



Australian Government



豪日交流基金

Australia-Japan FOUNDATION

Australia-Japan Foundation



Annual Report 2005-06

Australia–Japan Foundation

Annual Report 2005–06



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Other publications

Information about other Foundation publications can be obtained from its offices in Canberra and Tokyo. Publications are generally free.

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3 October 2006

The Honourable Mr Alexander Downer MP
Minister for Foreign Affairs
Parliament House
CANBERRA ACT 2600

Dear Mr Downer

In accordance with Section 25 of the *Australia-Japan Foundation Act 1976*, I submit the annual report of the operations of the Foundation, including audited financial statements, for the financial year 2005-06.

Yours sincerely

Catherine R. Harris AO PSM
Chairman

From the Chairman

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Chapter 1

Review by Chair



In March 2006 I had the honour of being appointed the chair of the Australia-Japan Foundation (AJF) to lead it through its transition period. I wish to extend my sincere thanks to Jeremy Ellis for his significant contribution over the past seven years in promoting and strengthening the Australia-Japan relationship.

My appointment has come with the responsibility of managing the Foundation's work during a process that has seen the head office returned to Australia and will see the Foundation being re-established as a bilateral body within the Department of Foreign Affairs and Trade. The decision to change the Foundation's governing structure was made in response to the recommendations in the Uhrig Review of the *Corporate Governance of Statutory Authorities and Office Holders*. The re-formation of the Australia-Japan Foundation will ensure its viability and effectiveness into the future.

This year marked the Australia-Japan Year of Exchange (YOE), commemorating the 30th anniversary of the signing of the 1976 Basic Treaty of Friendship and Cooperation between Australia and Japan and the establishment of the Australia-Japan Foundation. The Foundation supported a number of YOE activities including the establishment of the Community Exchange Program, which recognises the considerable contribution made by community groups and grassroots organisations in promoting friendship, deeper mutual understanding and cooperation between Australia and Japan.

The Foundation remained committed to supporting educational and professional engagement and exchange between Australia and Japan through the promotion of its existing education and information projects, mainly focused in Japan. This included the successful launch of a significant initiative called *Discover Eco Australia*. The initiative offers young Japanese students a sophisticated website and interactive CD ROM on Australia and its commitment to the environment.

Also, building on the highly regarded *Experience Australia* kit (a teaching resource for use in Japanese primary schools), the Foundation ran a number of teacher professional development workshops to promote Australian integrated curriculum methodology to Japanese educators.

In 2005–06, the Sir Neil Currie Awards enabled students from a wide range of disciplines to further their studies of Australia and have supported the development of new curricula and Japanese language publications about Australia, which will be used in universities around Japan.

At the end of the year under review, the Foundation supported the Fourth Australia-Japan Conference, held in Tokyo in June 2006, which successfully furthered important bilateral trade and economic and people-to-people issues. I was pleased to be able to co-chair the agenda item on people-

to-people exchange with Professor Sekinei from Keio University. It was agreed that such exchanges are the foundation for political and economic partnerships. The longstanding contribution of the Australia-Japan Foundation to people-to-people links was recognised and attention was drawn to the need for greater mobility of highly skilled people to promote intellectual exchanges and economic dynamism, sharing of language skills, and the strengthening of sports and arts exchange as a common currency for communication and mutual understanding.

The strengthening of the Australia-Japan relationship and expansion of strategic cooperation over the last twelve months, offers the Foundation important opportunities to increase its influence in support of the relationship. In this light, the Board has commenced a review of its priorities and strategic directions, including a renewed interest in increasing awareness and understanding of the importance of Japan to Australia as an economic and strategic partner.

I would like to thank the current Board members for their efforts and support, during one of perhaps the most challenging and significant years for the Foundation since it was established in 1976.

I would like to acknowledge the work done by Leonie Buxtell, whose term expired in December last year. Her initiatives and programs will have long-term benefits

I would also like to extend the thanks of the Board to Shirley Lithgow and the secretariat, who have provided professional dedicated support to the Foundation during the year in review.

I would like to congratulate Elaine Ward on her appointment as Executive Director of the AJF and feel confident she will assist in driving the AJF in a very strategic and positive direction.

Catherine Harris AO PSM
Chair

Chapter 2

Agency overview



Role and functions

Under section 5(1) of the *Australia–Japan Foundation Act 1976*, the Foundation's functions are to encourage a closer relationship between the peoples of Australia and Japan, and to further the mutual knowledge and understanding of each other. This involves:

- broadening perceptions of contemporary Australia as a dynamic, sophisticated and internationally competitive country through the creation and maintenance of a broad range of allies and stakeholders; and
- strengthening bilateral relations to advance Australia's national interests.

