10,731)
Contributions by owners								
Equity injection - Appropriation	-	-	-	-	-	6,400	-	6,400
Departmental capital budget	-	-	-	-	4,226	4,095	4,226	4,095
Restructuring	8.1	-	-	-	42,588	-	42,588	-
Total transactions with owners	-	(10,731)	-	-	46,814	10,495	46,814	(236)
Transfers between equity components	-	-	-	-	-	-	-	-
Closing balance as at 30 June	(26,432)	(21,538)	7,439	8,189	62,694	15,880	43,701	2,531

¹ Reinstating the quarantined amount adjusted against previous year's appropriation balance.

² The purpose of the Omnibus Repeal Day (Autumn 2014) Act 2014 is to repeal and amend a number of bills to remove duplication and red tape.

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

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.

Restructuring of Administrative Arrangements

Net assets assumed from or relinquished to another Government entity under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

Department of Communications and the Arts
CASH FLOW STATEMENT
for the period ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
OPERATING ACTIVITIES			
Cash received			
Receipts from Government		102,585	97,529
Sales of goods and rendering of services		5,840	423
Net GST received		3,575	3,681
Other		767	224
Total cash received		112,767	101,857
Cash used			
Employees		70,140	59,403
Suppliers		42,484	37,388
Grants		2,544	-
Section 74 receipts transferred to the Official Public Account		5,476	4,987
Other		-	12
Total cash used		120,644	101,790
Net cash from/(used by) operating activities	5.4	(7,877)	67
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment		21	12
Total cash received		21	12
Cash used			
Purchase of buildings		551	94
Purchase of property, plant and equipment		1,869	154
Purchase of intangibles		1,221	3,764
Total cash used		3,641	4,012
Net cash used by investing activities		(3,620)	(4,000)
FINANCING ACTIVITIES			
Cash received			
Contributed equity		6,000	400
Departmental capital budget		3,236	3,612
Closure of special account		2,291	-
Cash from restructuring		1,000	-
Total cash received		12,527	4,012
Net cash from financing activities		12,527	4,012
Net increase in cash held		1,030	79
Cash and cash equivalents at the beginning of the reporting period		655	576
Cash and cash equivalents at the end of the reporting period	3.1A	1,685	655

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

Department of Communications and the Arts
ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME
for the period ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
NET COST OF SERVICES			
Expenses			
Suppliers	2.1A	348,728	11,627
Subsidies	2.1B	-	(133)
Grants	2.1C	168,733	111,849
Depreciation and amortisation	4.2A	9,170	7,991
Finance costs	2.1D	1,285	3,269
Payments to corporate Commonwealth entities	2.1E	1,491,320	1,349,152
Other expenses	2.1F	7,264	6,364
Total expenses		2,026,500	1,490,119
Income			
Revenue			
Non-taxation revenue			
Sales of goods and rendering of services	2.2A	2,974	-
Interest	2.2B	2,519	1,312
Rental income	2.2C	1,529	1,529
Other revenue	2.2D	2,913	429
Total non-taxation revenue		9,935	3,270
Total revenue		9,935	3,270
Gains			
Reversal of write-downs and impairment	2.2E	37	-
Other gains	2.2F	-	989
Total gains		37	989
Total income		9,972	4,259
Net cost of services		(2,016,528)	(1,485,860)
Deficit		(2,016,528)	(1,485,860)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus		1,544	1,061
Items subject to subsequent reclassification to net cost of services			
Losses on available for sale financial assets		(1,950,149)	(1,730,279)
Total other comprehensive loss		(1,948,605)	(1,729,218)
Total comprehensive loss		(3,965,133)	(3,215,078)

This schedule should be read in conjunction with the accompanying notes.

Department of Communications and the Arts
ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES
as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
ASSETS			
Financial assets			
Trade and other receivables	4.1A	120,274	68,269
Other investments	4.1B	25,991,971	12,043,005
Other financial assets	4.1C	19	12
Total financial assets		26,112,264	12,111,286
Non-financial assets			
Buildings	4.2A	58,207	-
Property, plant and equipment	4.2A	165,655	172,144
Other non-financial assets	4.2B	4,435	7,154
Total non-financial assets		228,297	179,298
Total assets administered on behalf of Government		26,340,561	12,290,584
LIABILITIES			
Payables			
Suppliers	4.3A	330,493	304
Grants	4.3B	15,551	4,051
Other payables	4.3C	21,187	21,087
Total payables		367,231	25,442
Total liabilities administered on behalf of Government		367,231	25,442
Net assets		25,973,330	12,265,142

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

Department of Communications and the Arts
ADMINISTERED RECONCILIATION SCHEDULE
for the period ended 30 June 2016

	2016 \$'000	2015 \$'000
Opening assets less liabilities as at 1 July	12,265,142	8,885,931
Adjustment for errors	-	317,000
Adjusted opening assets less liabilities	12,265,142	9,202,931
Net (cost of)/contribution by services		
Income	9,972	4,259
Expenses		
Payments to entities other than corporate Commonwealth entities	(535,180)	(140,967)
Payments to corporate Commonwealth entities	(1,491,320)	(1,349,152)
Other comprehensive income		
Revaluations transferred from reserves	(1,950,149)	(1,730,279)
Asset Revaluation Reserve	1,544	1,061
Restructuring		
Telecommunications Universal Service Management Agency	(294,134)	-
Attorney-General's Department	8,860,168	-
Transfers to/from the Australian Government		
Appropriation transfers from Official Public Account		
Administered assets and liabilities appropriations		
Asset and liabilities appropriations for payments to corporate Commonwealth entities	7,096,046	4,767,000
Annual appropriations		
Payments to entities other than corporate Commonwealth entities	197,427	148,350
Payments to corporate Commonwealth entities	1,491,320	1,349,152
Loans to corporate Commonwealth entities	20,000	50,000
Special appropriations (unlimited)		
Payments to entities other than corporate Commonwealth entities	96	-
Appropriation transfers to OPA		
Transfers to OPA	(12,957)	(37,245)
Special Accounts		
Australia New Zealand Land Information	8	32
Public Interest Telecommunications Services	315,328	-
National Cultural Heritage	19	-
Closing assets less liabilities as at 30 June	25,973,330	12,265,142

This schedule should be read in conjunction with the accompanying notes.

Accounting Policy

Administered Cash Transfers to and from the Official Public Account

Revenue collected by the entity for use by the Government rather than the entity is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by the entity on behalf of the Government and reported as such in the schedule of administered cash flows and in the administered reconciliation schedule.

Department of Communications and the Arts
ADMINISTERED CASH FLOW STATEMENT
for the period ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
OPERATING ACTIVITIES			
Cash received			
Sales of goods and rendering of services		3 102	-
Interest		1,501	815
Net GST received		41,944	16,274
Other		2,773	1,773
Total cash received		49,320	18,862
Cash used			
Grants		160,644	144,484
Subsidies		-	33
Suppliers		381,995	11,537
Payments to corporate Commonwealth entities		1,491,320	1,349,152
Other		7,678	6,451
Total cash used		2,041,637	1,511,657
Net cash used by operating activities	5.5	(1,992,317)	(1,492,795)
INVESTING ACTIVITIES			
Cash received			
Repayments of advances and loans from corporate Commonwealth entities		-	20,000
Proceeds from return of equity by corporate Commonwealth entities		-	14,625
Total cash received		-	34,625
Cash used			
Loans to Corporate Commonwealth entities		20,000	50,000
Corporate Commonwealth entity investments		7,096,046	4,767,000
Total cash used		7,116,046	4,817,000
Net cash used by investing activities		(7,116,046)	(4,782,375)
Cash from Official Public Account			
Appropriations		197,427	148,350
Corporate Commonwealth entities appropriations		8,587,366	6,116,152
Loans to Corporate Commonwealth entities		20,000	50,000
Special Accounts		315,355	32
Special Appropriations		96	-
GST drawdowns from Finance		43,043	14,155
Total cash from official public account		9,163,287	6,328,689
Cash to Official Public Account			
Appropriations		6,488	32
GST repayments to Finance		41,967	16,274
Other - receipts		6,469	37,213
Total cash to official public account		54,924	53,519
Cash and cash equivalents at the end of the reporting period		-	-

This schedule should be read in conjunction with the accompanying notes.

OVERVIEW

Objectives of the Entity

The Department of Communications and the Arts (the Department) is a Government controlled entity. It is a not-for-profit entity. The objective of the Department is to promote an innovative cultural and communications sectors through policy, program and service delivery to the benefit of all Australians.

The Department is structured to meet the following outcomes:

Outcome 1: Promote an innovative and competitive communications sector, through policy development, advice and program delivery, so all Australians can realise the full potential of digital technologies and communications services

Outcome 2: Participation in, and access to, Australia's arts and culture through developing and supporting cultural expression

From 1 July 2015, the Department commenced administration of the telecommunications universal service obligation from the former Telecommunications Universal Service Management Agency, as announced in the 2014-15 Budget and now operates under the Public Interest Telecommunications Services Special Account.

As a result of the 21 September 2015 Administrative Arrangements Order (AAO) changes, the Department assumed responsibility for: cultural affairs, classification, and copyright functions and associated legislation from the Attorney-General's Department, while the Department's responsibility for enhancing digital productivity and the data policy functions were transferred to the Department of Industry, Innovation and Science, and to the Department of the Prime Minister and Cabinet.

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

Department activities contributing toward these outcomes are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by the Department in its own right. Administered activities involve the management or oversight by the Department, on behalf of the Government, of items controlled or incurred by the Government.

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.

Significant Accounting Judgements and Estimates

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

In relation to Administered Investments in Australia Post, management estimates are used to determine volume and price growth rates and the weighted average cost of capital that underpin the discounted cash flow valuation at the end of the reporting period. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the financial position reported in future periods.

New Australian 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. No new standards, revised standards, interpretations or amending standards that were issued prior to the signing of the Statement by the Accountable Authority and Chief Financial Officer and were applicable to the current reporting period did not have a material financial impact or are not expected to have a material future financial impact on the Department.

Future Australian Accounting Standard Requirements

No new standards, revised standards, interpretations and amending standards that were issued prior to the signing of the Statement by the Accountable Authority and the Chief Financial Officer and are applicable to future reporting periods are not expected to have a future material financial impact on the Department.

Taxation

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

Revenues, expenses and assets are recognised net of GST except:

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

Reporting of Administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes.

Except where otherwise stated, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

Events After the Reporting Period

Departmental

There are no events that occurred after the reporting period that would materially affect the departmental financial statements.

Administered

There are no events that occurred after the reporting period that would materially affect the administered financial statements.

1. Departmental Financial Performance

This section analyses the financial performance of the Department of Communications and the Arts for the year ended 2016.

	2016	2015
	\$'000	\$'000
1.1: Expenses		
1.1A: Employee Benefits		
Wages and salaries	47,847	38,725
Superannuation		
Defined contribution plans	4,136	3,304
Defined benefit plans	5,096	4,122
Leave and other entitlements	6,877	4,088
Separation and redundancies	1,059	(570)
Performance pay	6	358
Other employee expenses	1,016	798
Total employee benefits	66,037	50,825

Accounting Policy

Accounting policies for employee related expenses is contained in the People and relationships section.

1.1B: Suppliers

Goods and services supplied or rendered

Consultants and contractors	12,081	14,956
IT services	7,903	10,936
Office requisites	1,274	1,004
Property	1,647	1,534
Training and travel	2,858	2,287
Other goods and services	2,894	3,210
Total goods and services supplied or rendered	28,657	33,927

Goods supplied	3,806	3,134
Services rendered	24,851	30,793
Total goods and services supplied or rendered	28,657	33,927

Other suppliers

Workers compensation expenses	276	1,312
Operating lease rentals in connection with Minimum lease payments	6,268	5,545
Total other suppliers	6,544	6,857
Total suppliers	35,201	40,784

Leasing commitments

The Department in its capacity as lessee for 38 Sydney Avenue, Canberra is subject to a 3.5% fixed annual adjustment. The current term for the office accommodation expires on 21 November 2017.

The Department in its capacity as lessee for Lease payments at Level 46, 360 Elizabeth Street, Melbourne is subject to a 4% fixed annual adjustment. The lease terms expires on 3 April 2019.

The Department in its capacity as lessee for Lease payments at 23-33 Mary Street Level 5 & 6, Sydney is subject to a 3% fixed annual adjustment. The lease terms expires on 14 May 2019.

The Department in its capacity as lessee for 31 Market Street level 18, Sydney is subject to a 3.75% fixed annual adjustment. The current term for office accommodation expires on 30 June 2017.

The Department in its capacity as lessee for 222 Young Street, Sydney is subject to a 3.00% fixed annual adjustment. The current term for accommodation expires on 31 December 2023.

The Department in its capacity as lessee for 845 High St, Melbourne is subject to a 3.50% fixed annual adjustment. The current term for accommodation expires on 30 June 2017.

