

Australia-Japan Foundation

FINANCIAL STATEMENTS

1 July 2006 to 30 November 2006



INDEPENDENT AUDIT REPORT

To the Minister for Foreign Affairs

Matters relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the financial statements published in both the annual report and on the website of the Australia-Japan Foundation for the year ended 30 November 2006. The Secretary of the Department of Foreign Affairs and Trade is responsible for the integrity of both the annual report and its web site. The audit report refers only to the financial statements, schedules and notes named below. It does not provide an opinion on any other information which may have been hyperlinked to/from the audited financial statements.

If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements in the Australia-Japan Foundation annual report.

Scope

The financial statements and Secretary's responsibility

The financial statements comprise:

- Statement by the Secretary and Chief Finance Officer of the Department of Foreign Affairs and Trade and Executive Director of the Australia-Japan Foundation;
 - Income Statement, Balance Sheet and Cash Flow Statement;
 - Statement of Changes in Equity;
 - Schedule of Commitments; and
 - Notes to and forming part of the Financial Statements
- of the Australia-Japan Foundation for the period 1 July 2006 to 30 November 2006.

Upon the commencement date of 1 December 2006, Section 12 of the *Australia-Japan Foundation (Repeal and Transitional Provisions) Act 2006* conferred all reporting requirements including financial statements of the Australia-Japan Foundation to the Secretary of the Department of Foreign Affairs and Trade. During the period 1 July 2006 to 30 November 2006 the Australia-Japan Foundation was a separate financial reporting entity to the Department under the *Financial Management and Accountability Act 1997* and as such, the responsibility for the management and reporting obligations were held by the Chair and Chief Executive of the Australia-Japan Foundation.

The Secretary of the Department of Foreign Affairs and Trade is responsible for preparing financial statements that give a true and fair presentation of the financial position and performance of the Australia-Japan Foundation, and that comply with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, Accounting Standards and other mandatory financial reporting requirements in Australia. The Australia-Japan Foundation's Chair was responsible up until 30 November 2006 for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

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Audit Approach

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

While the effectiveness of management's internal controls over financial reporting was considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls. I have performed procedures to assess whether, in all material respects, the financial statements present fairly, in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Australia-Japan Foundation's financial position, and of its financial performance and cash flows.

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

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

Independence

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

Audit Opinion

In my opinion, the financial statements of the Australia-Japan Foundation:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*; and
- (b) give a true and fair view of the Australia-Japan Foundation's financial position as at 30 November 2006 and of its performance and cash flows for the year then ended, in accordance with:
 - (i) the matters required by the Finance Minister's Orders; and
 - (ii) applicable Accounting Standards and other mandatory financial reporting requirements in Australia.

Australian National Audit Office



Carla Jago
Executive Director

Delegate of the Auditor-General

Canberra
27 March 2007



Australian Government
Department of Foreign Affairs and Trade

**STATEMENT BY THE SECRETARY AND CHIEF FINANCE OFFICER OF THE
DEPARTMENT OF FOREIGN AFFAIRS AND TRADE AND EXECUTIVE DIRECTOR
OF AUSTRALIA-JAPAN FOUNDATION**

Upon the commencement date of 1 December 2006, Section 12 of the *Australia-Japan Foundation (Repeal and Transitional Provisions) Act 2006* confers all reporting requirements including financial statements of the Australia-Japan Foundation to the Secretary of the Department of Foreign Affairs and Trade. During the period 1 July 2006 to 30 November 2006 the Australia-Japan Foundation was a separate financial reporting entity to the Department under the *Financial Management and Accountability Act 1997* and as such, the responsibility for the management and reporting obligations were held by the Chair and Chief Executive of the Australia-Japan Foundation.

In our opinion, the attached financial statements for the period ended 30 November 2006, are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.

Signed.....

Michael L'Estrange
Secretary
Department of Foreign Affairs and Trade

26 March 2007

Signed.....

Ann Thorpe
Chief Finance Officer
Department of Foreign Affairs and Trade

26 March 2007

Signed.....

Elaine Ward
Executive Director
Australia-Japan Foundation

26 March 2007

AUSTRALIA-JAPAN FOUNDATION
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AUSTRALIA-JAPAN FOUNDATION
INCOME STATEMENT for Not For Profit Entities
for the period 1 July 2006 to 30 November 2006

INCOME	Notes	2007	2006
		\$	\$
Revenues			
Revenue from Government	3A	2,373,000	2,454,000
Rendering of Services	3B	779	2,930
Interest	3C	32,622	46,357
Other revenues	3D	34,414	13,541
Total revenue		2,440,815	2,516,828
Gains			
Foreign exchange	3E	4,213	6,046
Other gains	3F	257,925	666,891
Total gains		262,138	672,937
TOTAL INCOME		2,702,953	3,189,765
EXPENSES			
Employees benefits ²	4A	388,975	1,062,944
Suppliers ^{1, 2}	4B	515,602	1,594,501
Grants ¹	4C	168,526	149,135
Depreciation and amortisation	4D	47,752	266,598
Write-down and impairment of assets	4E	-	83,280
TOTAL EXPENSES		1,120,855	3,156,458
SURPLUS (DEFICIT) ATTRIBUTABLE TO THE AUSTRALIAN GOVERNMENT		1,582,098	33,307

¹ In 2005-06 Grants were included in Suppliers

² In 2005-06 Overseas labour insurance premium was included in Employee Expenses

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

AUSTRALIA-JAPAN FOUNDATION
BALANCE SHEET for Not For Profit Reporting Entities
as at 30 November 2006

	Notes	2007 \$	2006 \$
ASSETS			
Financial Assets			
Cash and cash equivalents	5A	1,680,727	989,089
Trade and other Receivables	5B	808,786	4,573
Total Financial Assets		2,489,513	993,662
Non-Financial Assets			
Infrastructure, plant and equipment	6A, C	73,682	109,778
Intangibles	6B, C	20,006	31,120
Other non-financial assets	6D	141,982	34,279
Total Non-Financial Assets		235,670	175,177
TOTAL ASSETS		2,725,183	1,168,839
LIABILITIES			
Payables			
Suppliers	7A	-	2,349
Dividends	7B	72,000	65,000
Other Payables	7C	27,126	68,838
Total Payables		99,126	136,187
Provisions			
Employees	8A	243,990	225,685
Total Provisions		243,990	225,685
TOTAL LIABILITIES		343,116	361,872
NET ASSETS		2,382,067	806,967
EQUITY			
Reserves		4,961	4,961
Retained Surpluses /(Accumulated deficits)		2,377,106	802,008
TOTAL EQUITY		2,382,067	806,969
Current Assets		2,631,495	1,027,941
Non-current Assets		93,688	140,898
Current Liabilities		288,427	161,675
Non-current Liabilities		54,689	200,197