Organisational structure

The Foundation is a statutory body responsible to the Minister for Foreign Affairs. The Foundation has a board management structure. From July to December 2005 there were eight board members, including the Chair. At the end of the reporting period, the Board comprised six members including the Chair. Board members are appointed by the Minister and serve on a part-time basis.

The Board operates as a whole rather than maintaining a system of subcommittees. There is, however, an Audit Committee comprising the Audit Committee Chair and two other board members. The Chair of the Board sits on the committee as an ex officio member.

The Foundation has offices in the Australian Embassy in Tokyo and in the Department of Foreign Affairs and Trade in Canberra.

Changes to the Australia–Japan Foundation's governance structure

As part of the Government's response to the *Review of Corporate Governance of Statutory Authorities and Office Holders* conducted by Mr John Uhrig, the Government assessed the Australia–Japan Foundation's statutory status should be revoked and the Foundation be re-formed as a non-statutory bilateral foundation within the Department of Foreign Affairs and Trade on the same footing as other bilateral bodies established in the department to undertake similar functions.

The legislation repealing the *Australia–Japan Foundation Act 1976* is expected to come into effect by the end of 2006.

Board members and terms of office

Chair and Chief Executive

Ms Catherine Harris AO PSM (ex officio member of the Audit Committee)

6 March 2006 – 5 November 2006

(Acting Chair 1 January 2006 – 5 March 2006)

(Board member 3 August 2004 – 2 August 2007)

Mr Mark Hollands

(Audit Committee member)

23 August 2001 – 22 August 2007

Mr Jock McGregor

3 August 2004 – 2 August 2007

Ms Tina Slattery

(Audit Committee Chair)

3 August 2004 – 2 August 2007

Mr John McBride

23 August 2001 – 22 August 2007

Dr Geoff Raby

3 November 2003 – 2 November 2006

Retirement

Mr Jeremy Ellis (Chair)

1 January 1999 – 31 December 2005

Resignation

Professor Margaret Seares AO

23 August 2001 – 31 December 2005

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Foundation secretariats

Canberra (head) office from January 2006

Executive Director

Project Officer

Contract Accountant

Tokyo office from January 2006

Director

Assistant Director (AJF)

Assistant Director (Information)

Administrative Officer

Research Librarian

Program contract staff

Project Manager, Experience

Australia kit

Library Assistant

Note: The Department of Foreign Affairs and Trade provided 1.6 full-time staff in the Canberra office. The Australian Embassy provided the librarian in the Tokyo office.

Resources summary

The Foundation reports to one outcome through three outputs (see Figure 1).

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

	Budget 2005–06 ¹ (\$'000)	Actual 2005–06 (\$'000)	Variation (actual less budget) (\$'000)	Budget 2006–07 ² (\$'000)
Administered expenses				
The Foundation has no administered expenses	0	0	0	0
Price of departmental outputs				
Output 1.1—Provision of education programs and projects about contemporary Australia to targeted Japanese groups.	1350	1350	0	1424
Output 1.2—Increased development and distribution of information about Australia and the bilateral relationship.	712	753	(41)	664
Output 1.3—Increased interaction between Australian and Japanese individuals and organisations that showcase or demonstrate Australian expertise in select areas.	392	351	41	285
Appropriation from government for departmental outputs	2454	2454	0	2373
Revenue from other sources ³	857	736	121	728
Total price of departmental outputs	3311	3190	121	3101
Total resourcing for Outcome 1 (Price of departmental outputs)	3290	3156	134	3101

1 Full-year budget, including additional estimates.

2 Full-year budget based on the Foundation's present governing structure, prior to being re-established as a bilateral body within the Department of Foreign Affairs and Trade at the end of 2006.