The Department in its capacity as lessee for storage space at 122-124 Gladstone Street, Fyshwick is subject to a 3% fixed annual adjustment. The current term for storage accommodation expires on 30 April 2017.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	5,950	4,687
Between 1 to 5 years	4,828	6,275
More than 5 years	717	-
Total operating lease commitments	11,495	10,962

Accounting Policy

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

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

1.1C: Grants

Australian Government entities (related parties)	2,313	-
Total grants	2,313	-

1.1D: Finance Costs

Unwinding of discount	33	65
Total finance costs	33	65

1.1E: Write-Down and Impairment of Assets

Impairment of land and buildings	9	-
Impairment of property, plant and equipment	-	52
Impairment of intangibles	791	678
Total write-down and impairment of assets	800	730

1.1F: Other Expenses

Other	-	11
Total other expenses	-	11

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

2016	2015
\$'000	\$'000

1.2: Own-Source Revenue and Gains

Own-Source Revenue

1.2A: Sale of Goods and Rendering of Services

Sale of goods	1	-
Rendering of services	3,301	795
Total sale of goods and rendering of services	3,302	795

Accounting Policy

Revenue from the sale of goods and rendering of services is recognised when:

- a) the risks and rewards of ownership have been transferred to the buyer;
- b) the entity retains no managerial involvement or effective control over the goods;

The stage of completion of contracts at the reporting date is determined by reference to:

- a) surveys of work performed;
- b) services performed to date as a percentage of total services to be performed; or
- c) the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

1.2B: Rental Income

Rental reimbursements	226	215
Total rental income	226	215

1.2C: Other Revenue

Refunds from previous year payments	260	203
Other	436	-
Total other revenue	696	203

Gains

1.2D: Sale of Assets

Property, plant and equipment:		
Proceeds from sale	21	12
Carrying value of assets sold	(12)	(8)
Net gain from sale of assets	9	4

Accounting Policy

Gains from disposal of assets are recognised when control of the asset has passed to the buyer.

1.2E: Other Gains

Resources received free of charge	390	390
Reversal of provisions	116	-
Other	2	1
Total other gains	508	391

Accounting Policy

Resources received free of charge are recognised as gains 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 gains at their fair value when the asset qualifies for recognition, unless received from another Government entity as a consequence of a restructuring of administrative arrangements (refer to Note 8.1).

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
1.2F: Revenue from Government		
Appropriations		
Departmental appropriations	99,915	91,377
Total revenue from Government	99,915	91,377

Accounting Policy

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the entity 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 receivable are recognised at their nominal amounts.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

2. Income and Expenses Administered on Behalf of Government

This section analyses the activities that the Department of Communications and the Arts does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental

	2016 \$'000	2015 \$'000
2.1: Administered - Expenses		
2.1A: Suppliers		
Goods and services supplied or rendered		
Advertising and marketing	209	6,496
Consultants and contractors	322,985	1,788
Royalty payments	21,867	-
Office requisites	138	-
Property	3,095	3,314
Other goods and services	434	29
Total goods and services supplied or rendered	348,728	11,627
Goods supplied	65	10
Services rendered	348,663	11,617
Total goods and services supplied or rendered	348,728	11,627
2.1B: Subsidies		
Subsidies in connection with		
Regional Telecommunications Review Response	-	1
Digital Switchover Television	-	(134)
Total subsidies	-	(133)
2.1C: Grants		
Public sector		
Australian Government entities (related entities)	35,396	1,855
State and Territory Governments	1,118	356
Local Governments	1,740	5,195
Private sector		
Not-for-profit organisations	79,801	46,464
Commercial entities	50,678	57,979
Total grants	168,733	111,849

Accounting Policy

The entity administers a number of grant and subsidy schemes on behalf of the Government. Grant and subsidy liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed or (ii) the grant eligibility criteria have been satisfied, but payments due have not been made. When the Government enters into an agreement to make these grants and services but services have not been performed or criteria satisfied, this is considered a commitment.

2.1D: Finance Costs

Concessional loan discount	1,285	3,269
Total finance costs	1,285	3,269

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016	2015
	\$'000	\$'000
2.1E: Payments to Corporate Commonwealth Entities		
Australian Broadcasting Corporation	1,064,413	1,063,215
Special Broadcasting Service Corporation	287,370	285,937
Australia Council	49,526	-
Australian Film, Television and Radio School	13,673	-
Australian National Maritime Museum	6,997	-
National Film and Sound Archive of Australia	13,508	-
National Museum of Australia	17,679	-
National Library of Australia	27,815	-
National Portrait Gallery of Australia	5,332	-
Screen Australia	5,007	-
Total payments to corporate Commonwealth entities	1,491,320	1,349,152

Accounting Policy

Payments to corporate Commonwealth entities from amounts appropriated for that purpose are classified as administered expenses or equity injections of the relevant portfolio department. The appropriation to the department is disclosed under the Funding section - Appropriations.

2.1F: Other Expenses

International membership fees	6,667	6,355
Prizes & awards	590	-
Other expenses	7	9
Total other expenses	7,264	6,364

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
2.2: Administered - Income		
Revenue		
Non-Taxation Revenue		
2.2A: Sales of Goods and Rendering of Services		
Rendering of services	2,974	-
Total sale of goods and rendering of services	2,974	-

Accounting Policy

All administered revenues are revenues relating to ordinary activities performed by the entity on behalf of the Australian Government. As such, administered appropriations are not revenues of the individual entity that oversees distribution or expenditure of the funds as directed.

2.2B: Interest

Loans	2,519	1,272
Other	-	40
Total interest	2,519	1,312

2.2C: Rental Income

Indefeasible Rights of Use	1,529	1,529
Total rental income	1,529	1,529

Accounting Policy

Rental Income is recognised over the term of the Indefeasible Rights of Use granted by the Commonwealth to external parties for use of the Administered Property, Plant and Equipment.

2.2D: Other Revenue

Grant refunds	393	423
Subsidy refunds	-	1
Contributions	1,595	-
Other revenue	925	5
Total other revenue	2,913	429

Gains

2.2E: Reversal of write-downs and Impairment

Reversal of impairment losses	37	-
Total reversals of previous asset write-downs and impairments	37	-

2.2F: Other Gains

Gain on sales of the assets	-	990
Other	-	(1)
Total other gains	-	989

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

3. Departmental Financial Position

This section analyses the Department of Communications and the Arts 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.

	2016 \$'000	2015 \$'000
3.1: Financial Assets		
3.1A: Cash and Cash Equivalents		
Cash in special accounts	900	-
Cash on hand or on deposit	785	655
Total cash and cash equivalents	1,685	655

Accounting Policy

Cash is recognised at its nominal amount. Cash and cash equivalents includes:

- a) cash on hand;
- b) demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value; and
- c) cash in special accounts.

3.1B: Trade and Other Receivables

Goods and services receivables

Good and services	1,270	395
Total goods and services receivables	1,270	395

Appropriations receivables

For existing programs	23,230	18,430
Special accounts	374	-
Total appropriations receivable	23,604	18,430

Other receivables

GST receivable from the Australian Taxation Office	711	1,026
Other	162	103
Total other receivables	873	1,129
Total trade and other receivables (gross)	25,747	19,954

Less impairment allowance

Other receivables	(9)	-
Total impairment allowance account	(9)	-
Total trade and other receivables (net)	25,738	19,954

All receivables are expected to be recovered in no more than 12 months.

Trade and other receivables (gross) are aged as follows

Not overdue	25,629	19,843
Overdue by		
0 to 30 days	85	104
31 to 60 days	4	-
61 to 90 days	9	-
More than 90 days	20	7
Total trade and other receivables (gross)	25,747	19,954

Impairment allowance aged as follows

Overdue by		
More than 90 days	(9)	-
Total impairment allowance	(9)	-

Credit terms for goods and services were within 30 days (2015: 30 days).

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Accounting Policy

Trade receivables, loans and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Reconciliation of the Impairment Allowance

	Other receivables \$'000	Total \$'000
Movements in relation to 2016		
As at 1 July 2015	-	-
Amounts written off	-	-
Amount transferred from restructuring	9	9
Increase/(decrease) recognised in net cost of services	-	-
Total as at 30 June 2016	9	9

There were no movements in the impairment allowance account in 2015.

Accounting Policy

Financial assets are assessed for impairment at the end of each reporting period.

	2016 \$'000	2015 \$'000
3.1C: Other Financial Assets		
Accrued revenue - goods and services	-	366
Total other financial assets	-	366

Other financial assets are expected to be recovered in no more than 12 months.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

3.2: Non-Financial Assets

3.2A: Reconciliation of the Opening and Closing Balances of Buildings, Property, Plant, Equipment and Intangibles for 2016

	Buildings \$'000	Heritage and cultural \$'000	Other property, plant and equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2015						
Gross book value	3,245	-	2,452	18,049	1,313	25,059
Accumulated depreciation, amortisation and impairment	-	-	-	(9,585)	(1,227)	(10,812)
Total as at 1 July 2015	3,245	-	2,452	8,464	86	14,247
Additions						
By purchase	551	401	1,468	-	73	2,493
Internally developed	-	-	-	1,148	-	1,148
Acquisitions of entities or operations (including restructuring)	2,850	35,727	1,584	1,362	108	41,631
Revaluations and impairments recognised in other comprehensive income	38	-	-	-	-	38
Impairments recognised in net cost of services	(9)	-	-	(732)	(59)	(800)
Reclassifications	-	-	(929)	929	-	-
Depreciation and amortisation	(1,477)	(95)	(1,392)	(2,124)	(78)	(5,166)
Disposals						
Other	(1)	-	(11)	-	-	(12)
Total as at 30 June 2016	5,197	36,033	3,172	9,047	130	53,579
Total as at 30 June 2016 represented by						
Gross book value	6,496	36,128	4,548	17,240	898	65,310
Accumulated depreciation, amortisation and impairment	(1,299)	(95)	(1,376)	(8,193)	(768)	(11,731)
Total as at 30 June 2016	5,197	36,033	3,172	9,047	130	53,579

As the Department does not own any buildings as such, the building category consists of leasehold improvements.

All revaluations are conducted in accordance with the revaluation policy stated at Note 7.4. An independent valuer conducted the revaluations as at 30 June 2016.

Revaluation increments of \$38,000 for leasehold improvements (2015: \$786,000) and nil for property, plant and equipment (2015: \$651,000) were credited to the asset revaluation reserve and included in the equity section of the Statement of Financial Position; no increments/decrements were expensed (2015: nil).

As at 30 June 2016, several items of property, plant and equipment and intangible assets were found to be impaired and subsequently written down. The net book value of these assets were \$9,000 for property, plant and equipment and \$791,000 for intangible assets.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

3.2A: Reconciliation of the Opening and Closing Balances of Buildings, Property, Plant, Equipment and Intangibles for 2015

	Buildings \$'000	Heritage and cultural \$'000	Other property, plant and equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2014						
Gross book value	8,271	-	6,982	17,280	2,399	34,932
Accumulated depreciation, amortisation and impairment	(2,698)	-	(2,658)	(9,059)	(2,203)	(16,618)
Total as at 1 July 2014	5,573	-	4,324	8,221	196	18,314
Additions						
By purchase	154	-	94	-	6	254
Internally developed	-	-	-	3,758	-	3,758
Revaluations and impairments recognised in other comprehensive income	(786)	-	(651)	-	-	(1,437)
Impairments recognised in net cost of services	-	-	(52)	(678)	-	(730)
Assets held for sale or in a disposal group held for sale	-	-	(6)	-	-	(6)
Depreciation and amortisation	(1,696)	-	(1,257)	(2,837)	(116)	(5,906)
Total as at 30 June 2015	3,245	-	2,452	8,464	86	14,247
Total as at 30 June 2015 represented by						
Gross book value	3,245	-	2,452	18,049	1,313	25,059
Accumulated depreciation, amortisation and impairment	-	-	-	(9,585)	(1,227)	(10,812)
Total as at 30 June 2015	3,245	-	2,452	8,464	86	14,247

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. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

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

Property, 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 related group that is significant in total).

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

Revaluations

Fair values for each class of asset are determined as shown below:

Asset Class	Fair Value measured at:
Land and buildings	Depreciated replacement cost
Property, plant and equipment	Market selling price or depreciated replacement cost
Heritage and cultural assets	Active market

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

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

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

Assets purchased during the financial year are excluded from asset revaluation as they represent fair value.

Depreciation

Depreciable property, plant and equipment are written-off to their estimated residual values over their estimated useful lives to the Department 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 to each class of depreciable asset are based on the following useful lives:

	2016	2015
Land and Buildings		
• Leasehold improvements	Lower of 10 years or lease term	Lower of 10 years or lease term
Property, Plant and Equipment		
• Artworks	Up to 480 years	n/a
• Computer equipment	3 to 5 years	3 to 5 years
• Plant, office equipment, furniture & fittings	5 to 10 years	5 to 10 years

Heritage and Cultural

Heritage and cultural items include artworks held by Artbank that are of national, historical or cultural significance. Artbank maintains separate curatorial and preservation policies for heritage and cultural assets, (<http://www.artbank.gov.au/preservation.html>).

Impairment

All assets were assessed for impairment at 30 June 2016. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Intangibles

The Department's intangibles comprise software externally purchased and internally developed software. These assets are carried at cost less accumulated amortisation and accumulated impairment losses. Software is amortised on a straight-line basis over its anticipated useful life.

The useful lives of the Department's software are:

	2016	2015
• Externally purchased software	3 to 5 years	3 to 5 years
• Internally developed software	3 to 5 years	3 to 5 years

All software assets were assessed for indications of impairment as at 30 June 2016.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016	2015
	\$'000	\$'000
3.2B: Other Non-Financial Assets		
Prepayments	1,024	908
Total other non-financial assets	1,024	908

Other non-financial assets are expected to be recovered in no more than 12 months.
No indicators of impairment were found for other non-financial assets.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
3.3: Payables		
3.3A: Suppliers		
Trade creditors and accruals	4,255	8,338
Operating lease rentals	1,735	1,283
Total suppliers	5,990	9,621
Suppliers expected to be settled		
No more than 12 months	4,521	8,512
More than 12 months	1,469	1,109
Total suppliers	5,990	9,621

Settlement was usually made within 30 days.