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

AUSTRALIA-JAPAN FOUNDATION
STATEMENT OF CHANGES IN EQUITY for Not For Profit Reporting Entities
as at 30 November 2006

Item	Retained Earnings		Asset Revaluation Reserves		Contributed Equity/Capital		Total Equity	
	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$
Opening balance as at 1 July	802,008	833,701	4,961	150,188	-	-	806,969	983,889
Income and Expense								
Revaluation adjustment	-	-	-	(145,227)				(145,227)
Subtotal income and expenses recognised directly in equity	-	-	-	(145,227)				(145,227)
Surplus (Deficit) for the period	1,582,098	33,307	-	-			1,582,098	33,307
Total income and expenses	1,582,098	33,307	-	(145,227)			1,582,098	(111,920)
Transactions with owners:								
<i>Distributions to owners:</i>								
Returns on Capital	-	-	-	-				
Dividends	(7,000)	(65,000)	-	-			(7,000)	(65,000)
<i>Contributions by Owners</i>								
Appropriation (equity injection)	-	-	-	-				
Restructuring	-	-	-	-				
Sub-total Transactions with Owners	(7,000)	(65,000)	-	-			(7,000)	(65,000)
Transfers between equity components								
Closing balance as at 30 November 2006 attributable to the Australian Government	2,377,106	802,008	4,961	4,961			2,382,067	806,969

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

AUSTRALIA-JAPAN FOUNDATION
CASH FLOW STATEMENT for Not For Profit Reporting Entities
for the period 1 July 2006 to 30 November 2006

	Notes	2007 \$	2006 \$
OPERATING ACTIVITIES			
Cash Received			
Services		931	2,913
Appropriations		1,570,000	2,454,000
Interest		34,557	44,331
Net GST received		27,343	54,747
Other cash received		14,856	13,541
Total Cash Received		1,647,687	2,569,532
Cash Used			
Employees		252,345	936,299
Suppliers		488,887	1,677,190
Grants		214,275	-
Other cash used		-	-
Total Cash Used		955,507	2,613,489
Net Cash from or (used by) Operating Activities	9	692,180	(43,957)
INVESTING ACTIVITIES			
Cash Used			
Purchase of plant, equipment and intangibles		542	10,433
Total Cash Used		542	10,433
Net Cash From or (used by) Investing Activities		(542)	(10,433)
FINANCING ACTIVITIES			
Cash Used			
Dividends paid		-	-
Total Cash Used		-	-
Net Cash From or (used by) Financing Activities		-	-
Net Increase or (Decrease) in Cash Held		691,638	(54,390)
Cash at the beginning of the reporting period		989,089	1,043,479
Cash at the End of the Reporting Period	5A	1,680,727	989,089

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

AUSTRALIA-JAPAN FOUNDATION
SCHEDULE OF COMMITMENTS for Not For Profit Reporting Entities
as at 30 November 2006

	<u>2007</u>	<u>2006</u>
	<u>\$</u>	<u>\$</u>
BY TYPE		
Other Commitments		
Operating leases ¹	388,215	583,858
Other	<u>215,000</u>	<u>115,319</u>
Total Other Commitments	603,215	699,177
Commitments Receivable	-	-
Net Commitments by type	<u>603,215</u>	<u>699,177</u>
BY MATURITY		
Operating Lease Commitments ¹		
One year or less	193,601	193,600
From one to five years	194,614	390,258
Over five years	-	-
Total Operating Lease Commitments	<u>388,215</u>	<u>583,858</u>
Other Commitments ²		
One year or less	60,000	115,319
From one to five years	155,000	-
Over five years	-	-
Total Other Commitments	<u>215,000</u>	<u>115,319</u>
Net Commitments by Maturity	<u>603,215</u>	<u>699,177</u>

NB: Commitments are GST inclusive where relevant.

AUSTRALIA-JAPAN FOUNDATION
SCHEDULE OF COMMITMENTS
as at 30 November 2006

¹ Operating leases included are effectively non-cancellable and comprise:

<i>Nature of lease</i>	<i>General description of leasing arrangement</i>
Lease for storage space in Tokyo, Japan	Lease payments are subject to a 2% annual increase and are subject to review every 5 years.
Amortisation of residential apartment in Tokyo, Japan	A Memorandum of Understanding with the Commonwealth.

² 2007 - A funding agreement for promoting Australia in Japan.
(2006 - Includes a contract to wind up a project, office and IT services.)

The Department of Foreign Affairs and Trade provides office accommodation and utilities for the Tokyo Office of the Foundation as a resource free of charge, included in Note 3F.

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

AUSTRALIA-JAPAN FOUNDATION
SCHEDULE OF CONTINGENCIES
as at 30 November 2006

	<u>2007</u>	<u>2006</u>
	<u>\$</u>	<u>\$</u>
Contingent liabilities		
Claims for damages/costs	-	-
Contingent assets		
Claims for damages/costs	-	-
Net contingent liabilities	<u>-</u>	<u>-</u>

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

AUSTRALIA-JAPAN FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies

1.1 Objective of the Australia-Japan Foundation

The objective of the Australia-Japan Foundation is to deepen and strengthen relations between Japan and Australia by fostering greater mutual awareness and understanding through people-to-people contact, and by promoting study and other activities to elucidate the society, culture, language and outlook of the two peoples.

Outcome 1: Enhanced Japanese perceptions of Australia and strengthened bilateral relationship to advance Australia's national interests.

The Foundation's activities contributing towards this outcome are classified as departmental. Departmental activities involve the use of assets, liabilities, revenues and expenses controlled or incurred by the Foundation in its own right. Departmental activities are identified under three Outputs – 1.1 Education; 1.2 Information; and 1.3 Strategic Alliances.