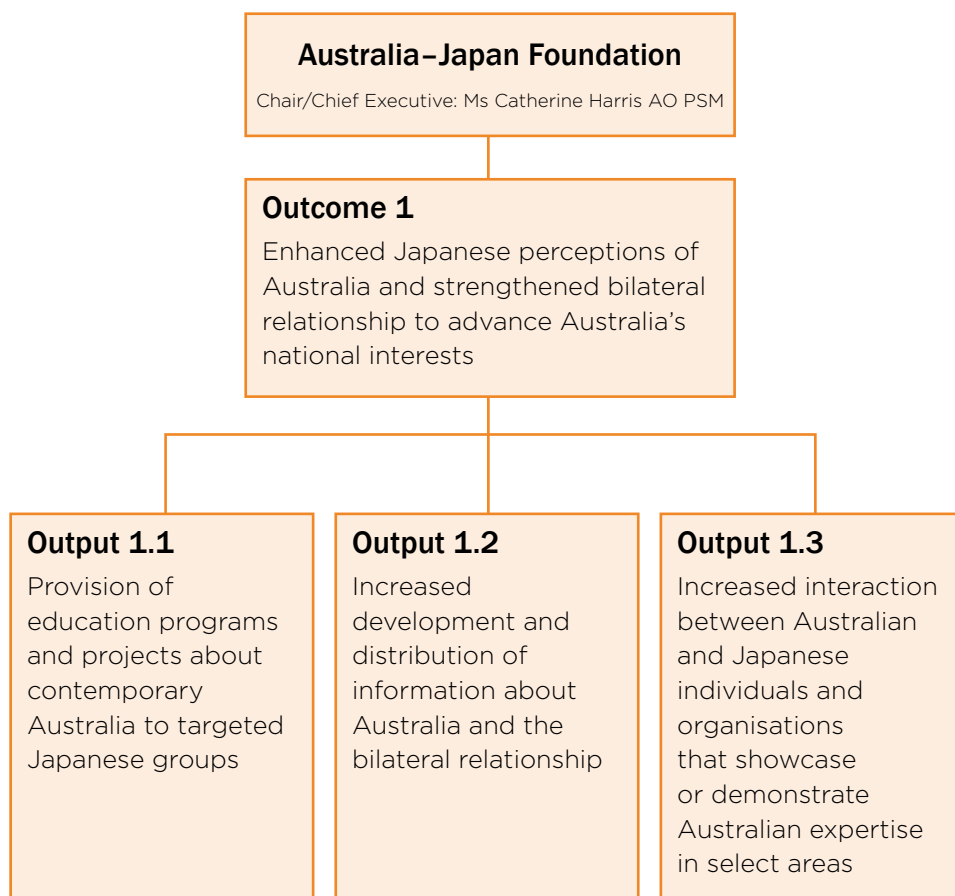
3 Includes resources received free of charge from the Department of Foreign Affairs and Trade and the Australian National Audit Office.

Average staffing level

	2005–06 Budget	2005–06 Actual	2006–07 Estimate
Average staffing level (number) ¹	7	6	7

1 Includes overseas locally engaged staff.

Figure 1: Outcome and outputs structure 2005–06



Chapter 3

Report on performance



The Foundation measures its achievements against one outcome and three outputs. These are stated in the Department of Foreign Affairs and Trade's *Portfolio Budget Statements 2005–06*.

Outcome 1

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

OUTPUT 1.1

Provision of education programs and projects about contemporary Australia to targeted Japanese groups.

EDUCATION

Quality indicators

- Extent to which programs engage participation from target groups
- Extent to which target audiences show an understanding of contemporary Australia

Quantity indicator

- Number of Japanese people involved in AJF education activities

The Foundation's education programs have fostered a positive perception of Australia's society and culture in schools and at the tertiary level throughout Japan. These programs actively utilise changes in technology and opportunities created through reform of Japan's education system to achieve a broad reach across Japan.

Experience Australia kit

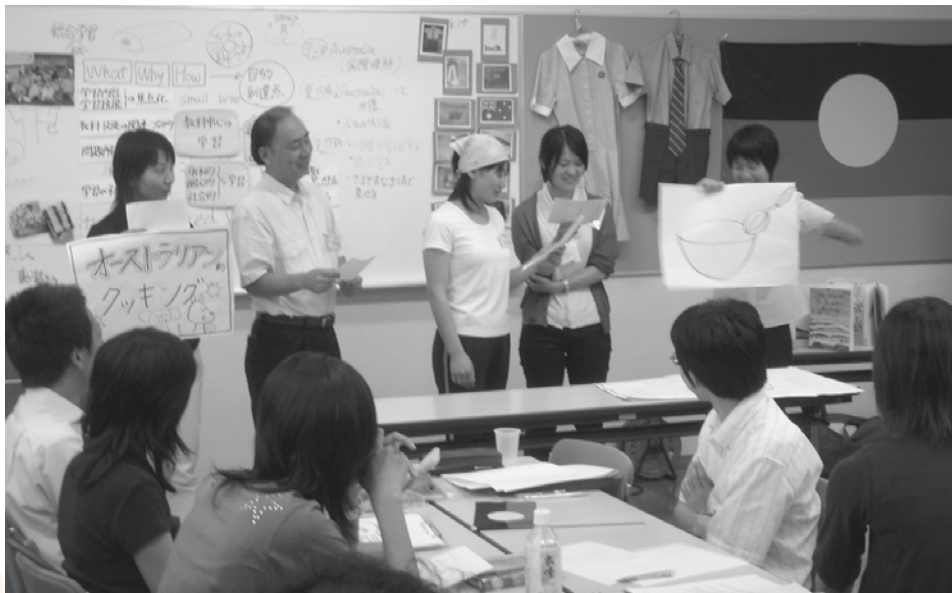
The *Experience Australia* kit is a teaching resource for use in Japanese primary and junior secondary schools. The kit includes a wide range of Australian items and activities to enable Japanese children to explore aspects of Australian lifestyle, including geography, society environment and culture. Recognising the key role played by teachers in changing perceptions, the Foundation also operates teacher professional development workshops. The accompanying teaching notes, based on Australian integrated curriculum methodology, have attracted increasing attention among Japanese educators.