3.3B: Other Payables

Salaries and Wages	221	1,448
Superannuation	39	253
Separations and redundancies	-	526
Employee transfers	1,142	374
Lease incentive	840	469
Prepayments received/unearned income	2,281	-
Other	97	65
Total other payables	4,620	3,135

Other payables are expected to be settled

No more than 12 months	3,924	2,734
More than 12 months	696	401
Total other payables	4,620	3,135

Accounting Policy

Parental Leave Payments Scheme

Amounts received under the Parental Leave Payments Scheme by the Department not yet paid to employees are presented gross as cash and a liability (payable). The total amount received under this scheme was \$191,763 (2015: \$160,856).

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

3.4: Other Provisions

	Provision for make-good ¹ \$'000	Other provisions ² \$'000	Total \$'000
As at 1 July 2015	1,891	2,286	4,177
Additional provisions made	788	-	788
Amounts used	(215)	-	(215)
Amounts reversed	(116)	-	(116)
Acquisitions of entities or operations (including restructure)	176	-	176
Unwinding of discount or change in discount rate	33	-	33
Total as at 30 June 2016	2,557	2,286	4,843
		2016	2015
		\$'000	\$'000
Other provisions are expected to be settled			
No more than 12 months		2,445	2,557
More than 12 months		2,398	1,620
Total other provisions		4,843	4,177

¹ The Department currently has four (2015: four) agreements for the leasing of premises that have provisions requiring the Department to restore the premises to their original condition at the conclusion of the lease. The Department has made a provision to reflect the present value of this obligation.

² Following the termination of its agreement with OPEL Network Pty Ltd (OPEL) under the Broadband Connect program in 2008-09, the Department has made provision towards costs incurred by OPEL in producing its implementation plan.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

4. Assets and Liabilities Administered on Behalf of Government

This section analyses assets used to conduct operations and the operating liabilities incurred as a result the Department of Communications and the Arts does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

	2016	2015
	\$'000	\$'000
4.1: Administered - Financial Assets		
4.1A: Trade and Other Receivables		
Advances and loans		
Loans to corporate Commonwealth entities ¹	87,201	67,468
Total advances and loans	87,201	67,468
Other receivables		
GST receivable from the Australian Taxation Office	32,933	801
Other	147	-
Total other receivables	33,080	801
Total trade and other receivables (gross)	120,281	68,269
Less impairment allowance		
Other receivables	(7)	-
Total impairment allowance	(7)	-
Total trade and other receivables (net)	120,274	68,269
Trade and other receivables (net) expected to be		
No more than 12 months	53,336	1,143
More than 12 months	66,938	67,126
Total trade and other receivables (net)	120,274	68,269
Trade and other receivables (gross) aged as follows		
Not overdue	120,139	68,269
Overdue by:		
61 to 90 days	48	-
More than 90 days	94	-
Total trade and other receivables (gross)	120,281	68,269
Impairment allowance aged as follows		
Not overdue	-	-
Overdue by:		
More than 90 days	(7)	-
Total impairment allowance	(7)	-

¹ Loans to corporate Commonwealth entities were made under financial assistance legislation for periods up to 12 years. No security is required. Interest rates are fixed. Principal and interest are repaid annually in arrears. Effective interest rates average 2.10% (2015: 2.54%).

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Reconciliation of the Impairment Allowance

	Other receivables	Total
	\$'000	\$'000
Movements in relation to 2016		
As at 1 July 2015	-	-
Amounts written off	29	29
Amount transferred from restructuring	(73)	(73)
Amounts recovered and reversed	37	37
Total as at 30 June 2016	(7)	(7)

There were no movements in the impairment allowance account in 2015

Accounting Policy

Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period. Gains and losses due to impairment, derecognition and amortisation are recognised through profit or loss.

	2016	2015
	\$'000	\$'000
4.1B: Other Investments		
Commonwealth authorities:		
Australian Broadcasting Corporation ¹	1,053,200	1,021,100
Australian Postal Corporation ²	2,480,000	2,321,600
Special Broadcasting Service Corporation ¹	199,375	199,305
Australia Council ¹	23,317	-
Australian Film, Television and Radio School ¹	10,895	-
Australian National Maritime Museum ¹	255,293	-
National Film and Sound Archive of Australia ¹	297,086	-
National Gallery of Australia ¹	6,254,000	-
National Library of Australia ¹	1,680,711	-
National Museum of Australia ¹	470,605	-
National Portrait Gallery of Australia ¹	128,113	-
Screen Australia ¹	17,679	-
	12,870,274	3,542,005
Commonwealth companies:		
NBN Co Limited ³	13,068,900	8,501,000
Bundanon Trust ¹	51,159	-
Creative Partnerships Australia ¹	1,638	-
	13,121,697	8,501,000
Total other investments	25,991,971	12,043,005

¹ Administered investment valuations are based on the audited or latest available net asset balance.

² Administered investment valuation in the Australian Postal Corporation for 2016 is based on the discounted cash flow (DCF) methodology. An independent review of the DCF methodology has been undertaken in June 2016.

³ Administered investment valuation in the NBN Co Limited is based on its net assets balance with the property, plant and equipment adjusted for fair value and the discounting of leave and superannuation liabilities adjusted by applying the Government bond rate. These adjustments were required to reflect the NBN Co Limited at fair value in the financial statements. The impact of these adjustments was an increase of \$1.046 billion at 30 June 2016 and an adjustment of \$793 million to the net assets at 30 June 2015 totalling \$8.501 billion. The 2015 amount reflects this adjustment. An independent review has been undertaken to ascertain the fair value of property, plant and equipment in June 2016.

Accounting Policy

Administered investments in subsidiaries, joint ventures and associates are not consolidated because their consolidation is relevant only at the Whole of Government level.

In accordance with AASB 13 *Fair Value Measurement*, the following techniques are used to value Administered Investments:

- (a) Discounted Cash Flows – this method needs to be considered when an entity invests in another entity that generates significant non-government cash inflows and those cash flows can be reliably predicted; and
- (b) Net Assets – this method needs to be considered when an entity invests in another entity that does not generate significant non-government cash inflows or those cash flows cannot be reliably predicted.

Administered investments, other than those held for sale, are classified as 'available for sale' and are measured at their fair value as at 30 June 2016. Apart from the Australian Postal Corporation, fair value has been taken to be the Australian Government's proportional interest in the net assets of the entities as at end of reporting period.

For 2015-16, fair value estimates for the Australian Postal Corporation are based on a discounted cash flow valuation calculated using cash flow forecasts extracted from the Australia Post Corporate Plan 2015-16 to 2019-20. The forecasts use management estimates to determine volume and price growth rates, and the weighted average cost of capital. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the financial position reported in future periods.

The Australian Government owns 100% of the following entities and the principal activities of each of the Department's administered investments are:

Australian Broadcasting Corporation and controlled entities - National broadcaster contributing to and reflecting Australia's national identity, fostering creativity and the arts and encouraging cultural diversity. A body corporate established under the *Australian Broadcasting Corporation Act 1983*.

Australian Postal Corporation - Provides a high-quality mail delivery service to all Australians and a range of parcel and logistics services. A body corporate established under the *Australian Postal Corporation Act 1989*.

Special Broadcasting Service Corporation and controlled entity - National Broadcaster providing multicultural and multilingual services that inform, educate and entertain all Australians. A body corporate established under the *Special Broadcasting Services Act 1991*.

Australia Council - Responsible for the creation, presentation and appreciation of distinctive cultural works by providing assistance to Australian artists and making their works accessible to the public.

Australian Film, Television and Radio School - Responsible for the education and development of creative talent for the screen arts and broadcast industries.

Australian National Maritime Museum - Responsible for increasing knowledge, appreciation and enjoyment of Australia's maritime heritage by managing the National Maritime Collection and staging programs, exhibitions and events.

National Film and Sound Archive of Australia - Responsible for increasing understanding and appreciation of Australia's audiovisual history by developing, preserving, maintaining and promoting the national audiovisual collection and providing access to audiovisual material of historic and cultural significance.

National Gallery of Australia - Responsible for increasing understanding, knowledge, and enjoyment of the visual arts by providing access to, and information about, works of art locally, nationally and internationally.

National Library of Australia - Responsible for enhanced learning, knowledge creation, enjoyment and understanding of Australian life and society by providing access to a national collection of library material.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

National Museum of Australia - Its role is to research Australian history, develop and maintain a national collection of historical material, create exhibitions and programs which explore Australia's heritage and history and make it more accessible to Australians.

National Portrait Gallery of Australia - Its role is to develop, preserve, maintain, promote and provide access to a national collection consisting of portraits, other works of art and related material. It is also responsible for developing and engaging a national audience in relation to that collection through exhibitions, education, research, publications and public and online programs.

Screen Australia - Responsible for promoting a creative, innovative and commercially sustainable screen industry through the development, funding, promotion and facilitation of access to Australian screen products.

NBN Co Limited - To plan, roll out and operate the National Broadband Network, providing access to high speed broadband to all Australians' premises. A body corporate established under the Public Governance, Performance and Accountability Act 2013.

Bundanon Trust - Supports arts practice and an understanding of the arts through its residency, education, exhibition and performance programs.

Creative Partnerships Australia Limited - Drives private giving, social investment and philanthropy for the arts in Australia. It also encourages sponsorship and corporate support, and builds partnerships between artists, business, private donors and the community to support the arts.

	2016	2015
	\$'000	\$'000
4.1C: Other Financial Assets		
Accrued revenue - Grant refunds	-	12
Assets forfeited under the Protection of Movable Cultural Heritage Act 1996 ¹	19	-
Total other financial assets	19	12
Other financial assets expected to be recovered		
No more than 12 months	19	12
More than 12 months	-	-
Total other financial assets	19	12

¹ Items forfeited to the Commonwealth under subsection 14(1) of the *Protection of Movable Cultural Heritage Act 1996*.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

4.2: Administered - Non-Financial Assets

4.2A: Reconciliation of the Opening and Closing Balances of Buildings, Property, Plant and Equipment for 2016

	Buildings \$'000	Property, plant and equipment \$'000	Total \$'000
As at 1 July 2015			
Gross book value	-	172,270	172,270
Accumulated depreciation, amortisation and impairment	-	(126)	(126)
4.1A: Trade and Other Receivables	-	172,144	172,144
Additions			
Acquisitions of entities or operations (including restructuring)	59,344	-	59,344
Revaluations recognised in other comprehensive income	-	1,544	1,544
Depreciation and amortisation	(1,137)	(8,033)	(9,170)
Total as at 30 June 2016	58,207	165,655	223,862
Total as at 30 June 2016 represented by			
Gross book value	59,344	167,663	227,007
Accumulated depreciation, amortisation and impairment	(1,137)	(2,008)	(3,145)
Total as at 30 June 2016	58,207	165,655	223,862

No indicators of impairment were found for property, plant and equipment.

No property, plant or equipment is expected to be sold or disposed of within the next 12 months.

Revaluation of non-financial assets

Revaluation increments of \$1,544,000 for property, plant and equipment (2015: \$1,061,000) were credited to the asset revaluation reserve and included in the Statement of Other Comprehensive Income; no increments/decrements were expensed (2015: nil).

All revaluations were conducted in accordance with the revaluation policy stated at Note 3.2A. An independent valuer conducted the revaluations as at 30 June 2016.

A: Reconciliation of the Opening and Closing Balances of Buildings, Property, Plant and Equipment for 2015

	Buildings \$'000	Property, plant and equipment \$'000	Total \$'000
As at 1 July 2014			
Gross book value	-	182,713	182,713
Accumulated depreciation, amortisation and impairment	-	(2,934)	(2,934)
Total as at 1 July 2014	-	179,779	179,779
Revaluations recognised in other comprehensive income	-	1,061	1,061
Depreciation and amortisation	-	(7,991)	(7,991)
Other ¹	-	(705)	(705)
Total as at 30 June 2015	-	172,144	172,144
Total as at 30 June 2015 represented by:			
Gross book value	-	172,270	172,270
Accumulated depreciation, amortisation and impairment	-	(126)	(126)
Total as at 30 June 2015	-	172,144	172,144

¹ Other in Property, Plant and Equipment relate to the indefeasible rights of use (IRUs), relating to network infrastructure assets, issued by the Commonwealth to the Department of Defence in October 2014.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016	2015
	\$'000	\$'000
4.2B: Other Non-Financial Assets		
Lease prepayments ¹	1,363	4,458
Other prepayments	3,072	2,696
Total other non-financial assets	4,435	7,154
Other non-financial assets are expected to be recovered		
No more than 12 months	4,435	5,792
More than 12 months	-	1,362
Total other non-financial assets	4,435	7,154

¹ Lease prepayments relate to the operation and maintenance obligation relating to infrastructure assets. The contractor is required to operate and maintain Commonwealth assets for a period of five years at no cost to the Commonwealth. The lease incentive is recognised as a lease prepayment and lease income received in advance.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
4.3: Administered - Payables		
4.3A: Suppliers		
Trade creditors and accruals	330,493	304
Total suppliers	330,493	304
Suppliers payables expected to be settled		
No more than 12 months	330,493	304
More than 12 months	-	-
Total suppliers	330,493	304
Settlement is usually made within 30 days.		
4.3B: Grants		
Australian Government entities	23	275
State and Territory Governments	-	243
Local Governments	-	525
Non-profit organisations	643	199
Commercial entities	14,885	2,809
Total grants	15,551	4,051
Grants expected to be settled		
No more than 12 months	15,551	4,051
More than 12 months	-	-
Total grants	15,551	4,051
All grants payables are expected to be settled in no more than 12 months. Settlement is usually made according to the terms and conditions of each grant within 30 days of performance or eligibility.		
4.3C: Other Payables		
GST Payable to the Official Public Account	4,701	3,624
Lease income received in advance ¹	15,934	17,463
Classification income received in advance	533	-
Forfeited assets ²	19	-
Total other payables	21,187	21,087
Other payables expected to be settled		
No more than 12 months	7,837	6,208
More than 12 months	13,350	14,879
Total other payables	21,187	21,087

¹ Lease income received in advance relates to the indefeasible rights of use (IRUs) issued by the Commonwealth in relation to the network infrastructure assets. As part of the arrangement for the construction of assets and the issue of IRUs, the Commonwealth has provided a lease incentive to the contractor in the form of a reduction of lease payments that would otherwise be payable to the Commonwealth for the IRUs. The lease incentive is recognised as a lease prepayment and lease income received in advance.