The continued existence of the Foundation in its present form and with its present programs is dependant on Government policy and on continuing appropriations by Parliament for the Foundation's programs. (Refer Note 2.)

1.2 Basis of Preparation of the Financial Report

The Financial Statements and notes are required by section 49 of the *Financial Management and Accountability Act 1997* and are a General Purpose Financial Report.

The statements have been prepared in accordance with:

- Finance Minister's Orders (or FMOs), being the *Financial Management and Accountability Orders* for reporting periods ending on or after 01 July 2006;
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that apply for the reporting period including Interpretations issued by the AASB that apply for the reporting period; and
- Interpretations issued by the AASB and UIG that apply for the reporting period.

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

The financial report is presented in Australian dollars and is rounded to the nearest dollar.

AUSTRALIA-JAPAN FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (continued)

1.2 Basis of Preparation of the Financial Report (continued)

Unless alternative treatment is specifically required by an Accounting Standard or the FMOs, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow to the Entity and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard. Liabilities and assets that are unrealised are reported in the Schedule of Commitments and the Schedule of Contingencies. (Refer Note 1.18.)

Unless alternative treatment is specifically required by an accounting standard, revenues and expenses are recognised in the Income Statement when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

1.3 Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, the Australia-Japan Foundation (AJF) has made the following judgement that has the most significant impact on the amounts recorded in the financial statements:

- The fair value of the assets have been taken to be the disposal market value as determined by an independent valuer taking into consideration the planned closure of the Australian Resource Centre (the library) located at the Australian Embassy in Tokyo. (Refer Note 2.)

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

1.4 Statement of Compliance

Australian Accounting Standards require a statement of compliance with International Financial Reporting Standards (IFRSs) to be made where the financial report complies with these standards. Some Australian equivalents to IFRSs and other Australian Accounting Standards contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements. The Australia-Japan Foundation is a not for profit entity and has applied these requirements, so while this financial report complies with Australian Accounting Standards including Australian Equivalents to International Financial Reporting Standards (AEIFRSs) it cannot make this statement.

AUSTRALIA-JAPAN FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (continued)

1.4 Statement of Compliance (continued)

Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the effective date in the current period.

The Australia-Japan Foundation (AJF) is required to disclose Australian Accounting Standards and Interpretations which have been issued but are not yet effective that have not been early adopted by the Foundation. The following adopted requirements have resulted in a change to AJF's accounting policies or have affected the amounts reported in the current or prior periods or are estimated to have a financial affect in future reporting periods

Restriction of the fair value option under AASB 139

The AASB through *2005-4 Amendments to Australian Accounting Standards [AASB 139, AASB 132, AASB 1, AASB 1023 and AASB 1038]* restricted the option to designate a financial asset or liability at fair value through profit and loss.

The change was introduced with effect from the beginning of the comparative reporting period (1 July 2005).

This category (available for sale) of financial instrument while continued to be carried at fair value has resulting changes in value taken to an equity reserve instead of the Income Statement. Upon de-recognition of the financial asset the reserve is transferred to the Income Statement.

Reimbursement rights

The AASB through *2005-5 Amendments to Australian Accounting Standards [AASB 1 & AASB 139]* excluded from the scope of *AASB 139 Financial Instruments: Recognition and Measurement* rights for reimbursement for expenditure required to settle a present or former provision recognised under *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*. The right to reimbursement is now required to be accounted for under AASB 137.

The application of this amendment is applied from the beginning of the comparative period (1 July 2005).

AUSTRALIA-JAPAN FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (continued)

1.4 Statement of Compliance (continued)

Financial guarantee contracts

The AASB through 2005-9 Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132] now require financial guarantee contracts to be recognised and measured at inception under AASB 139 Financial Instruments: Recognition and Measurement. Initially these items are measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the initial amount recognised less, when appropriate, cumulative amortisation recognised in accordance with AASB 118 Revenue.

Other effective requirement changes

The following amendments, revised standards or interpretations have become effective but have had no financial impact or do not apply to the operations of the Australia-Japan Foundation.

Amendments:

- 2005-1 Amendments to Australian Accounting Standards [AASBs 1, 101, 124]
- 2005-6 Amendments to Australian Accounting Standards [AASB 3]
- 2006-1 Amendments to Australian Accounting Standards [AASB 121]
- 2006-3 Amendments to Australian Accounting Standards [AASB 1045]

Interpretations:

- UIG 4 Determining whether an Arrangement contains a Lease
- UIG 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- UIG 7 Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies
- UIG 8 Scope of AASB 2
- UIG 9 Reassessment of Embedded Derivatives

UIG 4 and UIG 9 might have impacts in future periods, subject to existing contracts being renegotiated.

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (continued)

1.4 Statement of Compliance (continued)

Future Australian Accounting Standard requirements

The following new standards, amendments to standards or interpretations have been issued by the Australian Accounting Standards Board but are effective for future reporting periods. It is estimated that the impact of adopting these pronouncements when effective will have no material financial impact on future reporting periods.

Financial instrument disclosure

AASB 7 Financial Instruments: Disclosures is effective for reporting periods beginning on or after 1 January 2007 (the 2007-08 financial year) and amends the disclosure requirements for financial instruments. In general AASB 7 requires greater disclosure than that presently. Associated with the introduction of AASB 7 a number of accounting standards were amended to reference the new standard or remove the present disclosure requirements through 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]. These changes have no financial impact but will effect the disclosure presented in future financial reports.

Other

The following standards and interpretations have been issued but are not applicable to the operations of the Australia-Japan Foundation.

- AASB 1049 Financial Reporting of General Government Sectors by Governments
- UIG 10 Interim Financial Reporting and Impairment

1.5 Revenue

Revenue from Government

Amounts appropriated for departmental outputs appropriations for the year (adjusted for any formal additions and reductions) are recognised as revenue, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

AUSTRALIA-JAPAN FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (continued)

1.5 Revenue (continued)

Resources Received Free of Charge

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 Agency or Authority as a consequence of a restructuring of administrative arrangements (Refer to Note 1.7).

Resources received free of charge are recorded as either revenue or gains depending on their nature ie whether they have been generated in the course of the ordinary activities of the Entity.