The *Experience Australia* kit has had sustained access to the Japanese education system and has been used by more than 1.3 million students since its introduction. Lesson plans developed by schools using kit contents

demonstrate a major advance in teachers' understanding of Australia. A new set of teaching notes was developed, in conjunction with a promotional competition, and disseminated with the kits over the past 12 months.

The kit's materials are welcomed and actively promoted by regional Japanese boards of education and international associations. The Foundation receives regular requests to conduct professional development workshops and continues to attract strong interest among Japanese educators, including universities that offer professional teaching qualifications and skills-based education training courses.

The Japanese Ministry of Education, Science, Culture and Technology has noted publicly that through this program the AJF is playing a highly constructive role in progressing international understanding in Japan. *Experience Australia's* use of Australia's integrated studies teaching methodology continues to reinforce positive perceptions of Australia's education system among Japanese teachers.



Teacher training professional development workshop – Aichi

Quantity information

The Foundation manages 200 kits as of June 2006, which includes 50 new junior kits aimed at school children aged 10 years and under. It is estimated that between 9–11 per cent of all Japanese primary students use the kit each year. A series of teacher-training professional development workshops held in collaboration with regional boards of education in the Kansai and Tohoku regions, attracted over 800 participants in 2005–06.

Discover Eco Australia/Discover Australia website

The Foundation launched *Discover Eco Australia* educational materials in December 2005. These materials were based on Australia's integrated studies teaching methodology and promote Australia's progressive approaches to conservation and management of natural and cultural heritage. Teacher training workshops, held in collaboration with Prof. Shibusawa, Education Dept, Shinshu University (*Discover Eco Australia* Advisory Committee Chairman) and the *Experience Australia* program, have been held in several locations around Japan. Along with the *Discover Australia* website there is a significant and growing reach into the Japanese community.



Ambassador McLean launching Discover Eco Australia.

Quantity information

The materials, including 20 000 CD ROMs, have been distributed to high schools, education boards, local government offices, non-profit organisations, science centres and environmental facilities throughout Japan.

Over 1450 students participated in a competition that aimed to promote the *Discover Eco Australia* initiative. The competition offers 30 students the chance to visit Cairns and Townsville on a *Discover Eco Australia* tour supported by QANTAS and Tourism Australia. Overall access to the *Discover Australia* website records an average of 100 000 page views per month.

Sir Neil Currie Awards

The Sir Neil Currie Awards, established in 2000, support outstanding Japanese academics with an Australian focus. There are three categories of awards—post-graduate support, curriculum development support and publications support.

The awards, now in their sixth year, attract an increasingly high standard of applications. The program has enabled students from a wide range of disciplines to undertake study about Australia and has stimulated the development of new curricula about Australia at a number of universities around Japan. The awards also promote publications about contemporary Australian issues in the Japanese language, and bring in-depth information to broader audiences to expand their knowledge of Australia.

In 2005-06 Nana Yamamoto and Mari Miyake (2005 Post-Graduate awardees) successfully completed their research projects and have submitted reports to the Foundation. Kunihiro Tamamura (2005 Publication awardee) completed his publication entitled 'Educational Support for Students with Learning Difficulties in Australia' with support of the Bunrikaku Publishing Company, Kyoto.



Presentation of Sir Neil Currie Australian Studies Awards from left Ambassador McLean, Ms Tomoko Fujita (Post-Graduate awardee), Prof Seiji Mitsuishi (Curriculum Development awardee, Miyagi University), Mr Yoshimasa Komoriya (on behalf of Prof Jota Ishikawa, Curriculum Development awardee, Hitotsubashi University), Lucy King AJF.

Quantity information

Thirty-two applications for the Sir Neil Currie Awards were received in 2005-06. The numbers of applications for the curriculum development support award has more than doubled in 2005-06 and demonstrates the growing interest from prominent Japanese universities in developing course content that focuses on Australia. The number of applications for the post-graduate award has decreased slightly in comparison with previous years.

The recipients of awards in 2005-06 were:

Post-Graduate Support

Ms Tomoko Fujita, PhD Candidate, Graduate School of Sociology, Keio University, Tokyo

The award (\$10 000) will enable Ms Fujita to pursue research at Melbourne University on the sociology of Australian and Japanese families. Her thesis will focus on 'Historical Change of the Family Discourse and its Politics in Australia'.