² Items forfeited to the Commonwealth under subsection 14(1) of the Protection of Movable Cultural Heritage Act 1996.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

5. Funding

This section identifies the Department of Communications and the Arts funding structure.

5.1: Appropriations

5.1A: Annual Appropriations ('Recoverable GST exclusive')

Annual Appropriations for 2016

	Appropriation Act		PGPA Act		Total (current and prior years) \$'000	Total appropriation \$'000	Variance ² \$'000
	Annual appropriation ¹ \$'000		Section 74 Receipts \$'000	Section 75 Transfers ¹ \$'000			
Departmental							
Ordinary annual services	86,966		5,476	12,949	105,391	102,585	2,806
Capital budget	3,237		-	989	4,226	3,236	990
Other services							
Equity injections	-		-	-	-	6,000	(6,000)
Total departmental	90,203		5,476	13,938	109,617	111,821	(2,204)
Administered							
Ordinary annual services							
Administered items	200,855		-	120,561	321,416	286,932	34,484
Payments to corporate Commonwealth entities	1,351,783		-	143,893	1,495,676	1,491,320	4,356
Other services							
Administered assets and liabilities	7,365,908		-	-	7,365,908	7,090,000	275,908
Payments to corporate Commonwealth entities	20,000		-	6,046	26,046	26,046	-
Total administered	8,938,546		-	270,500	9,209,046	8,894,298	314,748

¹ In 2015-16, the Administered amounts of \$17,000,000 (annual appropriation) and \$5,612,000 (from section 75 transfers) were permanently withheld under a section 51 determination of the PGPA Act (in accordance with Financial Reporting Rule Part 6 Div. 3) for Whole of Government savings as part of MYEFO.

² Departmental Ordinary annual services variance mainly relates to employee entitlements. Departmental Capital Injection was appropriated in 2014-15 however the majority of the appropriation was drawn and applied in the current year.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	Appropriation Act		PGPA Act		Total appropriation \$'000	Appropriation applied in 2016 (current and prior years) \$'000	Variance ² \$'000
	Annual appropriation ^{1,2} \$'000	Section 74 Receipts \$'000	Section 75 Transfers \$'000	Section 74 Receipts \$'000			
Departmental							
Ordinary annual services	91,377	1,306	-	-	92,683	93,848	(1,165)
Capital budget	4,095	-	-	-	4,095	3,613	482
Other services							
Equity injections	6,400	-	-	-	6,400	400	6,000
Total departmental	101,872	1,306	-	-	103,178	97,861	5,317
Administered							
Ordinary annual services							
Administered items	147,591	-	-	-	147,591	148,318	(727)
Payments to corporate Commonwealth entities	1,350,698	-	-	-	1,350,698	1,349,152	1,546
Other services							
Administered assets and liabilities	3,229,445	-	-	-	3,229,445	4,767,000	(1,537,555)
Payments to corporate Commonwealth entities	50,000	-	-	-	50,000	50,000	-
Total administered	4,777,734	-	-	-	4,777,734	6,314,470	(1,536,736)

¹ Annual appropriation represents the total annual appropriation allocated for the current financial year. Administered temporarily quarantined amounts of \$2,629,000 are included in the annual appropriation for 2014-15. Departmental had no temporarily quarantined amounts.

² In 2014-15, Administered amounts of \$14,354,000 (annual appropriation) and \$1,573,000 (payments to corporate Commonwealth entities) were permanently withheld under section 51 determinations of the PGPA Act (in accordance with Financial Reporting Rule Part 6 Div. 3) in relation to approved movements of funds, savings measures and funding to support the establishment of the Digital Transformation Office.

³ As at 30 June 2015, there are no material departmental variances. The administered assets and liabilities variance relates to funding for NBN Co that was not required in 2014-15.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

5.1B: Unspent Annual Appropriation ('Recoverable GST exclusive')

	2016	2015
	\$'000	\$'000
Departmental		
Cash on hand or on deposit	785	655
Appropriation Act (No.1) 2015-2016	15,667	-
Appropriation Act (No.1) 2015-2016 (Capital Budget - DCB) - Non Operating	3,932	-
Appropriation Act (No.3) 2015-2016	1,202	-
Appropriation Act (No.1) 2014-2015	1,750	5,535
Appropriation Act (No.2) 2014-2015	-	219
Appropriation Act (No.3) 2014-2015	-	3,382
Appropriation Act (No.4) 2014-2015	-	5,781
Appropriation Act (No.5) 2014-2015	-	1,700
Appropriation Act (No.1) 2013-2014 ²	1,315	-
Appropriation Act (No.1) 2012-2013 ¹	211	211
Appropriation Act (No.3) 2012-2013 ¹	468	1,602
Total departmental	25,330	19,085
Administered		
Appropriation Act (No.1) 2015-2016 ⁴	37,396	-
Appropriation Act (No.3) 2015-2016	964	-
Appropriation Act (No.2) 2015-2016	898,908	-
Appropriation Act (No.1) 2014-2015 ^{3, 4}	12,126	8,009
Appropriation Act (No.2) 2014-2015	-	623,000
Appropriation Act (No.1) 2013-2014 ³	642	649
Appropriation Act (No.1) 2012-2013 ³	7,981	7,985
Total Administered	958,017	639,643

¹ Departmental appropriations of \$210,931.21 (2012-13) and \$468,000 (2012-13) have been temporarily quarantined for an approved movement of funds request.

² Departmental appropriation of \$1,315,000 (2013-14) that formed part of the section 75 transfers has been permanently withheld under a section 51 determination of the PGPA Act (in accordance with Financial Reporting Rule Part 6 Div. 3) under the Finance Minister's Direction No. 5.

³ Administered appropriations of \$17,277.68 (2012-13), \$57,922.94 (2013-14) and \$2,615,000 (2014-15) have been temporarily quarantined.

⁴ Administered amounts of \$22,612,000 (2015-16) and \$6,354,918.53 (2014-15) have been permanently withheld under section 51 of the PGPA Act (in accordance with Financial Reporting Rule Part 6 Div. 3) under the Finance Minister's Directions No. 5 and No. 6.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

5.1C: Special Appropriations ('Recoverable GST exclusive')

Authority	Appropriation applied	
	2016	2015
	\$'000	\$'000
<i>Telstra Corporation Act 1991, section 8BA(3).</i> Nature: Administered (Unlimited Amount)	-	-
<i>Public Governance, Performance and Accountability Act 2013, section 77.</i> Nature: Administered (Refund Provisions)	96	-
<i>Classification (Publications, Films and Computer Games) Act 1995.</i> Nature: Administered	-	-
Total special appropriation applied	96	-

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

5.2: Special Accounts

	Art Rental Special Account ¹		Public Interest Telecommunications Services Special Account ²		Cultural Special Account ³		Indigenous Repatriation Special Account ⁴		National Cultural Heritage Special Account ⁵		Australia New Zealand Land Information Special Account ⁶	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance brought forward from previous period	-	-	-	-	-	-	-	-	-	-	-	101
Increases												
Departmental												
Appropriation credited to special account	-	-	4,007	-	-	-	-	-	-	-	-	-
Transferred through restructuring	950	-	-	-	600	-	2,651	-	-	-	-	-
Receipts	2,209	-	-	-	322	-	-	-	-	-	-	-
Total departmental	3,159	-	4,007	-	922	-	2,651	-	-	-	-	-
Administered												
Transferred through restructuring	-	-	38,204	-	-	-	-	-	467	-	-	133
Contribution received	-	-	1,595	-	-	-	-	-	-	-	-	-
Telecommunication Industry Levy receipts	-	-	215,488	-	-	-	-	-	-	-	-	-
Appropriation credited to special account	-	-	95,993	-	-	-	-	-	-	-	-	-
Total administered	-	-	351,280	-	-	-	-	-	467	-	-	133
Total increases	3,159	-	355,287	-	922	-	2,651	-	467	-	-	133
Available for payments	3,159	-	355,287	-	922	-	2,651	-	467	-	101	133
Decreases												
Departmental												
Payments made	(2,259)	-	(2,412)	-	(548)	-	(360)	-	-	-	-	-
Contribution made	-	-	(1,595)	-	-	-	-	-	-	-	-	-
Balance transferred	-	-	-	-	-	-	(2,291)	-	-	-	-	-
Total departmental	(2,259)	-	(4,007)	-	(548)	-	(2,651)	-	-	-	-	-
Administered												
Transferred through restructuring	-	-	-	-	-	-	-	-	-	-	(93)	-
Payments made	-	-	(315,328)	-	-	-	-	-	(19)	-	(8)	(32)
Total administered	-	-	(315,328)	-	-	-	-	-	(19)	-	(101)	(32)
Total decreases	(2,259)	-	(319,335)	-	(548)	-	(2,651)	-	(19)	-	(101)	(32)
Total balance carried to the next period	900	-	35,952	-	374	-	-	-	448	-	-	101

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

¹Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 78.
Establishing Instrument: *Financial Management and Accountability Determination 2006/18*.

Purpose: Amounts may be debited from the special account to:

- a. acquire, deaccession, lease, promote, develop, exhibit, lend, conserve and undertake any other activities in relation to managing an art rental collection for the Commonwealth;
- b. activities that are incidental to the purposes mentioned in paragraph (a); and
- c. the repayment of amounts where an Act or other law requires or permits the repayment of an amount received.

²Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.

Establishing Instrument: *Telecommunications Universal Service Management Agency Act 2012*, section 84. Purpose: Support the delivery of Universal Service Obligation, National Relay Service and other public interest telecommunications services for all Australians.

From 2013-14 financial year, the Australian Communications and Media Authority will collect a levy imposed on carriers under the *Telecommunications (Industry Levy) Act 2012* and the *Telecommunications Universal Service Management Agency Act 2012*. These levy receipts will be credited to the special account, and along with Government funding, will be used to pay contractors and grant recipients and contribute to the administrative costs.

³Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 78.

Establishing Instrument: *Determination 2011/18*. Purpose: Supporting the performance or administration of cultural activities.

⁴Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 78.

Establishing Instrument: *Determination 2005/45*. Purpose: Developing and conducting projects, programs and strategies associated with the repatriation of Indigenous ancestral remains and secret sacred objects. This determination was repealed on 1 April 2016 and the balance of \$2,290,875 was transferred to the Department's bank account.

Since then related expenses amounted to \$540,890 reducing the balance to \$1,749,985. This balance was transferred to the OPA on 29 June 2016 and retained under 2014-15 appropriation as identified in note 5.1B.

⁵Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.

Establishing Instrument: *Protection of Moveable Cultural Heritage Act 1986*, section 25. Purpose: Amounts standing to the credit of the National Cultural Heritage Account may be expended for the purpose of facilitating the acquisition of the Australian protected objects for display or self keeping.

This account is non-interest bearing and the balance is held in the Official Public Account.

⁶Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 78.

Establishing Instrument: *Determination 2001/11*. Purpose: To make payments in relation to developing best practice policies and guidelines in spatial data management in Australia and New Zealand and assisting the growth of a spatial information industry in Australia and New Zealand. As a result of the AAO dated 21 September 2015 this account was transferred to the Department of the Prime Minister and Cabinet.

The Department has a BAF Communications Portfolio Special Account as a part of the Nations Building Funds Act 2008. The account was established under section 80 of the *Public Governance, Performance and Accountability Act 2013*. Purpose: To make payments in relation to the creation or development of communications infrastructure; and eligible national broadband network matters. For the year ended 30 June 2016, the account had a nil balance and there were no transactions debited or credited to it during the current or prior reporting period.

The Department has a National Collections Special Account. This account was established under section 78 of the *Public Governance, Performance and Accountability Act 2013*. Purpose: To conduct projects, programs and strategies associated with future directions, needs and priorities of the collections sector. As at 1 April the special account was repealed. This account had a nil balance and there were no transactions debited or credited to it during the current or prior reporting period.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
5.3: Regulatory Charging Summary		
Amounts applied		
Payments from portfolio bodies	-	-
Departmental		
Annual appropriations	4,331	-
Special appropriation (including special accounts)	-	-
Own source revenue	68	-
Administered		
Annual appropriations	-	-
Special appropriation (including special accounts)	-	-
Total amounts applied	4,399	-
Expenses		
Departmental	4,399	-
Administered	-	-
Total expenses	4,399	-
External revenue		
Departmental	68	-
Administered	2,974	-
Total external revenue	3,042	-
Amounts written off		
Departmental	-	-
Administered	-	-
Total amounts written off	-	-

Regulatory charging activities:

Classification Fees: Before every film, computer game and certain publications can be legally made available to the Australian public by means of sale, exhibition or commercial distribution they must be classified (with limited exceptions). A valid classification application is to be accompanied with the prescribed fee before any classification decision can be made. The Classification (Publications, Films and Computer Games) Act 1995 and the Classification (Publications, Films and Computer Games) Regulations 2005 are the enabling legislation.

Cost Recovery Implementation Statement for the above activity is available at
<http://www.classification.gov.au/About/Pages/Legislation.aspx> .