Other Types of Revenue

Revenue from the sale of goods is recognised when:

- The risks and rewards of ownership have been transferred to the buyer;
- The seller retains no managerial involvement nor effective control over the goods;
- The revenue and transaction costs incurred can be reliably measured; and
- It is probable that the economic benefits associated with the transaction will flow to the Entity.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- The amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- The probable economic benefits with the transaction will flow to the Entity.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

AUSTRALIA-JAPAN FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (continued)

1.5 Revenue (continued)

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collectability of the debt is no longer probable.

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

1.6 Gains

Resources Received Free of Charge

Resources received free of charge are recognised as a gain 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.

The Department of Foreign Affairs and Trade (DFAT) provided office accommodation, a locally-engaged staff member and utilities for the Foundation's Tokyo office in the Australian Embassy chancery building. DFAT also provided office accommodation, staff, administration and utility charges for the secretariat in its offices in Canberra as resources received free of charge.

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 Agency or Authority as a consequence of a restructuring of administrative arrangements (Refer to Note 1.7).

Resources received free of charge are recorded as either revenue or gains depending on their nature ie. Whether they have been generated in the course of the ordinary activities of the Entity.

Unrealised foreign exchange gains represent the movement in the employee provisions from monthly variations in the exchange rate of the Japanese Yen.

Sale of Assets

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

AUSTRALIA-JAPAN FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (continued)

1.7 Transactions with the Government as Owner

Equity injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) are recognised directly in Contributed Equity in that year.

Restructuring of Administrative Arrangements

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

Other distributions to owners

The Finance Minister's Orders (FMOs) require that dividends be debited direct to equity. The Australia-Japan Foundation has a dividend payable of \$72,000 (2007 – \$7,000, 2006 – \$65,000) as a result of favourable exchange rates.

1.8 Employee Benefits

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

Liabilities for 'short-term employee benefits' (as defined in AASB 119) and the termination benefits due within twelve months of the balance are measured at their nominal amounts.

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

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

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave for Australian-based employees, as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Foundation is estimated to be less than the annual entitlement for sick leave. In the case of locally engaged staff at overseas posts, where the entitlement is vested, a liability has been recognised.

AUSTRALIA-JAPAN FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (continued)

1.8 Employee Benefits (continued)

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

Long service leave is disclosed as current where the service period is 10 years and over as there is a legal right to the payment, irrespective of whether the payment is not expected to be settled within 12 months.

All annual leave is disclosed as current as there is a legal right to the payment, irrespective whether the payment is not expected to be settled within 12 months.

LES Retirement and Resignation Benefits

Provision is made for retirement and resignation benefits.

Retirement and resignation benefits entitlements accrued by locally engaged staff in Tokyo are brought to account at their nominal value at 30 November 2006.

Locally engaged staff (LES) in Tokyo, are entitled to resignation benefits after 5 years of service or retirement benefits after 10 years of service.

Retirement benefits are disclosed as non-current until the LES reach 60 years of age.

Resignation benefits are disclosed as non-current until the LES obtain 5 years of service.

The retirement benefits as at 30 November 2006 are part current (\$151,110) with the remainder as non-current and disclosed at nominal value as the impact from discounting of these values on the financial statements are immaterial.

The resignation benefits as at 30 November 2006 are non-current and disclosed at nominal value as the impact from discounting of these values on the financial statements are immaterial.

Superannuation

Staff of the Foundation are members of the Public Sector Superannuation Scheme (PSS.) The PSS is a defined benefit scheme for the Australian Government.

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.

AUSTRALIA-JAPAN FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (continued)

1.8 Employee Benefits (continued)

The Foundation makes employer contributions to the Employee Superannuation Scheme at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of the Foundation's employees. The Australia-Japan Foundation accounts for the contributions as if they were contributions to defined contribution plans.

1.9 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased non-current assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where a non-current 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.

The Foundation has no finance leases.

1.10 Borrowing Costs

All borrowing costs are expensed as incurred.

The Foundation has no borrowings.

1.11 Cash

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

AUSTRALIA-JAPAN FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (continued)

1.12 Financial Risk Management

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

1.13 Investments

Investments are initially measured at their fair value.

After initial recognition, financial investments are to be measured at their fair values except for:

- a) loans and receivables which are measured at amortised cost using the effective interest method;
- b) held-to-maturity investments which are measured at amortised cost using the effective interest method; and
- c) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which are measured at cost.

1.14 Derecognition of Financial Assets and Liabilities

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

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

1.15 Impairment of Financial Assets

Financial assets are assessed for impairment at each balance date.

Note 1: Summary of Significant Accounting Policies (continued)

1.15 Impairment of Financial Assets (continued)

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 Income Statement.

Financial Assets held at Cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because it cannot be reliably measured, or a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

Available for Sale Financial Assets

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

1.16 Interest Bearing Loans and Borrowings

Government loans are carried at the balance yet to be repaid. Interest is expensed as it accrues.

1.17 Supplier and other payables

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

Note 1: Summary of Significant Accounting Policies (continued)

1.18 Contingent Liabilities and Contingent Assets

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

There were no quantifiable contingent assets or liabilities as at 30 November 2006. There were also no unquantifiable or remote contingent assets or liabilities for the current or prior years.

1.19 Acquisition of Assets

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

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, 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 Agency's accounts immediately prior to the restructuring.

1.20 Property, Plant and Equipment

Asset Recognition Threshold

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

AUSTRALIA-JAPAN FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (continued)

1.20 Property, Plant and Equipment (continued)

Revaluations

Library, plant and equipment are carried at valuation. The valuations as at 30 June 2006, were based on the closure of the library in Tokyo in August 2007, which had a significant impact on both the Income Statement and the Balance Sheet in 2005-06. (Refer Note 2.)

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

Asset Class	Fair value measured at:
Land	Market selling price
Buildings	Market selling price
Leasehold Improvements	Depreciated replacement cost
Library, Plant & Equipment	Market selling price

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 materially differ with 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. In June 2006, the revaluations were based on disposal value due to the proposed closure of the library in Tokyo in August 2007. (Refer Note 2.)

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 surplus and deficit. Revaluation decrements for a class of assets are recognised directly through surplus and deficit 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.

All valuations are conducted by an independent qualified valuer.