Publication Support

Dr Sayoko Iizasa, National Institute for Research Advancement, Tokyo

The award (\$10 000) will enable Dr Iizasa to research and publish a publication entitled 'Politics of Citizenship - The Changing Boundaries of Community Unification in Multicultural Australia'.

Mr Hiroshi Sato, Associate Professor, Graduate School of Education, Okayama University

The award (\$10 000) will support Mr Sato to research and publish a publication that explores 'Australian Educational Reform - The Strategy and Outcomes of Planning for Educational Reform at Schools'.

Curriculum Development Support

Professor Jota Ishikawa, Graduate School of Economics, Hitotsubashi University, Tokyo

The award (\$20 000) will support Professor Ishikawa to travel to Australia to research Australian Free Trade Agreements at the University of New South Wales. He will further develop the content of lectures and courses at Hitotsubashi University to include an 'Economic Analysis on a FTA between Australia and Japan'.

Professor Seiji Mitsuishi, School of Food, Agriculture and Environmental Systems, Miyagi University, Sendai City

The award (\$20 000) will assist Professor Mitsuishi to research and develop an innovative new course called 'Tasting Australia' which will examine the 'Impact of Changes in the Australian Grain and Food Industry'.

Australian Studies Chair at Tokyo University

The Foundation has provided support for the Chair of Australian Studies at Tokyo University since 2000. Each year one Australian senior academic resides at the University's Centre for Pacific and American Studies, delivering a range of courses on aspects of Australia to undergraduate and post-graduate students at Tokyo University as well as several at other Japanese tertiary institutions. The commitment of Tokyo University has produced a number of experienced Australian Studies professors, scholars and research fellows who contribute to the development of an increased understanding about Australia in Japan.

Dr Les Terry (Professor of Sociology and Policy Studies, Victoria University) took up the position of Australian Studies Chair at Tokyo University from October 2005. He also commenced weekly lectures at Keio University and at Tokyo Gakugei University from April 2006. Past Chairs, including Professor Chilla Bulbeck and Professor Stephen Alomes, joined Dr Les Terry in presenting a series of lectures at Tokyo University in May 2006.

Dr David Day (Honorary Associate, History Program, LaTrobe University) has been appointed 2006-07 Australian Studies Chair. This is Dr Day's second appointment to the Chair.

Quantity information

Dr Les Terry has presented classes, presentations and lectures to over 2000 people during his time in Japan up to June 2006.

Train-the-Trainer Program

The Foundation completed the Train-the-Trainer Pilot Program for Integrated Studies held at the Monash University in Melbourne in November 2005. This program has provided Japanese teachers and teacher trainers with expertise in teaching integrated studies while enhancing their understanding of Australia for the past five years.

The program attracted strong interest from teacher trainers as well as teachers promoting integrated studies teaching in Japan. Many participants conduct classes and training sessions upon returning to Japan, using skills and knowledge gained on the program. The Japanese Ministry of Education, Science, Culture and Technology and regional boards of education have strongly supported the program throughout its implementation. The focus on curriculum development encourages analysis and development of ideas and understandings about Australia.

Quantity information

Fourteen teachers and five teacher trainers participated in the second pilot program held in Melbourne in November 2005. The trainers will organise collaborative workshops focusing on use of the *Experience Australia* kits in Japan in August and September in 2006.

Total price of Output 1.1: \$1.544 million (49 per cent of total costs)

OUTPUT 1.2

Increased development and distribution of information about Australia and the bilateral relationship

INFORMATION

Quality indicators

- Relevance and demand for information distributed
- Extent to which the information assisted the users in understanding the bilateral relationship

Quantity indicator

- Volume and scope of information produced annually. Number of people and organisers to whom information is distributed

Fourth Australia–Japan Conference

The Foundation supported the Fourth Australia–Japan Conference, held in Tokyo on 23 June 2006.



From left Mr Hugh Morgan, Senator Russel Trood and Ms Catherine Harris at the AJC 4

The conference was attended by around 30 leaders from government and the private sector in both countries, including business, academia and the arts. The Australian delegation to the conference was led by Mr Tony Abbott, Minister for Health and Ageing, and was jointly chaired by Mr Hugh Morgan, President of the Australia–Japan Business Cooperation Committee, and Mr Minoru Murofushi, Vice Chairman, Japan–Australia Business Cooperation Committee.

The conference focused on three broad areas: political and strategic; economic and trade; and cultural/people-to-people exchanges.