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
5.4: Cash Flow Reconciliation		
Reconciliation of cash and cash equivalents as per statement of financial position and cash flow statement		
Cash and cash equivalents as per		
Cash flow statement	1,685	655
Statement of financial position	<u>1,685</u>	<u>655</u>
Discrepancy	<u>-</u>	<u>-</u>
Reconciliation of net cost of services to net cash from (used by) operating activities		
Net contribution by services	(104,809)	(96,713)
Revenue from Government	99,915	91,377
Adjustments for non-cash items		
Adjustment for changes in accounting estimates	-	(210)
Adjustment to opening balance	-	(267)
Depreciation/amortisation	5,166	5,906
Net write-down of non-financial assets	800	730
Finance costs	33	-
Prior year revenue	(262)	-
Gain on disposal of assets	(9)	(4)
Gain on make good	(116)	-
		-
Movement in assets and liabilities		
Assets		
Decrease / (Increase) in net receivables	(2,506)	1,006
Increase in accrued revenue	366	(366)
(Increase) / decrease in prepayments	(22)	634
Liabilities		
(Decrease) / Increase in supplier payables	(4,416)	5,967
Increase in grant payables	-	-
Decrease in other payables	(1,617)	(92)
Decrease in employee provisions	(185)	(8,175)
Increase / (decrease) in other provisions	<u>(215)</u>	<u>274</u>
Net cash from (used by) operating activities	<u>(7,877)</u>	<u>67</u>

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2016

	2016 \$'000	2015 \$'000
5.5: Administered - Cash Flow Reconciliation		
Reconciliation of cash and cash equivalents as per administered schedule of assets and liabilities to administered cash flow statement		
Cash and cash equivalents as per		
Administered cash flow statement	-	-
Administered schedule of assets and liabilities	-	-
Discrepancy	-	-
Reconciliation of net cost of services to net cash from/(used by) operating activities		
Net cost of services	(2,016,528)	(1,485,860)
Adjustments for non-cash items		
Depreciation/amortisation	9,170	7,991
Gain on reversal of previous write-downs and impairment	(37)	-
Interest	(928)	(396)
Rental income	(1,529)	(1,529)
Finance Costs	1,285	3,269
Transfer of assets	-	705
Movement in assets and liabilities		
Assets		
Decrease/(Increase) in net receivables	(2,845)	6,146
Decrease in other non-financial assets	2,727	3,227
Liabilities		
Increase/(Decrease) in supplier payables	6,634	(2,197)
Decrease in subsidies payables	-	(163)
Increase/(Decrease) in grants payables	9,772	(22,458)
(Decrease) in other payables	(38)	(1,530)
Net cash used by operating activities	(1,992,317)	(1,492,795)

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

6. 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.

	2016 \$'000	2015 \$'000
6.1: Employee Provisions		
Leave	22,724	16,483
Separations and redundancies	148	183
Total employee provisions	22,872	16,666
Employee provisions expected to be settled		
No more than 12 months	6,629	5,124
More than 12 months	16,243	11,542
Total employee provisions	22,872	16,666

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.

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.

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 entity's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by using the Department of Finance's Short Hand Method as at 30 June 2016, as outlined in the Financial Reporting Rule. The estimate of the present value of the liability takes into account expected attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

Provision is made for separation and redundancy benefit payments. The entity recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

The entity's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), or the PSS accumulation plan (PSSap), or other superannuation funds held outside the Australian Government.

The CSS and PSS are defined benefit schemes 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 entity makes employer contributions to the employees' defined benefit superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The entity 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.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
6.2: Senior Management Personnel Remuneration		
Short-term employee benefits		
Salary	5,899	5,063
Motor vehicle and other allowances	727	760
Total short-term employee benefits	6,626	5,823
Post-employment benefits		
Superannuation	1,164	981
Total post-employment benefits	1,164	981
Other long-term employee benefits		
Annual leave	516	431
Long-service leave	301	195
Total other long-term employee benefits	817	626
Termination benefits		
Voluntary redundancy payments	553	358
Total termination benefits	553	358
Total senior management personnel remuneration expenses	9,160	7,788

The total number of senior management personnel included in the above table is 43 individuals (2015: 33 individuals).

7. Managing uncertainties

This section analyses how the Department of Communications and the Arts manages financial risks within its operating environment.

7.1: Contingent Assets and Liabilities

7.1A: Departmental Contingent Assets and Liabilities

Quantifiable Contingencies

There are no quantifiable contingencies as at 30 June 2016 (2015: nil).

Unquantifiable Contingencies

There are no unquantifiable contingencies as at 30 June 2016 (2015: nil).

Significant Remote Contingencies

Operating Leases and Car Parking Licences

The Commonwealth indemnifies third parties against loss in relation to operating leases for accommodation, storage and some car parking. The Commonwealth also indemnifies some third parties against loss in relation to car parking facilities acquired under car parking licence agreements. As at 30 June 2016, no claims have been made.

Westpac Banking Corporation

The Commonwealth indemnifies Westpac Banking Corporation against loss reasonably incurred in relation to Departmental banking functions. In June 2013, the Department entered into a new banking contract with Westpac that provided for an indemnity capped at \$50 million per occurrence. The previous contract provided for an indemnity capped at \$25 million per occurrence. As at 30 June 2016, no claims have been made.

7.1B: Administered Contingent Assets and Liabilities

Quantifiable Administered Contingencies

As at 30 June 2016, the Australian Government did not have any quantifiable contingencies (2015: nil).

Unquantifiable Administered Contingencies

Termination of the Funding Agreement with OPEL

As at 30 June 2016, the Australian Government is a party to legal action brought by OPEL Networks Pty Ltd (in Liquidation) (OPEL) and Optus Networks Pty Ltd (Optus) in relation to an agreement under the Broadband Connect Infrastructure Program. OPEL is a joint venture between Optus and Elders Telecommunications Infrastructure Pty Ltd. The outcome of that litigation is unknown as the proceedings are ongoing.

NBN Co Limited (NBN Co) Board Members Insolvency Indemnity

The Australian Government has provided each Director of NBN Co with an indemnity against liability as a result of the Government failing to meet its funding obligations to NBN Co. The liabilities covered by this indemnity would be no greater than those covered by the NBN Co Equity Agreement, with the exception of any legal expenses incurred by individual Directors arising from this indemnity.

Significant Remote Administered Contingencies

NBN Co Interim Board Members Indemnity

The Australian Government indemnified the Interim Directors of NBN Co against any liability in respect of claims or legal costs and expenses in defending claims or undertaking proceedings, which may have arisen as a result of any such person acting in their capacity as a director of the company. The removal of Interim Directors occurred on 6 August 2009. As at 30 June 2016, no claims have been made.

Telstra Financial Guarantee

The Australian Government has provided a guarantee to Telstra Corporation Limited (Telstra) in respect of NBN Co's financial obligations to Telstra under the Definitive Agreements. The Agreements were amended on 14 December 2014. The Guarantee was not amended at that time and it continues in force in accordance with its terms in respect of the amended Definitive Agreements. The liabilities under the agreements between Telstra and NBN Co arise progressively during the roll-out of the National Broadband Network as Telstra's infrastructure is accessed and Telstra's customers are disconnected from its copper and Hybrid Fibre Coaxial cable networks. The Australian Government is only liable in the event NBN Co does not pay an amount when due under the Definitive Agreements. As at 30 June 2016, NBN Co had generated liabilities covered by the guarantee estimated at 4.6 billion. The guarantee will terminate when NBN Co achieves specified credit ratings for a period of two continuous years and either:

- the company is capitalised by the Commonwealth to the agreed amount; or
- the Communications Minister declares, under the *National Broadband Network Companies Act 2011*, that, in his or her opinion, the National Broadband Network should be treated as built and fully operational.

Optus Financial Guarantee

The Australian Government has provided a guarantee in respect of the NBN Co Limited's (NBN Co) financial obligations to Optus Networks Pty Ltd, Optus Internet Pty Limited, Optus Vision Media Pty Limited and SingTel Optus Pty Ltd (collectively, Optus) under the Optus HFC Subscriber Agreement (Guarantee). An amended version of that Agreement came into effect on 19 September 2015 and the Guarantee continues to apply to that Agreement. The Agreement extends for the period of the National Broadband Network roll-out in Optus Hybrid Fibre Coaxial areas. As at 30 June 2016 it is estimated that the Australian Government's liability under the Guarantee will not exceed \$50 million (though the potential liability will vary from time to time, depending on the amount owing by NBN Co under the Optus HFC Subscriber Agreement). There is a low risk that a claim would be made under the Guarantee. The Guarantee will terminate in 2021.

Equity Funding Agreement

The Australian Government has entered into an Equity Funding Agreement with NBN Co. The Agreement formalises the Australian Government's intention to provide equity to fund the roll-out of the National Broadband Network, with such funding being conditional on the annual appropriation processes. In addition, it commits the Australian Government, in the event of a termination of the National Broadband Network roll-out, to provide sufficient funds to NBN Co to meet its costs arising from that termination. Although the NBN Co Equity Funding Agreement will end in 2019, the Commonwealth would retain obligations to meet NBN Co's costs arising from a termination of the roll-out. As at 30 June 2016, NBN Co's termination liabilities were estimated at \$10.8 billion.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016	2015
	\$'000	\$'000
7.2: Financial Instruments		
7.2A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	1,685	655
Good and Services Receivable	1,270	395
Other Receivables	162	103
Total loans and receivables	3,117	1,153
Total financial assets	3,117	1,153
Financial Liabilities		
Financial liabilities measured at amortised cost		
Suppliers	4,255	8,338
Other Payables	1,239	452
Total financial liabilities measured at amortised cost	5,494	8,790
Total financial liabilities	5,494	8,790

The Department had no gains and losses on financial assets nor financial liabilities in both the current and prior year.

7.2B: Fair Value of Financial Instruments

	Carrying amount	Fair value	Carrying amount	Fair value
	2016	2016	2015	2015
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and cash equivalents	1,685	1,685	655	655
Good and Services Receivable	1,270	1,270	395	395
Other Receivables	162	171	103	103
Total financial assets	3,117	3,126	1,153	1,153
Financial Liabilities				
Suppliers	4,255	4,255	8,338	8,338
Other Payables	1,239	1,239	452	452
Total financial liabilities	5,494	5,494	8,790	8,790

Accounting Policy

Financial assets

The entity classifies its financial assets in the following categories:

- a) financial assets at fair value through profit or loss;
- d) available-for-sale financial assets; and
- c) loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

Effective Interest Method

Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit or loss.

Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets are recorded at fair value. Gains and losses arising from changes in fair value are recognised directly in reserves (equity) with the exception of impairment losses. Interest is calculated using the effective interest method and foreign exchange gains and losses on monetary assets are recognised directly in profit or loss. Where the asset is disposed of or is determined to be impaired, part (or all) of the cumulative gain or loss previously recognised in the reserve is included in surplus and deficit for the period.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

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

Available for sale financial assets - if there is objective evidence that an impairment loss on an available-for-sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the Statement of Comprehensive Income.

Financial assets held at cost - if there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

Financial liabilities

Financial liabilities are classified as other financial liabilities. Financial liabilities are recognised and derecognised upon trade date.

Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

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

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

7.2C: Credit Risk

The Department is not exposed to a high level of credit risk as the majority of financial assets are cash and receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. The carrying amount of trade debtors and other receivables, net of impairment losses, represents the Department's maximum exposure to credit risk as \$1,423,000 (2015: \$498,000). The Department has assessed the risk of the default on payment and has allocated an amount of \$9,000 to an impairment allowance in 2016 (2015: nil).

The Department manages its credit risk by undertaking background and credit checks prior to entering a debtor relationship. In addition, the Department has policies and procedures that guide debt recovery activities.

The Department holds no collateral to mitigate against credit risk.

Included in the Department's receivables balance are debtors with a carrying amount of \$118,000 (2015: \$111,000) that are past due at the reporting date. Based on experience, the Department considers that the amounts are still recoverable.

	Not Past Due Nor Impaired 2016 \$'000	Not Past Due Nor Impaired 2015 \$'000	Past Due or Impaired 2016 \$'000	Past Due or Impaired 2015 \$'000
Loans and receivables				
Cash and cash equivalents	1,685	655	-	-
Good and Services Receivable	1,174	291	96	104
Other Receivables	149	96	13	7
Total	3,008	1,042	109	111

Ageing of financial assets that were past due but not impaired for 2016

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Loans and receivables					
Good and Services Receivable	85	4	-	7	96
Other Receivables	-	-	9	4	13
Total	85	4	9	11	109

Ageing of financial assets that were past due but not impaired for 2015

Loans and receivables					
Good and Services Receivable	-	-	-	-	-
Other Receivables	104	-	-	7	111
Total	104	-	-	7	111

7.2D: Liquidity Risk

The Department's financial liabilities consist of payables. The exposure to liquidity risk is based on the notion that the Department may encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to appropriation funding mechanisms. The Department is appropriated funding from the Australian Government and manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, the Department has policies in place to ensure timely payments are made when due and has no experience of default.

All financial liabilities are payable within one year.

The Department has no derivative financial liabilities in both the current and prior year.

7.2E: Market Risk

The Department holds basic financial instruments that do not expose it to certain market risks.

The Department is not exposed to 'currency risk' or 'other price risk'.