AUSTRALIA-JAPAN FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (continued)

1.20 Property, Plant and Equipment (continued)

Depreciation

Depreciable property plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Foundation 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:

	<u>2007</u>	<u>2006</u>
•Plant and equipment	26 months	26 months
•Australian Resource Centre (library)	26 months	26 months
•The useful life of all plant, equipment and the library will expire in August 2007. (Refer to Note 3.)		
•The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 4D.		

Impairment

All assets were assessed for impairment at 30 June 2006. 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 to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Foundation were deprived of the asset, its *value in use* is taken to be its depreciated replacement cost.

No indicators of impairment were found for assets at fair value.

AUSTRALIA-JAPAN FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (continued)

1.21 Intangibles

The Foundation's intangibles comprise internally developed software for internal use. These assets are carried at cost.

Software is amortised on a straight-line basis over its anticipated useful life. Due to the proposed closure of the library in Tokyo in August 2007, the remaining useful life of the Foundation's software is 9 months. (Refer Note 2.)

All software assets were assessed for indications of impairment as at 30 June 2006. None were found to be impaired.

1.22 Inventories

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

Inventories held for distribution are measured at the lower of cost and current replacement cost.

Costs incurred in bringing each item of inventory to its present location and condition are assigned as follows:

- raw materials and stores – purchase cost on a first-in-first-out basis; and
- finished goods and work in progress – cost of direct materials and labour plus attributable costs that are capable of being allocated on a reasonable basis.

Inventories acquired at no cost or nominal consideration are measured at current replacement cost at the date of acquisition.

1.23 Taxation

The Foundation is exempt from all forms of taxation except fringe benefits tax 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
- except for receivables and payables.

AUSTRALIA-JAPAN FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 2: Events after the Balance Sheet Date

As part of the Government's response to the *Review of Corporate Governance of Statutory Authorities and Office Holders* that was conducted by Mr John Uhrig, the Australia-Japan Foundation's statutory status was revoked. The *Australia-Japan Foundation (Repeal and Transitional Provisions) Bill 2006* received Royal Assent on 5 September 2006. The schedule to the Act came into effect by proclamation on 1 December 2006. Thereby repealing the Foundation's enabling legislation to allow the Foundation to be re-formed as a non-statutory bilateral body within the Department of Foreign Affairs and Trade (DFAT). The Foundation's assets and liabilities as at 30 November 2006 were transferred to DFAT.

The Australian Resource Centre (library) located at the Australian Embassy in Tokyo is expected to close in August 2007. As of 1 December 2006, the library and all associated assets were taken over by DFAT.

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	<u>2007</u> \$	<u>2006</u> \$
Note 3: Income		
<u>Revenue</u>		
<u>Note 3A: Revenue from Government</u>		
Appropriations for Departmental outputs	<u>2,373,000</u>	<u>2,454,000</u>
<u>Note 3B: Rendering of Services</u>		
Rendering of Services - external entities	<u>779</u>	<u>2,930</u>
<u>Note 3C: Interest</u>		
Deposits	<u>32,622</u>	<u>46,357</u>
<u>Note 3D: Other Revenue</u>		
Sponsorship revenue	20,553	-
Resources received free of charge - sponsorship	13,856	-
Other revenue	<u>5</u>	<u>13,541</u>
<i>Total other revenue</i>	<u>34,414</u>	<u>13,541</u>
<u>Gains</u>		
<u>Note 3E: Foreign Exchange Gain</u> ¹		
Non-speculative, unrealised	<u>4,213</u>	<u>6,046</u>
<u>Note 3F: Other gains</u>		
Resources received free of charge	<u>257,925</u>	<u>666,891</u>

¹ This represents unrealised foreign exchange movement on employee provisions.

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2007	2006
	<u>\$</u>	<u>\$</u>
Note 4: Expenses		
Note 4A: Employee Benefits		
Wages and Salaries ³	219,771	557,046
Superannuation	6,629	12,929
Leave and other entitlements	48,465	136,442
Resources provided free of charge	114,110	356,527
Total employee benefits	388,975	1,062,944

Note 4B: Supplier

Goods from external entities	44,396	248,282
Rendering of services - related entities	136,815	310,364
Rendering of services - external entities ⁴	242,414	681,338
Operating lease rentals ¹		
Minimum lease payments	80,737	328,540
Sublease ²	6,678	14,354
Workers' compensation premiums ³	4,562	11,623
Total supplier expenses	515,602	1,594,501

¹ These comprise minimum lease payments only.

² In 2005-06 the sublease was included in suppliers.

³ In 2005-06 Overseas labour insurance premium was included in Wages & Salaries

Note 4C: Grants ⁴

Public sector:		
State and Territory Governments	25,000	
Private sector:		
Non-profit organisations	52,500	30,000
Overseas	91,026	119,135
Total grants	168,526	149,135

⁴ In 2005-06 Grants were included in Suppliers

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period 1 July 2006 to 30 November 2006

	2007	2006
	\$	\$
Note 4: Expenses (continued)		
<u>Note 4D: Depreciation and Amortisation</u>		
Depreciation		
Infrastructure, plant and equipment	36,638	239,111
Amortisation		
Intangibles — Computer Software	11,114	27,487
<i>Total depreciation and amortisation</i>	<u>47,752</u>	<u>266,598</u>

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

Plant and equipment	2,217	24,415
Library - Australian Resource Center, Tokyo	34,421	214,696
Internally developed software — in use	9,478	23,256
Other software	1,636	4,231
<i>Total depreciation and amortisation</i>	<u>47,752</u>	<u>266,598</u>

No depreciation or amortisation was allocated to the carrying amounts of other assets.

Note 4E: Write-down and impairment of assets

Impairment of non-financial assets		
Infrastructure, plant and equipment - Obsolete	-	329
Revaluation decrements - non-financial assets ¹		
Infrastructure, plant and equipment	-	81,843
Intangibles - purchased software	-	1,108
	-	<u>83,280</u>

¹ 2005-06 This represents the net cost of revaluing the assets down to disposal value after the asset class reserves have been used up.