The conference agreed that people-to-people exchange was the foundation for any political and economic partnership and recognised the important contribution made by grassroots participation, especially in the 2006 Australia–Japan Year of Exchange. The 2006 Year of Exchange was a joint prime ministerial initiative to mark the 30th anniversary of the signing of the 1976 Basic Treaty of Friendship and Cooperation between Australia and Japan.

The longstanding contribution of the Australia Japan Foundation (AJF) to people-to-people links was recognised and attention was drawn to the need for greater mobility of highly skilled people to promote intellectual

exchanges and economic dynamism, sharing of language skills, and the strengthening of sports and arts exchange as a common currency for communication and mutual understanding.



Participants at the AJC 4.

Australian Resource Centre

The Foundation operates a full online lending service available throughout Japan via the Australian Resource Centre. Over 70 per cent of users access the Resource Centre's services online. This includes online search and borrowing of library materials.

Following a review of the Foundation's information function in late 2004 it was recognised that the need for the Foundation to maintain a 'shopfront' presence had diminished significantly as a result of the increased use of computers and access to the internet. This, along with the increasing costs of maintaining a full-service library at the Australian Embassy in Tokyo, has led the Foundation to examine a strategy for a more sustainable information function into the future.

Quantity information

The Australian Resource Centre responded to over 7000 inquiries in 2005–06, hosted 120 school visits (1000 students) and loaned over 2800 items to users. The Foundation also distributed general information materials relating to Australia to over 300 Secondary Schools and 4900 Tertiary Groups.

Internet presence

The Foundation continues to place increasing emphasis on digital information dissemination. It has integrated digital delivery of information about all of its programs, capitalising on the growing use of broadband and internet in Japan.

The Foundation's information dissemination activities focus primarily on delivering current information about Australia in Japan. Information on the bilateral relationship features within many of these activities. The Discovering Australia website, for example, contains a section on bilateral relations written specifically for younger Japanese audiences. In addition, the Australian Resource Centre and the Foundation's website provide information and links to other organisations interested in promoting the Australia-Japan bilateral relationship.

The Discovering Australia website, launched in May 2004, is now one of the key sites visited by young Japanese school children. In December 2005 the Foundation launched a promotional website to coincide with the release of *Discover Eco Australia* teaching materials. The site complements classroom study about Australia, and supports student-initiated research projects.

Quantity information

The Foundation's website continues to be the most visited part (42 per cent) of the Australian government's official website, Australia Web, in Japan. In 2005-06 the site registered over 2.42 million page-views and recorded its target of 200 000 visits average per month. This medium will be enhanced further to ensure it is current and relevant to target audiences.

Promotion and advocacy

The Foundation's promotion and advocacy activities have two main aims: (a) to maximise the use of media to promote Australia and the Foundation's programs and (b) to ensure up-to-date materials and information are made available in the Japanese language about Australia. This is done as part of encouraging further engagement between Australia and Japan, and increasing understanding of contemporary Australia.

In 2005-06 the Foundation supported a lecture by Djon Mundine, specialist in Indigenous arts, which attracted over 150 people from both academic and cultural areas. The Foundation also sponsored the 2006 Annual Conference of the Australian Studies Association of Japan held at Keio University on 10 June 2006.

The Foundation was successful in achieving coverage of its activities by the Japanese media and boosted attendance at key profile-raising events.

Quantity information

Over 1000 people attended lectures and networking events supported by the Foundation throughout 2005–06. In addition, the Foundation’s staff made presentations at over 40 official functions on aspects of the Australia–Japan relationship and on the Foundation’s activities. Media coverage of the Foundation’s programs reached millions of people throughout Japan.

2006 Australia-Japan Year of Exchange

The 2006 Australia–Japan Year of Exchange commemorates the 30th anniversary of the signing of the Basic Treaty of Friendship and Co-operation between both countries in 1976. The treaty led to the establishment of the Australia–Japan Foundation by the Australian Government in the same year. Since its establishment the Foundation has become one of the most important and active bodies in forging people-to-people links between Australia and Japan. With the launch of the Community Exchange Program to celebrate the Year of Exchange, the Foundation continues to recognise and support the role of community groups and people-to-people exchanges as an important part of the broader bilateral relationship.

Total price of Output 1.2: \$1.164 million (37 per cent of total costs)

OUTPUT 1.3

Increased interaction between Australian and Japanese individuals and organisations that showcase or demonstrate Australian expertise in select areas.

STRATEGIC ALLIANCES

Quality indicators

- Extent to which projects expand relations in areas that reflect Australia’s sophistication and expertise
- Extent to which programs expand the range of stakeholders engaged in the bilateral relationship

Quantity indicator

- Number of events/formal interactions facilitated

The Foundation maintains a network of allies in Australia and Japan, who support and contribute to furthering bilateral relations. The Foundation also works to develop links in areas where networks have yet to develop, to enable bilateral exchange and activity to evolve and to expand over time.