The Department does not have any interest-bearing items on the Statement of Financial Position. Therefore, the Department is not exposed to 'interest rate risk'.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016	2015
	\$'000	\$'000
7.3: Administered - Financial Instruments		
7.3A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Loans to corporate Commonwealth entities	87,201	67,468
Other	147	-
Total loans and receivables	87,348	67,468
Available for sale financial assets		
Other Investments	25,991,971	12,043,005
Total available for sale financial assets	25,991,971	12,043,005
Total financial assets	26,079,319	12,110,473
Financial Liabilities		
Financial liabilities measured at amortised cost		
Suppliers	330,493	304
Grants	15,551	4,051
Total financial liabilities measured at amortised cost	346,044	4,355
Total financial liabilities	346,044	4,355
7.3B: Net Gains or Losses on Financial Assets		
Loans and receivables		
Interest revenue	2,519	1,312
Net gains on loans and receivables	2,519	1,312
Available for sale financial assets		
Losses recognised in investments	(1,950,149)	(1,730,279)
Net losses on available for sale financial assets	(1,950,149)	(1,730,279)
Net Losses on financial assets	(1,947,630)	(1,728,967)

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

7.3C: Fair Value of Financial Instruments

	Carrying amount 2016 \$'000	Fair value 2016 \$'000	Carrying amount 2015 \$'000	Fair value 2015 \$'000
Financial assets				
Loans to corporate Commonwealth entities	87,201	90,519	67,468	69,437
Other	147	140	-	-
Available for sale financial assets				
Other Investments	25,991,971	25,991,971	12,043,005	12,043,005
Total financial assets	26,079,319	26,082,630	12,110,473	12,112,442
Financial Liabilities				
Suppliers	330,493	330,493	304	304
Grants	15,551	15,551	4,051	4,051
Total financial liabilities	346,044	346,044	4,355	4,355

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

7.3D: Credit Risk

The administered activities of the Department were not exposed to a high level of credit risk as the majority of financial assets are trade receivables, loans to Government controlled and funded entities and investment in Portfolio Agencies. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. The carrying amount of financial assets, net of impairment losses, reported in the Administered schedule of assets and liabilities represents the maximum exposure to credit risk as \$24,993,284,000 (2015: \$11,317,473,000). Credit risk is managed by undertaking background and credit checks prior to allowing a debtor relationship. In addition, there are policies and procedures that guide debt recovery techniques that are to be applied.

The Department has assessed the risk of the default on payment and has not allocated an amount to an impairment allowance in 2016 (2015: Nil).

Credit quality of financial assets not past due or individually determined as impaired

	Not Past Due Nor Impaired 2016 \$'000	Not Past Due Nor Impaired 2015 \$'000	Past Due or Impaired 2016 \$'000	Past Due or Impaired 2015 \$'000
Loans and receivables				
Loans to corporate Commonwealth entities	87,201	67,468	-	-
Receivables - other	5	-	142	-
Available for sale financial assets				
Other Investments	25,991,971	12,043,005	-	-
Total	26,079,177	12,110,473	142	-

Ageing of financial assets that were past due but not impaired in 2016

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Loans and receivables					
Receivables - loan to corporate Commonwealth entities	-	-	-	-	-
Receivables - other	-	-	48	87	135
Total	-	-	48	87	135

Ageing of financial assets that were past due but not impaired in 2015

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Loans and receivables					
Receivables - loans to corporate Commonwealth entities	-	-	-	-	-
Receivables - other	-	-	-	-	-
Total	-	-	-	-	-

7.3E: Liquidity Risk

The Administered financial liabilities are trade creditors, grants and subsidies payable. The exposure to liquidity risk is based on the notion that the Commonwealth will encounter difficulty in meeting its obligations associated with Administered financial liabilities. This is highly unlikely due to appropriation funding and mechanisms, internal policies and procedures that are currently in place.

All financial liabilities are payable within one year.

7.3F: Market Risk

Other than Administered Investments the Commonwealth holds basic financial instruments that do not expose the Commonwealth to certain market risks. The Department's Administered activities are not exposed to 'currency risk' and 'other price risk'.

Interest rate risk

'Interest rate risk' refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The only interest bearing item in the closing Administered schedule of assets and liabilities is 'loans receivable'. These items have fixed interest and will, therefore, not fluctuate due to changes in the market interest rate.

Other price risk

The Department's administered activities are not exposed to 'Other Price Risk'. Its administered investments are not traded on the Australian Stock Exchange. It does not hold any other financial instruments that would be exposed to price risk.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

7.4: Fair Value Measurements

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

The methods 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 been 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 account the physical depreciation and obsolescence. Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration. For all Leasehold Improvement assets, the consumed economic benefit/asset obsolescence deduction is determined based on the term of the associated lease.

The Department's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Z.4A: Fair Value Measurement

	Fair value measurements		Valuation Technique(s) and Inputs Used
	2016 \$'000	2015 \$'000	
Non-financial assets²			
Heritage and Cultural ¹	36,033	-	2 Market Approach: This approach seeks to estimate the fair value of an asset with reference to recent market transactions involving identical or comparable assets. Inputs: Prices and other relevant information generated by market transactions involving artwork assets were considered.
Plant and Equipment ¹	1,432	1,018	2 Market Approach: This approach seeks to estimate the fair value of an asset with reference to recent market transactions involving identical or comparable assets. Inputs: Prices and other relevant information generated by market transactions involving plant and equipment assets were considered.
Plant and Equipment ¹	450	553	3 Market Approach: This approach seeks to estimate the fair value of an asset with reference to market transactions involving assets with varying degrees of comparability. Inputs: Professional judgement and available information generated by market transactions involving plant and equipment assets were considered.
Plant and Equipment ¹	1,060	881	3 Depreciated Replacement Cost: The amount a market participant would be prepared to pay to acquire or construct a substitute asset of comparable utility, adjusted for physical depreciation and obsolescence. Inputs: Current prices for substitute assets. Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the assets under consideration.
Leasehold Improvements ¹	4,835	2,867	3 Depreciated Replacement Cost: The amount a market participant would be prepared to pay to acquire or construct a substitute asset of comparable utility, adjusted for physical depreciation and obsolescence. Inputs: Current costs per square metre of floor area relevant to the location of the asset. Physical depreciation and obsolescence has been determined based on the term of the associated lease.
Leasehold Make Good ¹	362	378	3 Depreciated Replacement Cost: The amount a market participant would be prepared to pay to acquire or construct a substitute asset of comparable utility, adjusted for physical depreciation and obsolescence. BPI and the Government bond rates have been utilised to determine the present value of the provision. Inputs: Current restoration costs per square metre of floor area relevant to the location of the asset. Physical depreciation and obsolescence has been determined based on the term of the associated lease.
Total Non-financial assets	44,172	5,697	

¹ No non-financial assets were measured at fair value on a non-recurring basis as at 30 June 2016 (2015: Nil)

² The Department's assets are held for operational purposes and not held for the purposes of deriving a profit. The current use of all non-financial asset's is considered their highest and best use.

³ There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

⁴ The remaining assets and liabilities reported by the Department are not measured at fair value in the Statement of Financial Position.

7.4B: Reconciliation for Recurring Level 3 Fair Value Measurements

	Non-financial assets						
	Buildings			Property, Plant and Equipment			Total
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	
As at 1 July	3,245	5,573	1,434	2,519	4,679	8,092	
Additions by purchase	551	154	595	-	1,146	154	
Acquisitions of entities or operations (including restructuring)	2,850	-	359	-	3,209	-	
Revaluation increments recognised in other comprehensive income	38	(786)	-	(256)	38	(1,042)	
Impairments recognised in the retained surplus	(9)	-	-	(4)	(9)	(4)	
Depreciation	(1,477)	(1,696)	(779)	(825)	(2,256)	(2,521)	
Reclassification	-	-	(88)	-	(88)	-	
Disposal	(1)	-	(11)	-	(12)	-	
Transfers into Level 3 ³	-	-	-	-	-	-	
Transfers out of Level 3 ⁴	-	-	-	-	-	-	
Total as at 30 June	5,197	3,245	1,510	1,434	6,707	4,679	

¹ These gains/(losses) are presented in the Statement of Comprehensive Income under Depreciation and Amortisation and Write Down and Impairment of Assets.

² These gains/(losses) are presented in the Statement of Comprehensive Income under Other Changes in Asset Revaluation Reserves.

³ There have been no transfers of plant and equipment assets into level 3 during the year.

⁴ There have been no transfers of plant and equipment assets out of level 3 during the year.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

7.5: Administered - Fair Value Measurements

The following table provides 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 the fair value hierarchy.

The different levels of fair value hierarchy are defined below:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Department 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

Fair values for Regional Backbone Blackspots Program (RBBP) network infrastructure assets under property, plant and equipment category are determined based on the depreciated replacement cost methodology. The methodology is calculated for each individual part of the asset using a price per unit adjusted for inflation, a quantity of each component and a location factor before being aggregated to form the values for each identified component of the assets; fibre optic cable, Control Environment Vault Shelters and Backbone Point of Interconnect cabinets.

The Department procured the service of the Australian Valuation Solutions (AVS) to undertake a comprehensive valuation of all non-financial assets (excluding the RBBP) at 30 June 2016, which includes the Administered National Institute of Dramatic Arts Building. The Department tests the procedures of the valuation model as an internal management review at least once every 12 months (with a formal revaluation undertaken once every three years). If a particular asset class experiences significant and volatile changes in fair value (i.e. where indicators suggest that the value of the class has changed materially since the previous reporting period), that class is subject to specific valuation in the reporting period, where practicable, regardless of the timing of the last specific valuation.

7.5A: Fair Value Measurements

	Fair value measurements		Category (Level 1, 2 or 3) ²	Valuation Technique(s) and Inputs Used
	2016 \$'000	2015 \$'000		
Financial assets⁵	90,519	69,437	2	Discounted cash flow (DCF); Future principal, interest cash flows and market rate of interest
Receivables - loans to corporate Commonwealth entities				
Available for sale financial assets⁶	1,053,200	1,021,100	3	Net asset balance
Australian Broadcasting Corporation	199,375	199,305	3	Net asset balance
Special Broadcasting Service Corporation	23,317	-	3	Net asset balance
Australia Council	10,895	-	3	Net asset balance
Australian Film, Television and Radio School	255,293	-	3	Net asset balance
Australian National Maritime Museum	297,086	-	3	Net asset balance
National Film and Sound Archive of Australia	6,254,000	-	3	Net asset balance
National Gallery of Australia	1,680,711	-	3	Net asset balance
National Library of Australia	470,605	-	3	Net asset balance
National Museum of Australia	128,113	-	3	Net asset balance
National Portrait Gallery of Australia				

		Fair value measurements		Valuation Technique(s) and Inputs Used	
	2016	2015	Category		
	\$'000	\$'000	(Level 1, 2 or 3) ²		
Screen Australia	17,679	-	3	Net asset balance	
Bundanon Trust	51,159	-	3	Net asset balance	
Creative Partnerships Australia	1,638	-	3	Net asset balance	
NBN Co Limited ³	13,068,900	8,501,000	3	Administered investment valuation in the NBN Co Limited is based on its net assets balance with the property, plant and equipment adjusted for fair value and the discounting of leave and superannuation liabilities adjusted by applying the Government bond rate.	
Investment in Australian Postal Corporation	2,480,000	2,321,600	3	Discounted cash flow (DCF); Volume and price growth rates, and Weighted Average Cost of Capital (WACC)	
				<i>Volume & Price Growth Rates Range</i>	
				- 0.41% an increase of approximately \$101 million	
				- 0.59% a decrease of approximately \$125 million	
				<i>Weighted Average Cost of Capital Range</i>	
				- 0.3% an increase of approximately \$150 million	
				- 0.2% a decrease of approximately \$60 million	
Total financial assets	26,082,490	12,112,442			
Non-financial assets⁵					
Buildings	58,207	-	3	Depreciated Replacement Cost (DRC): Current Cost per square metre of floor area relevant to the location asset. Physical depreciation and obsolescence has been determined based on the term of the associated nominal lease	
Property, plant and equipment	165,655	172,144	3	Depreciated Replacement Cost (DRC)	
				Replacement cost per unit for the following asset components:	
				<i>Asset Component</i>	<i>Range (\$'000) (Weighted Average)</i>
				- Fibre optic cable (per km)	\$4.49 - \$10.49 (\$5.60)
				- Controlled environment vault shelters (per	\$369.47.90 - \$715.00 (\$429.13)
				- Transmission Equipment	\$731.67.61 - \$1,180.00 (\$813.48)
				- Bpool cabinets (per cabinet)	\$20.71-\$161.90 (\$122.94)
				<i>Other Inputs</i>	
				<i>Input</i>	<i>Range (weighted average)</i>
				- Remaining useful life (in years)	10 - 25 (21)
				- Inflation factor	0.81% - 1.36% (1.15%)
				- Installation cost per section of network	\$535.12 - \$1253.56 (\$623.57)
				- Installation cost per cabinet	\$40.57 - \$174.76 (\$122.97)
				<i>Sensitivity of the fair value measurement to change in unobservable inputs</i>	
				The estimated fair value would increase (decrease) if:	
				• the replacement cost per unit for the asset components was higher (lower);	
				• the rate of inflation was higher (lower);	
Total non-financial assets	223,862	172,144			
Total assets	26,306,352	12,284,586			

- ¹ The Department did not measure any non-financial assets at fair value on a non-recurring basis as at 30 June 2016.
- ² Significant Level 3 inputs utilised by the Department are derived and evaluated as follows; assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the cost (Depreciated Replacement Cost or DRC) approach. Under the DRC approach the estimated cost to replace the asset is calculated and then adjusted to take into account its consumed economic benefit/asset obsolescence (accumulated depreciation). Consumed economic benefit/asset obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration.
- ³ The Discounted Cash Flow (DCF) method is appropriate when it results in a measurement that is more representative of fair value. Per AASB13.B10 when using an income approach, fair value reflects current market expectations about the future amounts.
- ⁴ Significant unobservable inputs only. Not applicable for assets or liabilities in the Level 2 category. The weighted average is determined by assessing the fair value measurement as a proportion of the total fair value for the class against the total useful life of each asset.
- ⁵ The current use of all non-financial assets is considered their highest and best use.
- ⁶ Administered investments valuations are based on the audited net asset balance with the exception of the Australian Postal Corporation and NBN Co Limited. Australia Post is based on the discounted cash flow methodology. NBN Co Limited is audited net asset balance adjusted for fair value of Property, Plant and Equipment and discounting leave and superannuation liabilities adjusted by applying the Government bond rate.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

7.5B: Reconciliation for recurring Level 3 fair value measurements
Recurring Level 3 fair value measurements - reconciliation for assets

	Financial assets						Total
	Administered Investments			Non-financial assets			
	2016 \$'000	2015 \$'000	Building 2016 \$'000	2015 \$'000	Property, plant and equipment 2016 \$'000	2015 \$'000	
As at 1 July¹	12,043,005	9,020,908	-	-	172,144	179,779	9,200,687
Revaluation (decrements)/increments recognised in other comprehensive income	(1,950,149)	(1,730,279)	-	-	1,544	1,061	(1,729,218)
Restructure	8,803,068	-	59,344	-	-	-	8,862,412
Equity injections	7,096,046	4,767,000	-	-	-	-	7,096,046
Returns to the Consolidated Revenue Fund (CRF)	-	(14,625)	-	-	-	-	(14,625)
Depreciation	-	-	(1,137)	-	(8,033)	(7,991)	(7,991)
Other ²	1	1	-	-	-	(705)	(704)
Total as at 30 June³	25,991,971	12,043,005	58,207	-	165,655	172,144	12,215,149

¹ Opening balance as determined in accordance with AASB 13.