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2007	2006
	\$	\$
Note 5: Financial Assets		
Note 5A: Cash and cash equivalents		
Special Account	1,477,785	146,807
Special Account - 30 Day Bank Bills	-	650,000
Departmental (other than special accounts)	202,942	192,282
Total cash and cash equivalents	1,680,727	989,089
Note 5B: Trade and other receivables		
Appropriation receivable for existing outputs	803,000	-
GST receivable from the Australian Taxation Office	-	2,402
Other - Accrued Revenue	5,786	2,171
Total trade and other receivables	808,786	4,573
Receivables (gross) are aged as follows:		
Not Overdue	808,786	4,573
Total receivables (gross)	808,786	4,573
Receivables are represented by:		
Current	808,786	4,573
Total receivables	808,786	4,573

GST receivables are with entities related to the Commonwealth and accrued revenue is with external entities. Both are non-interest bearing.
 Credit terms are net 30 days (2006: 30 days).

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2007	2006
	\$	\$
	<hr/>	<hr/>
Note 6: Non-Financial Assets		
Note 6A: Infrastructure, Plant and Equipment		
Infrastructure, plant and equipment:		
– fair value ¹	121,141	120,599
– accumulated depreciation	(52,188)	(15,571)
Total Infrastructure, Plant and Equipment	<hr/> 68,953 <hr/>	<hr/> 105,028 <hr/>
Heritage and cultural:		
– fair value ¹	4,750	4,750
– accumulated depreciation	(21)	(0)
Total heritage and cultural	<hr/> 4,729 <hr/>	<hr/> 4,750 <hr/>
Total Infrastructure, Plant and Equipment (non-current)	<hr/> 73,682 <hr/>	<hr/> 109,778 <hr/>

All revaluations are conducted in accordance with the revaluation policy stated at Note 1. In 2005-06, an independent valuer, Australian Valuation Office (AVO) conducted the revaluations.

2006 - Revaluation decrements of \$227,070 for infrastructure, plant and equipment were made to the asset revaluation reserves (\$145,227) and expenses (\$81,843).

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

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	<u>2007</u>	<u>2006</u>
	<u>\$</u>	<u>\$</u>
Note 6: Non-Financial Assets (continued)		
<u>Note 6B: Intangible Assets</u>		
<i>Computer software</i>		
Purchased Software - fair value ¹	4,200	4,200
Accumulated amortisation	<u>(1,849)</u>	<u>(213)</u>
<i>Total purchased software</i>	<u>2,351</u>	<u>3,987</u>

2006 - Revaluation decrements of \$1,108 for computer software were made to expenses.

Internally developed — in use — at cost	208,651	208,651
Accumulated amortisation	<u>(190,996)</u>	<u>(181,518)</u>
<i>Total internally developed software - in use</i>	<u>17,655</u>	<u>27,133</u>
<i>Total computer software</i>	<u>20,006</u>	<u>31,120</u>

No indicators of impairment were found for intangible assets.

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 6: Non-Financial Assets (continued)

Note 6C: Analysis of Property, Plant, Equipment and Intangibles

TABLE A - Reconciliation of the opening and closing balances of property, plant, equipment and intangibles (2006-07)

Item	Plant and Equipment	Heritage and Cultural	Computer software internally developed	Computer software purchased	TOTAL
	\$	\$	\$	\$	\$
As at 1 July 2006:					
Gross book value	120,599	4,750	208,651	4,200	338,200
Accumulated depreciation/amortisation	(15,571)	(0)	(181,518)	(213)	(197,302)
Net Book Value 1 July 2006	105,028	4,750	27,133	3,987	140,898
Additions:					
by purchase — gross book value	542	-	-	-	542
Movements:					
Revaluation increment/(decrement) - gross book value	-	-	-	-	-
Revaluation increment/(decrement)-accumulated depreciation	-	-	-	-	-
Depreciation / amortisation expense	(96,617)	(21)	(9,478)	(1,636)	(47,752)
Disposals					
Other disposals - gross book value	-	-	-	-	-
Other disposals - accumulated depreciation	-	-	-	-	-
Net book value 30 November 2006	68,953	4,729	17,655	2,351	93,688
Net book value as at 30 November 2006 represented by:					
Gross book value	121,141	4,750	208,651	4,200	338,742
Accumulated depreciation/amortisation	(52,188)	(21)	(190,996)	(1,849)	(245,054)
	68,953	4,729	17,655	2,351	93,688

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 6: Non-Financial Assets (continued)

Note 6C: Analysis of Property, Plant, Equipment and Intangibles

TABLE A - Reconciliation of the opening and closing balances of property, plant, equipment and intangibles (2005-06)

Item	Plant and Equipment		Heritage and Cultural		Computer software internally developed		Computer software purchased		TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$	
As at 1 July 2005:									
Gross book value	644,982	4,750	208,651		106,012			964,395	
Accumulated depreciation/amortisation	(93,790)	(87)	(158,262)		(96,686)			(338,825)	
Net Book Value 1 July 2005	561,192	4,663	50,389		9,326			625,570	
Additions:									
by purchase — gross book value	10,433	-	-		-			10,433	
Movements:									
Revaluation increment/(decrement) - gross book value	(493,116)	-	-		(45,570)			(538,686)	
Revaluation increment/(decrement)-accumulated depreciation	265,911	135	-		44,462			310,508	
Depreciation / amortisation expense	(239,063)	(48)	(23,256)		(4,231)			(266,598)	
Disposals									
Other disposals - gross book value	(41,700)	-	-		(56,242)			(97,942)	
Other disposals - accumulated depreciation	41,371	-	-		56,242			97,613	
Net book value 30 June 2006	105,028	4,750	27,133		3,987			140,898	
Net book value as at 30 June 2006 represented by:									
Gross book value	120,599	4,750	208,651		4,200			338,200	
Accumulated depreciation/amortisation	(15,571)	(0)	(181,518)		(213)			(197,302)	
	105,028	4,750	27,133		3,987			140,898	

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 6: Non-Financial Assets (continued)

Note 6C: Analysis of Property, Plant and Equipment

The Australia-Japan Foundation has no Property, Plant, Equipment held under Finance Leases. (Table B - Nil)

The Australia-Japan Foundation has no Property, Plant, Equipment under Construction. (Table C - Nil)

	2007	2006
	\$	\$
	<hr/>	<hr/>
<u>Note 6D: Other Non-Financial Assets</u>		
Prepayments	<u>141,982</u>	<u>34,279</u>

All other non-financial assets are current assets.