Community Exchange Program

In 2005-06 the Foundation established a program to promote people-to-people and professional exchange between Australia and Japan through the launch of a Community Exchange Program. The program supports non-profit organisations to extend their reach and build capacity for new and innovative areas of cooperation across the areas of culture, sport, science, education, health, environment, and welfare.

Japanese recipients of 2006 Community Exchange Program grants:

Tanpopo no ye Foundation

Award: 800 000 yen (approx. A\$9600)

To establish a Community Action Network, specifically a people-to-people and IT-based network, to support the involvement of people with disabilities in local communities (Nara and Brisbane) through arts exchanges.



Presentation of Community Exchange Program Grant by Minister Bailey MP to Mr Yasuo Harima, Chairman of Tanpopo no ye Foundation.

Japan Touch Association

Award: 700 000 yen (approx. A\$8500)

To support the organisation to invite young Australians to Japan for friendly matches and community sports exchanges in August 2006.

Nohara Primary School, Chiso City Hyogo Prefecture

Award: 50 000 yen (approx. A\$600)

In recognition of 25 years of active bilateral exchange with Queensland Ironside Primary School.

Australian recipients of 2006 Community Exchange Program grants:

Global Rock Challenge Holdings Pty Ltd

Award: \$10 000

To support the organisation to take around 130 young Australian performers to Japan to showcase the Rock Eisteddfod Challenge, which is a performing arts event for secondary and primary school students that promotes healthy lifestyle messages.

Australia Japan Golf Society Inc.

Award: \$10 000

To assist the society to stage the Australia-Japan Junior Golf Challenge and host 20 young golfers aged 9-15 years old from Japan.

Quantity information

Marketing and public relations activities for the Community Exchange Program generated a high level of interest among non-profit organisations in both countries and resulted in over 180 applications. The program has attracted wide print and broadcast media coverage in Japan since recipients were announced by the Minister for Small Business and Tourism, the Hon Fran Bailey MP, at the official launch of the Year of Exchange on 26 January 2006.

Australia-Japan Art Exhibitions Program

The Foundation approved funding to Asialink to develop and manage a second series of exhibitions of Australian contemporary art in Japan over a three-year period beginning in 2006. In doing so it promotes Australia's image as a sophisticated country with a dynamic and exciting arts practice. The program aims to strengthen institutional and individual arts linkages and to lead to new partnerships by building upon the successful series of art exhibitions and exchanges that the Foundation sponsored in 2001-04.

Australia-Japan Debaters' Exchange Program

The Australia-Japan Debaters' Exchange Program aims to build networks among young people from both countries who wish to play an active role in the international arena. The Foundation provides funding to the Japan Parliamentary Debating Union (JPDU) to develop and run English debating workshops in Japan featuring champion Australian debaters. The program also enables outstanding Japanese debaters to compete at the annual

Australian Intersvarsity Debating Tournament. These activities reinforce Australia's image as an educated, sophisticated and open democracy.

World-class Australian debaters received high praise for their facilitation of the JPDU Spring Seminar in Tokyo in March 2006. A measure of the program's success was Japanese participants' success in reaching the semi-final of the All-Asian University Debating Championship and the quarter-finals of the World University Debating Championship for the first time in 2005.



Model Debate held at the Australian Embassy March 2006

Quantity information

Debate workshops to date have attracted over 750 debaters from 43 Japanese universities. Over 600 Australian debaters have also engaged with Japanese counterparts through JPDU's participation in the Australian Intersvarsity Debating Tournament. A significant and enduring network of young debaters is emerging from this annual exchange. A number of Japanese universities have endorsed the program, which has assisted Japanese debaters to improve their skills and performance in the international debating arena.

The program supports a three-day debating workshop, attracting over 200 young Japanese debaters each year. JPDU held a model debate at the Australian Embassy in March 2006 and ran various training sessions with Australian debaters' input. Three outstanding English-speaking Japanese debaters from JPDU participated in the Australian Intersvarsity Debating Tournament at the Australian National University, Canberra, in April 2006.

Total price of Output 1.3: \$0.449 million (14 per cent of total costs)

Chapter 4

Management and accountability



The Australia–Japan Foundation was established under the *Australia–Japan Foundation Act 1976* (the AJF Act) following recommendations to government in 1974 by the Crawford Commission, under the chairmanship of Sir John Crawford AC CBE. It operates under the *Financial Management and Accountability Act 1997*. Under Regulation 5 of the Financial Management and Accountability Regulations, the Chairman of the Board is also Chief Executive. The Foundation is responsible to the Minister for Foreign Affairs.