² Included in the other movement for Property, Plant and Equipment is \$705,000 relating to the indefeasible rights of use (IRUs), relating to network infrastructure assets, issued by the Commonwealth to the Department of Defence in October 2014.

³ Extra details in Note 4.2A

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

8. Other information

8.1: Restructuring

8.1A: Departmental Restructuring

	2016			2015
	Telecommunications Service Agreements and Grants, Telecommunications Universal Service Management Agency ¹	Classification, Copyright and Arts and Cultural Development, Attorney-General's Department ²	Digital Productivity, Department of Industry, Innovation and Science ³	Digital Innovation related to Data Policy, Prime Minister and Cabinet ⁴
	\$'000	\$'000	\$'000	\$'000
FUNCTIONS ASSUMED				
Assets recognised				
Cash	49	951	-	-
Appropriation receivable	-	9,454	-	-
Appropriation receivable - Special Accounts	-	3,251	-	-
Receivables	75	343	-	-
Land and buildings	415	2,435	-	-
Property, plant and equipment	94	37,217	-	-
Intangibles	-	1,470	-	-
Other non-financial assets	31	63	-	-
Total assets recognised	664	55,184	-	-
Liabilities recognised				
Supplier payables	524	1,933	-	-
Other payables	461	2,641	-	-
Other provisions	85	91	-	-
Employee provisions	534	7,006	-	-
Total liabilities recognised	1,604	11,671	-	-
Net assets/(liabilities) assumed⁵	(940)	43,513	-	-
Income assumed				
Recognised by the receiving entity	4,007	19,428	-	-
Recognised by the losing entity	-	10,248	-	-
Total income assumed	4,007	29,676	-	-

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016		2015		
	Telecommunications Service Agreements and Grants, Telecommunications Universal Service Management Agency ¹	Classification, Copyright and Arts and Cultural Development, Attorney-General's Department ²	Digital Productivity, Department of Industry, Innovation and Science ³	Digital Innovation related to Data Policy, Prime Minister and Cabinet ⁴	Australian New Zealand Land Information Special Account, The Department of Industry and Science ⁵
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses assumed					
Recognised by the receiving entity	4,007	19,428	-	-	-
Recognised by the losing entity	-	9,467	-	-	-
Total expenses assumed	4,007	28,895	-	-	-
FUNCTIONS RELINQUISHED					
Assets relinquished					
Appropriation Receivable	-	-	540	594	-
Total assets relinquished	-	-	540	594	-
Liabilities relinquished					
Employee provisions	-	-	555	594	-
Total liabilities relinquished	-	-	555	594	-
Net (assets)/liabilities relinquished⁷	-	-	15	-	-

¹ Telecommunications Service Agreements and Grants function was assumed from the Telecommunications Universal Service Management Agency (TUSMA) due to a Cabinet Decision effective 1 July 2015 and as such the Department's statements contain the revenue and expenses for the full financial year.

² Classification, Copyright and Arts and Cultural Development functions were assumed from the Attorney-General's Department following a restructuring of administrative arrangements, effective 21 September 2015, with assets, liabilities and operations transferring with effect from 1 November 2015.

³ Digital Productivity was relinquished to the Department of Industry, Innovation and Science following a restructuring of administrative arrangements, effective 21 September 2015.

⁴ Digital Innovation related to Data Policy was relinquished to Department of Prime Minister and Cabinet following a restructuring of administrative arrangements, effective 21 September 2015.

⁵ The Australian New Zealand Information (ANZLI) Special Account was assumed as a result of the Prime Ministers decision to transfer the Office of Spatial Policy functions from the Department of Industry and Science, effective 1 July 2014.

⁶ The net assets/(liabilities) assumed from all entities were \$42,572,786.

⁷ The net (assets)/liabilities relinquished to all entities were \$14,696.

⁸ In respect of functions assumed/relinquished, the net book values of assets and liabilities were transferred for no consideration.

Department of Communications and the Arts
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2016

8.1B: Administered Restructuring

	2016		2015
	Telecommunications Service Agreements and Grants, Telecommunications Universal Service Management Agency ¹	Classification and Arts and Cultural Development, Attorney-General's Department ²	Digital Productivity, Department of Industry, Innovation and Science ³
	\$'000	\$'000	\$'000
FUNCTIONS ASSUMED			
Assets recognised			
Special Account - ANZLI	-	-	133
Special Account - National Cultural	-	467	-
Special Account - Public Interest	-	-	-
Telecommunications Services	38,204	-	-
Receivables	-	55	-
Receivables - GST	29,416	-	-
Investments	-	8,803,068	-
Land and Buildings	-	59,344	-
Other non-financial assets	-	8	-
Total assets recognised	67,620	8,862,942	133
Liabilities recognised			
Payables - suppliers	323,547	8	-
Payables - grants	-	1,728	-
Other payables	3	571	-
Total liabilities recognised	323,550	2,307	-
Net assets/(liabilities) assumed^d	(255,930)	8,860,635	133
Income assumed			
Recognised by the receiving entity	351,280	258,791	-
Recognised by the losing entity	-	382,700	-
Total income assumed	351,280	641,491	-
Expenses assumed			
Recognised by the receiving entity	315,328	255,817	-
Recognised by the losing entity	-	357,509	-
Total expenses assumed	315,328	613,326	-
		Digital Innovation related to Data Policy, Prime Minister and Cabinet ⁴	Australian New Zealand Land Information Special Account, The Department of Industry and Science ⁵

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016			2015	
	Telecommunications Service Agreements and Grants, Telecommunications Universal Service Management Agency ¹	Classification and Arts and Cultural Development, Attorney-General's Department ²	Digital Productivity, Department of Industry, Innovation and Science ³	Digital Innovation related to Data Policy, Prime Minister and Cabinet ⁴	Australian New Zealand Land Information Special Account, The Department of Industry and Science ⁵
	\$'000	\$'000	\$'000	\$'000	\$'000
FUNCTIONS RELINQUISHED					
Assets relinquished					
Special Account - ANZLI	-	-	-	93	-
Total assets relinquished	-	-	-	93	-
Net (assets)/liabilities relinquished⁷	-	-	-	(93)	-

¹ Telecommunications Service Agreements and Grants function was assumed from the Telecommunications Universal Service Management Agency (TUSMA) due to a Cabinet Decision effective 1 July 2015 and as such the Department's statements contain the revenue and expenses for the full financial year.

² Classification and Arts and Cultural Development functions were assumed from the Attorney-General's Department following a restructuring of administrative arrangements, effective 21 September 2015, with assets, liabilities and operations transferring with effect from 1 November 2015.

³ Digital Productivity was relinquished to the Department of Industry, Innovation and Science following a restructuring of administrative arrangements, effective 21 September 2015.

⁴ Digital Innovation related to Data Policy was relinquished to Department of Prime Minister and Cabinet following a restructuring of administrative arrangements, effective 21 September 2015.

⁵ The Australian New Zealand Land Information (ANZLI) Special Account was assumed as a result of the Prime Ministers decision to transfer the Office of Spatial Policy functions from the Department of Industry and Science, effective 1 July 2014.

⁶ The net assets/(liabilities) assumed from all entities were \$8,604,704,828.

⁷ The net (assets)/liabilities relinquished to all entities were \$93,534.

⁸ In respect of functions assumed/relinquished, the net book values of assets and liabilities were transferred for no consideration.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

8.2: Reporting of Outcomes

8.2: Net Cost of Outcome Delivery

The Department reports on two outcomes. All of the Department's departmental and administered revenue, expenses, assets and liabilities are allocated to Outcome 1 and 2 in the table below.

	Outcome 1 ¹		Outcome 2 ²		Payments to corporate Commonwealth entities ³		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Expenses								
Employee benefits	55,244	50,825	10,793	-	-	-	66,037	50,825
Suppliers	32,649	40,784	2,552	-	-	-	35,201	40,784
Grants	1,595	-	718	-	-	-	2,313	-
Depreciation and amortisation	4,658	5,906	508	-	-	-	5,166	5,906
Finance costs	33	65	-	-	-	-	33	65
Write-down and impairment of assets	600	730	200	-	-	-	800	730
Other expenses	-	11	-	-	-	-	-	11
Total expenses	94,779	98,321	14,771	-	-	-	109,550	98,321
Own-source income								
Sale of goods and rendering of services	906	795	2,396	-	-	-	3,302	795
Rental income	226	215	-	-	-	-	226	215
Other revenue	263	203	433	-	-	-	696	203
Gains	517	395	-	-	-	-	517	395
Total Own-source income	1,912	1,608	2,829	-	-	-	4,741	1,608
Expenses								
Suppliers	325,903	11,627	22,825	-	-	-	348,728	11,627
Subsidies	-	(133)	-	-	-	-	-	(133)
Grants	77,012	111,849	91,721	-	-	-	168,733	111,849
Depreciation and amortisation	8,033	7,991	1,137	-	-	-	9,170	7,991
Finance costs	1,285	3,269	-	-	-	-	1,285	3,269
Payments to corporate Commonwealth entities	-	-	-	-	1,491,320	1,349,152	1,491,320	1,349,152
Other expenses	6,667	6,364	597	-	-	-	7,264	6,364
Total expenses	418,900	140,967	116,280	-	1,491,320	1,349,152	2,026,500	1,490,119

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	Outcome 1 ¹		Outcome 2 ²		Payments to corporate Commonwealth entities ³		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Income								
Sales of goods and rendering of services	2,974	-	-	-	-	-	2,974	-
Interest	2,519	1,312	-	-	-	-	2,519	1,312
Rental income	1,891	1,529	(362)	-	-	-	1,529	1,529
Other revenue	2,950	429	(37)	-	-	-	2,913	429
Reversals of previous asset write-downs and impairments	-	-	37	-	-	-	37	-
Other gains	-	989	-	-	-	-	-	989
Total income	10,334	4,259	(362)	-	-	-	9,972	4,259
Net cost/(contribution) of outcome delivery	501,433	233,421	128,584	-	1,491,320	1,349,152	2,121,337	1,582,573
Assets								
Cash and cash equivalents	785	655	900	-	-	-	1,685	655
Trade and other receivables	25,738	19,954	-	-	-	-	25,738	19,954
Other financial assets	-	366	-	-	-	-	-	366
Buildings	3,098	3,245	2,099	-	-	-	5,197	3,245
Property, plant and equipment	2,781	2,452	36,424	-	-	-	39,205	2,452
Intangibles	9,091	8,550	86	-	-	-	9,177	8,550
Other non-financial assets	976	908	48	-	-	-	1,024	908
Total assets	42,469	36,130	39,557	-	-	-	82,026	36,130
Liabilities								
Suppliers	5,133	9,621	857	-	-	-	5,990	9,621
Other payables	1,825	3,135	2,795	-	-	-	4,620	3,135
Employee provisions	17,766	16,666	5,106	-	-	-	22,872	16,666
Other provisions	4,843	4,177	-	-	-	-	4,843	4,177
Total liabilities	29,567	33,599	8,758	-	-	-	38,325	33,599

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	Outcome 1 ¹		Outcome 2 ²		Payments to corporate Commonwealth entities ³		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets								
Trade and other receivables	119,023	68,269	1,251				120,274	68,269
Other investments	16,801,475	12,043,005	9,190,496				25,991,971	12,043,005
Other financial assets	-	12	19				19	12
Buildings	-	-	58,207				58,207	-
Property, plant and equipment	165,655	172,144	-				165,655	172,144
Other non-financial assets	4,435	7,154	-				4,435	7,154
Total assets	17,090,588	12,290,584	9,249,973				26,340,561	12,290,584
Liabilities								
Suppliers	330,423	304	70				330,493	304
Grants	15,141	4,051	410				15,551	4,051
Other payables	20,106	21,087	1,081				21,187	21,087
Total liabilities	365,670	25,442	1,561				367,231	25,442

¹ Outcome 1 is described in the Overview. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget Outcome. Refer to Outcome 1 Resourcing Table of this Annual Report.

² Outcome 2 is described in the Overview. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget Outcome. Refer to Outcome 2 Resourcing Table of this Annual Report.

³ Payments to corporate Commonwealth entities are not related to the outcomes of the Department.