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	<u>2007</u>	<u>2006</u>
	<u>\$</u>	<u>\$</u>
Note 7: Payables		
<u>Note 7A: Suppliers</u>		
Trade creditors	-	2,349
<i>Total supplier payables</i>	<u>-</u>	<u>2,349</u>

Supplier payables are presented by:

Current	-	2,349
Non-current	-	-
<i>Total supplier payables</i>	<u>-</u>	<u>2,349</u>

Settlement is usually made net 30 days.

Note 7B: Dividends

Dividend payable to the Australian Government	<u>72,000</u>	<u>65,000</u>
<i>Total dividends</i>	<u>72,000</u>	<u>65,000</u>

The dividend payable relates to savings made on foreign exchange. The amount paid to the Department of Finance and Administration is the difference between the actual amount spent and what would have been spent using the original budget exchange rate.

All dividends are current liabilities.

Note 7C: Other Payables

Accrued Expenses	<u>27,126</u>	<u>68,838</u>
<i>Total other payables</i>	<u>27,126</u>	<u>68,838</u>

All other payables are current liabilities.

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	<u>2007</u>	<u>2006</u>
	<u>\$</u>	<u>\$</u>
Note 8: Provisions		
<u>Note 8A: Employee Provisions</u>		
Salaries and wages	464	4,109
Leave	37,727	21,379
Separations and redundancies	<u>205,799</u>	<u>200,197</u>
<i>Total employee provisions</i>	<u>243,990</u>	<u>225,685</u>
Current	189,301	25,488
Non-current	54,689	200,197

The classification of current includes amounts for which there is not an unconditional right of deferral of one year, hence in the case of employee provisions the above classification does not equal the amount expected to be settled within one year of reporting date.

Employee provisions expected to be settled in one year \$38,191 (2006: \$25,488), in excess of one year \$205,800 (2006: \$200,197).

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	<u>2007</u>	<u>2006</u>
	\$	\$

Note 9: Cash Flow Reconciliation

**Reconciliation of cash and cash equivalents as per
Balance Sheet to Cash Flow Statement**

Report cash and cash equivalents as per:

Cash Flow Statement	1,680,727	989,089
Balance Sheet	<u>1,680,727</u>	<u>989,089</u>
Difference	<u>-</u>	<u>-</u>

Balance Sheet items comprising above cash:
‘Financial Asset – Cash’

**Reconciliation of operating result to net cash
from operating activities:**

Operating result	1,582,098	33,307
Depreciation /amortisation	47,752	266,598
Net write-down of non-financial assets	-	83,280
Gain on disposal of assets	-	-
(Increase) / decrease in net receivables	(804,212)	(3,411)
(Increase) / decrease in prepayments	(107,702)	(17,526)
Increase / (decrease) in employee provisions	18,305	(224,307)
Increase / (decrease) in supplier payables	(2,349)	(15,962)
Increase / (decrease) in GST payable	-	-
Increase / (decrease) in accrued expenses	(41,712)	(165,935)
<i>Net cash from / (used by) operating activities</i>	<u>692,180</u>	<u>(43,956)</u>

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2007	2006
Note 10: Executive Remuneration	<u> </u>	<u> </u>
The number of members who received remuneration during the period 1 July to 30 November 2006 within the following bands is:		
\$0 to \$9,999	4	7
The aggregate amount of total remuneration of members shown above.	\$1,794	\$10,832
The aggregate amount of separation and redundancy/termination benefit payments during the year to members shown above.	Nil	Nil
No other remuneration was paid to the Board members.		
Note 11: Remuneration of Auditors	\$	\$
Financial statement audit services are provided free of charge to the Foundation by the Australian National Audit Office (ANAO).		
The fair value of the services provided was:	<u>27,000</u>	<u>30,000</u>
No other services were provided by the Auditor-General.		
Note 12: Average Staffing Levels	2007	2006
The average staffing levels for the Foundation during the year were:	<u>6</u>	<u>6</u>

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 13: Financial Instruments

Note 13A: Interest Rate Risk

Financial Instrument	Notes	Floating Interest Rate		Fixed Interest Rate						Non-Interest Bearing		Total		Weighted Average Effective Interest Rate			
		2007		2006		1 to 5 Years		> 5 Years		2007		2006		2007		2006	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%	%	%
Financial Assets																	
Cash at bank	5A	-	-	650,000	-	-	-	-	-	-	430,727	339,089	1,680,727	989,089	6.07	5.62	
Receivables for goods and services (gross)	5B	-	-	-	-	-	-	-	-	5,786	2,171	5,786	2,171	n/a	n/a		
Total		-	-	650,000	-	-	-	-	-	436,513	341,260	1,686,513	991,260				
Total Assets												2,725,183	1,168,839				
Financial Liabilities																	
Trade creditors	7A, 7C	-	-	-	-	-	-	-	-	27,126	71,187	27,126	71,187	N/A	N/A		
Total		-	-	-	-	-	-	-	-	27,126	71,187	27,126	71,187				
Total Liabilities												343,116	381,872				

**AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 13: Financial Instruments (continued)

13B: Net Fair Values of Financial Assets and Liabilities

The net fair values of cash and non-interest-bearing monetary financial assets approximate their carrying amounts.

The net fair values for trade creditors, which are short-term in nature, approximate their carrying amounts.

Note 13C: Credit Risk Exposures

The Foundation's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Balance Sheet.

The Foundation has no significant exposures to any concentrations of credit risk.

All figures for credit risk referred to do not take into account the value of any collateral or other security.

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 14: Appropriations

Note 14A: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund for Ordinary Annual Services Appropriations

Particulars	Departmental Outputs				Total
	2007	2006	2007	2006	
	\$	\$	\$	\$	\$
Balance carried from previous year	193,352	200,104	193,352	200,104	200,104
Appropriation Act:					
Appropriation Act (No.1)	2,373,000	2,438,000	2,373,000	2,438,000	2,438,000
Appropriation Act (No.3)	-	16,000	-	-	16,000
FMA Act:					
Appropriations to take account of recoverable GST (FMAA s30A)	12,941	22,711	12,941	22,711	22,711
Annotations to 'net appropriations' (FMAA s31)	5	65	5	65	65
Total Appropriations available for payments	2,579,298	2,676,880	2,579,298	2,676,880	2,676,880
Cash Payments made during the year (GST inclusive)	(573,356)	(1,483,528)	(573,356)	(1,483,528)	(1,483,528)
Appropriations credited to Special Accounts (excluding GST)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Balance of Authority to Draw Cash from the CRF for Ordinary Annual Services Appropriations	1,005,942	193,352	1,005,942	193,352	193,352
<i>Represented by:</i>					
Cash at bank and on hand	202,942	192,282	202,942	192,282	192,282
Departmental appropriations receivable	803,000	-	803,000	-	-
Receivables – GST receivable from ATO	-	1,070	-	1,070	1,070
Total	1,005,942	193,352	1,005,942	193,352	193,352

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15: Special Accounts

	2007	2006
	\$	\$
Australia-Japan Foundation (Departmental)		
<i>Legal Authority: Australia-Japan Foundation Act 1976</i>		
Purpose: for expenditure on programs to enhance Japanese perceptions of Australia, and to strengthen bilateral relations to advance Australia's national interests.		
This account is interest bearing.		
Balance carried from previous year	798,140	844,407
Appropriation for reporting period	1,000,000	1,000,000
Costs Recovered	926	2,848
GST credits (FMAA s30A)	11,999	33,405
Other Receipts	14,856	13,541
Interest	34,557	44,331
Available for payments	1,860,479	1,938,532
Payments		
Employee Benefits	(49,476)	(201,563)
Grants	(214,275)	(144,635)
Suppliers	(118,943)	(794,194)
Total payments	(382,694)	(1,140,392)
Investment debits from the Special Account (FMAA s39)	(950,000)	(1,350,000)
Amounts credited to Special Account on redemption of investment	1,600,000	700,000
Balance available	1,477,785	798,140
<i>Represented by:</i>		
Cash – held by the Foundation	1,477,785	146,807
Cash - held in Investment	-	650,000
Receivables – Net GST Receivable from ATO	-	1,333
Total	1,477,785	798,140

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15: Special Accounts (continued)

Australia-Japan Foundation Reserve Account (Section18) <i>Australia-Japan Foundation Act 1976</i>		
Investment of Public Money:	2007	2006
Special Appropriations under section 39 of theFMA Act	\$	\$
Opening Balance	650,000	-
Investments made	7,450,000	10,344,300
Interest earned	32,622	46,398
Transactional charges	-	-
Investments realised	(8,132,622)	(9,740,698)
Closing Balance	-	650,000
<i>Budget estimate</i>	1,200,000	1,350,000

Other Trust Monies Special Account	2007	2006
	\$	\$
<i>Legal Authority: Financial Management and Accountability ACT 1997, s20</i>		
<i>Purpose: for expenditure of monies temporarily held on trust or otherwise for the benefit of a person other than the Commonwealth.</i>	-	-

The Australian-Japan Foundation had nil balances and no transactions were debited or credited to this Special Account.

Services for Other Government and Non-Agency Bodies	2007	2006
	\$	\$
<i>Legal Authority: Financial Management and Accountability ACT 1997, s20</i>		
<i>Purpose: for expenditure in connection with services performed on behalf of other governments and bodies that are not FMA agencies.</i>	-	-

The Australian-Japan Foundation had nil balances and no transactions were debited or credited to this Special Account.

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	<u>2007</u> \$	<u>2006</u> \$
Note 16. Compensation and Debt Relief		
<i>Departmental</i>		
No 'Act of Grace' payments were made during the reporting period (2006: No payments made)	<u>Nil</u>	<u>Nil</u>
No waivers of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> (2006: No waivers made)	<u>Nil</u>	<u>Nil</u>
No ex-gratia payments were made during the reporting period (2006: No payments made)	<u>Nil</u>	<u>Nil</u>
No payments were made under the 'Defective Administration Scheme' during the reporting period (2006: No payments made)	<u>Nil</u>	<u>Nil</u>
No payments were made under section 73 of the <i>Public Service Act 1999</i> during the reporting period (2006: No payments made)	<u>Nil</u>	<u>Nil</u>

**AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 17: Reporting of Outcomes

17A Net Cost of Outcome Delivery

	Outcome 1		Total	
	2007	2006	2007	2006
	\$	\$	\$	\$
Departmental expenses	1,120,855	3,156,458	1,120,855	3,156,458
Total expenses	1,120,855	3,156,458	1,120,855	3,156,458
<i>Costs recovered from provision of goods and services to the non-government sector</i>				
Departmental	779	2,930	779	2,930
Total costs recovered	779	2,930	779	2,930
<i>Other external revenues</i>				
Departmental				
Interest on cash deposits	32,622	46,357	32,622	46,357
Other	38,627	19,587	38,627	19,587
Total Departmental	71,249	65,944	71,250	65,944
Total other external revenues	71,249	65,944	71,249	65,944
Net cost/(contribution) of outcome	1,048,827	3,087,584	1,048,827	3,087,584

Outcome 1 is described in Note 1.1. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget Outcome.

**AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 17: Reporting of Outcomes (continued)

17B: Major Classes of Departmental Revenues and Expenses by Output Groups and Outcomes

Outcome 1	Output Group 1.1		Output Group 1.2		Output Group 1.3		Outcome 1 Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$
Departmental expenses								
Employees	213,936	584,620	112,803	308,254	62,236	170,059	388,975	1,062,944
Suppliers	283,581	876,976	149,525	462,405	82,496	255,120	515,602	1,594,501
Depreciation and amortisation	-	-	47,752	266,598	-	-	47,752	266,598
Other expenses	92,689	82,024	48,873	126,529	26,964	23,862	168,526	232,415
Total departmental expenses	590,206	1,543,620	358,953	1,163,787	171,696	449,051	1,120,855	3,156,458
Funded by:								
Revenues from government	1,305,150	1,349,700	727,872	752,717	339,978	351,583	2,373,000	2,454,000
Sale of goods and services	-	-	779	2,930	-	-	779	2,930
Other non-taxation revenues	181,046	403,059	95,461	245,218	52,667	84,558	329,174	732,835
Total departmental revenues	1,486,196	1,752,759	824,112	1,000,865	392,645	436,141	2,702,953	3,189,765