NOTE 8.3: Budgetary Reports and Explanations of Major Variances

The following tables provide a comparison of the original budget as presented in the 2015-16 Portfolio Budget Statements (PBS) to the 2015-16 final financial outcome as presented in accordance with Australian Accounting Standards for the Department. The Budget is not audited and does not reflect additional estimates provided in the 2015-16 Portfolio Additional Estimates Statements (PAES) and the financial impact of the Administrative Arrangement Orders (AAOs) of 21 September 2015. Variance explanations are provided for departmental variances greater than five percent and \$5 million and administered variances greater than 5 percent and \$20 million.

NOTE 8.3A: Departmental Budgetary Reports

Statement of Comprehensive Income

for the year ended 30 June 2016

	Budget estimate		
	Actual	Original ¹	Variance ²
	2016	2016	2016
	\$'000	\$'000	\$'000
NET COST OF SERVICES			
Expenses			
Employee benefits ³	66,037	57,815	8,222
Suppliers ³	35,201	26,938	8,263
Grants ⁴	2,313	-	2,313
Depreciation and amortisation	5,166	5,551	(385)
Finance costs	33	63	(30)
Write-down and impairment of assets	800	-	800
Total expenses	109,550	90,367	19,183
Own-Source Income			
Own-source revenue⁵			
Sale of goods and rendering of services	3,302	-	3,302
Rental income	226	-	226
Other revenue	696	-	696
Total own-source revenue	4,224	-	4,224
Gains			
Net gain from sale of assets	9	-	9
Other gains	508	390	118
Total gains	517	390	127
Total own-source income	4,741	390	4,351
Net cost of services	(104,809)	(89,977)	(14,832)
Revenue from Government ³	99,915	84,426	15,489
Surplus (Deficit) before income tax on continuing operations	(4,894)	(5,551)	657
Surplus (Deficit) after income tax	(4,894)	(5,551)	657
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus	(750)	-	(750)
Total other comprehensive income before income tax	(750)	-	(750)
Total comprehensive income after income tax	(750)	-	(750)
Total comprehensive loss	(5,644)	(5,551)	(93)

The above statement should be read in conjunction with note 8.3B

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Statement of Financial Position
as at 30 June 2016

	Actual	Budget estimate	
		Original ¹	Variance ²
	2016	2016	2016
	\$'000	\$'000	\$'000
ASSETS			
Financial assets			
Cash and cash equivalents	1,685	750	935
Trade and other receivables ⁶	25,738	8,990	16,748
Other financial assets	-	-	-
Total financial assets	27,423	9,740	17,683
Non-financial assets			
Buildings	5,197	4,689	508
Property, plant and equipment ⁷	39,205	5,416	33,789
Intangibles	9,177	8,092	1,085
Other non-financial assets	1,024	1,292	(268)
Total non-financial assets	54,603	19,489	35,114
Total assets	82,026	29,229	52,797
LIABILITIES			
Payables			
Suppliers ³	5,990	3,015	2,975
Other payables ⁸	4,620	2,975	1,645
Total payables	10,610	5,990	4,620
Provisions			
Employee provisions ⁶	22,872	16,291	6,581
Other provisions ⁹	4,843	1,745	3,098
Total provisions	27,715	18,036	9,679
Total liabilities	38,325	24,026	14,299
Net assets	43,701	5,203	38,498
EQUITY			
Contributed equity ¹⁰	62,694	20,317	42,377
Reserves	7,439	9,834	(2,395)
Accumulated deficit	(26,432)	(24,948)	(1,484)
Total equity	43,701	5,203	38,498

The above statement should be read in conjunction with note 8.3B

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Statement of Changes in Equity
for the year ended 30 June 2016

	Retained earnings			Asset revaluation reserve			Contributed equity/capital			Total equity		
	Actual	Budget Estimate	Variance ²	Actual	Budget Estimate	Variance ²	Actual	Budget Estimate	Variance ²	Actual	Budget Estimate	Variance ²
	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance												
Balance carried forward from previous period	(21,538)	(22,749)	1,211	8,189	9,834	(1,645)	15,880	16,080	(200)	2,531	3,165	(634)
Adjustment for errors	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted opening balance	(21,538)	(22,749)	1,211	8,189	9,834	(1,645)	15,880	16,080	(200)	2,531	3,165	(634)
Comprehensive income												
Surplus (Deficit) for the year	(4,894)	(5,551)	657	-	-	-	-	-	-	(4,894)	(5,551)	657
Other comprehensive income ¹	-	-	-	(750)	-	(750)	-	-	-	(750)	-	(750)
Total comprehensive income	(4,894)	(5,551)	657	(750)	(750)	(750)	-	-	-	(5,644)	(5,551)	(93)
Transactions with owners												
Distributions to owners												
Contributions by owners												
Equity injection - Appropriation	-	-	-	-	-	-	-	-	-	-	-	-
Departmental capital budget	-	-	-	-	-	-	4,226	4,237	(11)	4,226	4,237	(11)
Restructuring (8.1) ¹⁰	-	-	-	-	-	-	42,588	-	42,588	42,588	-	42,588
Other ¹²	-	3,352	(3,352)	-	-	-	-	-	-	-	3,352	(3,352)
Total transactions with owners	-	3,352	(3,352)	-	-	-	46,814	4,237	42,577	46,814	7,589	39,225
Transfers between equity components	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance as at 30 June	(26,432)	(24,948)	(1,484)	7,439	9,834	(2,395)	62,694	20,317	42,377	43,701	5,203	38,498

The above statement should be read in conjunction with note 8.3B

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Cash Flow Statement
for the year ended 30 June 2016

	Actual 2016 \$'000	Budget estimate	
		Original ¹ 2016 \$'000	Variance ² 2016 \$'000
OPERATING ACTIVITIES			
Cash received			
Receipts from Government ⁶	102,585	84,426	18,159
Sales of goods and rendering of services ⁵	5,840	-	5,840
Net GST received	3,575	-	3,575
Other	767	-	767
Total cash received	112,767	84,426	28,341
Cash used			
Employees ³	70,140	56,039	14,101
Suppliers ³	42,484	28,387	14,097
Grants ⁴	2,544	-	2,544
Section 74 receipts transferred to Official Public Account ¹³	5,476	-	5,476
Other	-	-	-
Total cash used	120,644	84,426	36,218
Net cash (used by) from operating activities	(7,877)	-	(7,877)
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment	21	-	21
Total cash received	21	-	21
Cash used			
Purchase of buildings	2,710	808	1,902
Purchase of property, plant and equipment	551	2,052	(1,501)
Purchase of intangibles	380	1,377	(997)
Total cash used	3,641	4,237	(596)
Net cash used by investing activities	(3,620)	(4,237)	617
FINANCING ACTIVITIES			
Cash received			
Contributed equity ¹⁴	6,000	-	6,000
Departmental Capital Budget	3,236	4,237	(1,001)
Closure of special account	2,291	-	2,291
Cash from restructuring	1,000	-	1,000
Total cash received	12,527	4,237	8,290
Net cash from financing activities	12,527	4,237	8,290
Net increase in cash held	1,030	-	1,030
Cash and cash equivalents at the beginning of the reporting period	655	750	(95)
Cash and cash equivalents at the end of the reporting period	1,685	750	935

The above statement should be read in conjunction with note 8.3B

NOTE 8.3B: Departmental Major Budget Variances

Explanations of major variances

¹ The Department's 2015-16 Portfolio Budget Statements (PBS) as presented to Parliament contained the original budgeted financial statements for 2015-16 of the Department of Communications. During the 2015-16 financial year as a result of the Administrative Arrangement Orders (AAOs) of 21 September 2015, the Department became the Department of Communications and the Arts. As a result of this, the Department assumed responsibility for cultural affairs, classification, and copyright functions and associated legislation from the Attorney-General's Department, while the Department's responsibility for enhancing digital productivity and the data policy functions were transferred to the Department of Industry, Innovation and Science, and to the Department of the Prime Minister and Cabinet.

² The variances primarily relate to the settlement of balances following the 2015-16 Machinery of Government (MoG) changes. The Department also received additional funding through the 2015-16 Portfolio Additional Estimates Statements (PAES).

Statement of Comprehensive Income

³ The variance primarily relates to staff and new programs transferred from the Attorney-General's Department following the MoG changes.

⁴ The variance relates to the Indigenous Repatriation Program transferred to the Department following the MoG changes and a contribution payment to the Public Interest Telecommunications Services Special Account.

⁵ The variance mainly reflects rental income received by Artbank for its artwork. The Artbank program was transferred to the Department following the MoG changes.

Statement of Financial Position

⁶ The variance reflects the appropriations received for leave provisions of staff transferred to the Department following the MoG changes.

⁷ The variance is predominately due to the transfer of Artbank's artworks following the MoG changes.

⁸ The variance mainly reflects rental income received in advance by Artbank for its artwork.

⁹ The variance mainly relates to the revaluation of makegood and leases transferred to the Department following the MoG changes.

Statement of Changes in Equity

¹⁰ The variance reflects the restructure of the Department following the MoG changes.

¹¹ The variance reflects the annual assets revaluation undertaken at 30 June 2016.

¹² The variance relates to budget adjustment to re-align the financial position to that of the actuals.

Cash Flow Statement

¹³ The variance relates to sale of goods and rendering of services receipts and GST refunds.

¹⁴ The variance reflects the funding for redundancies paid in 2014-15 drawn down by the Department in 2015-16.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTE 8.3C: Administered Budgetary Reports

Administered Schedule of Comprehensive Income
for the year ended 30 June 2016

	Actual 2016 \$'000	Budget estimate	
		Original ¹ 2016 \$'000	Variance ² 2016 \$'000
NET COST OF SERVICES			
Expenses			
Suppliers ³	348,728	331,195	17,533
Grants ³	168,733	96,794	71,939
Depreciation and amortisation	9,170	7,990	1,180
Finance costs	1,285	-	1,285
Payments to corporate Commonwealth Entities ³	1,491,320	1,347,683	143,637
Other expenses	7,264	6,487	777
Total expenses	2,026,500	1,790,149	236,351
Income			
Revenue			
Non-taxation revenue			
Sales of goods and rendering of services ⁴	2,974	1,634	1,340
Interest ⁵	2,519	-	2,519
Rental income	1,529	1,529	-
Other revenue ⁶	2,913	-	2,913
Total Non-taxation revenue	9,935	3,163	6,772
Gains			
Reversal of asset write-downs and impairment	37	-	37
Total gains	37	-	37
Total income	9,972	3,163	6,809
Net cost of services	(2,016,528)	(1,786,986)	(229,542)
Deficit	(2,016,528)	(1,786,986)	(229,542)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus	1,544	-	1,544
Items subject to subsequent reclassification to net cost of services			
Losses on available for sale financial assets	(1,950,149)	-	(1,950,149)
Total other comprehensive loss	(1,948,605)	-	(1,948,605)
Total comprehensive loss	(3,965,133)	(1,786,986)	(2,178,147)

The above statement should be read in conjunction with note 8.3D

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Administered Schedule of Assets and Liabilities
as at 30 June 2016

	Budget estimate		
	Actual	Original ¹	Variance ²
	2016	2016	2016
	\$'000	\$'000	\$'000
ASSETS			
Financial assets			
Trade and other receivables	120,274	124,524	(4,250)
Other investments ⁷	25,991,971	16,136,084	9,855,887
Other financial assets	19	-	19
Total financial assets	26,112,264	16,260,608	9,851,656
Non-financial assets			
Buildings ⁸	58,207	-	58,207
Property, plant and equipment ⁹	165,655	163,094	2,561
Other non-financial assets	4,435	4,166	269
Total non-financial assets	228,297	167,260	61,037
Total assets administered on behalf of Government	26,340,561	16,427,868	9,912,693
LIABILITIES			
Payables			
Suppliers ¹⁰	330,493	342,870	(12,377)
Grants ¹¹	15,551	-	15,551
Other payables	21,187	21,677	(490)
Total payables	367,231	364,547	2,684
Total liabilities administered on behalf of Government	367,231	364,547	2,684
Net assets	25,973,330	16,063,321	9,910,009

The above statement should be read in conjunction with note 8.3D

NOTE 8.3D: Administered Major Budgetary Variances

Explanations of major variances

¹ The department's 2015-16 Portfolio Budget Statements (PBS) as presented to Parliament contained the original budgeted financial statements for 2015-16 of the Department of Communications. During the 2015-16 financial year as a result of the Administrative Arrangement Orders (AAOs) of 21 September 2015, the department became the Department of Communications and the Arts.

As a result of this, the department assumed responsibility for cultural affairs, classification, and copyright functions and associated legislation from the Attorney-General's Department, while the department's responsibility for enhancing digital productivity and the data policy function were transferred to the Department of Industry, Innovation and Science, and Prime Minister and Cabinet respectively.

² The variances primarily relate to the settlement of balances following the 2015-16 Machinery of Government (MoG) changes. The Department also received additional funding through the 2015-16 Portfolio Additional Estimates Statements (PAES).

Administered Schedule of Comprehensive Income

³ The variance primarily relates to new programs and portfolio entities transferred from the Attorney-General's Department following the MoG changes.

⁴ The variance relates to the collection of fees for the classification function, which was transferred from the Attorney-General's Department following the MoG changes.

⁵ The variance relates to a loan for one of our Corporate Commonwealth Entities, which was not reflected in the 2015-16 PBS.

⁶ The variance mainly relates to the payment of unspent Departmental appropriation into the Public Interest Telecommunications Services Special Account.

⁷ The variance primarily reflects the new portfolio entities acquired through the MoG changes. (Please refer to the Note 4.1B for listing of the new entities).

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

⁸ The variance relates to the transfer of Land and Buildings to the Department through the MoG changes.

⁹ The variance primarily reflects the annual revaluation of the Regional Backbone Blackspots Program assets network.

¹⁰ The variance primarily reflects the difference in estimated payments for the Public Interest Communications program.

¹¹ The variance reflects timing differences in the projected payment of grants as at 30 June 2016.