Corporate governance

The Foundation operates within a framework that ensures it is fulfilling its corporate governance responsibilities. The Minister for Foreign Affairs has overall responsibility for the Foundation, which forms part of the Foreign Affairs and Trade portfolio.

Board members

The Foundation has a management board structure. Under section 9 of the AJF Act, the Foundation shall consist of not less than five nor more than 15 members. During the first half of 2005–06, the Board consisted of eight members, including the Chairman (Chief Executive) and the Deputy Chair. From January 2006 the Board operated with six members following the retirement of the Chairman, Mr Jeremy Ellis, and the resignation of Professor Margaret Seares.

The Board usually meets four times a year to review the Foundation's activities, approve new initiatives, and review the unaudited financial statements. In addition, the Foundation holds a strategic review meeting every 18 months to consider the broader issues and longer-term strategic direction of the Foundation.

Audit Committee

The Audit Committee meets four times a year. It comprised the Audit Committee Chair and two other Board members from July to December 2005 and one Board member from January to June 2006. The Board's Chairman also sits on the committee as an ex officio member. The Committee advises the Board on financial management and compliance issues and meets with the Australian National Audit Office following the audit of the Foundation's financial statements.

While the Committee has no executive powers or decision-making authority in relation to the operations of the Foundation, it is authorised to take independent, professional advice as it considers necessary.

Fraud controls

The Foundation has a fraud control plan in place. The Foundation's small size means that transactions are relatively transparent and closely scrutinised, leaving potentially few opportunities for fraudulent activity. Any case of suspected fraud would be evaluated in accordance with the terms of the *Commonwealth Fraud Control Guidelines 2002*. The Foundation has an arrangement with the Department of Foreign Affairs and Trade under which, should a fraud investigation ever become necessary, the department and the Australian Federal Police would conduct the investigation. As employees of the department, the two staff in the Canberra office are subject to the department's code of conduct and ethical policies and procedures. They are also required to complete the department's mandatory fraud and ethics course every three years.

External scrutiny

Report by the Australian National Audit Office

The Foundation received an unqualified audit report from the Australian National Audit Office (ANAO) for its financial statements for 2005-06.

The revocation of AJF's statutory status and re-establishment within the Department of Foreign Affairs and Trade

Following the Government's response to the *Review of Corporate Governance of Statutory Authorities and Office Holders* by Mr John Uhrig, the Australia-Japan Foundation's statutory status will be revoked and re-established as a bilateral foundation within the Department of Foreign Affairs and Trade (DFAT). The *Australia-Japan Foundation (Repeal and Transitional Provisions) Act 2006* received Royal Assent on 5 September 2006. It is expected transitional provisions in the schedule of the Act will come into effect by proclamation in November 2006, thereby repealing the Foundation's enabling legislation to allow it to be re-formed as a non-statutory bilateral body within DFAT. Once the repealing legalisation comes into effect, the Foundation's assets and liabilities will be transferred to DFAT. The Foundation has made appropriate disclosure of this information at Note 3, Events Occurring after Reporting Date, in the financial statements.

Management of human resources

Secretariat staff

Staff in the Canberra and Tokyo offices are responsible for the financial management of the Foundation as well as the development and administration of the Foundation's activities.

During 2004–05 the Board conducted an administrative review to reduce the Foundation's administrative expenses. As part of that review the Board decided to relocate the Foundation's head office to Canberra. This included localising the Tokyo director position and creating the new position of Executive Director in Canberra. The Executive Director commenced work in Canberra in February 2006.

The Executive Director is the Chief Finance Officer, who consults directly with the Audit Committee, the Australian National Audit Office, the Department of Finance and Administration and the Department of Foreign Affairs and Trade's Chief Finance Officer.

In 2005–06 the Foundation recruited a locally engaged staff member as Director Japan on a non-ongoing basis to manage the operations in Tokyo. In addition, the Tokyo office includes four full-time locally engaged staff. A Research Librarian is provided free of charge by the Department of Foreign Affairs and Trade. The Foundation contracts a part-time accountant in Canberra. An Executive Officer in the Canberra office is a full-time officer provided free of charge by the Department of Foreign Affairs and Trade.

Salaries and performance pay

The Executive Director is employed under a non-ongoing contract. The Department of Foreign Affairs and Trade manages workplace agreements for locally engaged staff. A performance-based pay structure was introduced in the Tokyo office in January 2002. Tokyo staff received a combined total of \$18 250 in performance pay in 2005–06.

The Canberra-based Executive Officer is covered under the provisions of the Department of Foreign Affairs and Trade's Certified Agreement and management policies.

Remuneration of the Board

The Minister for Foreign Affairs appoints Board members on a part-time basis. They are paid in accordance with Determination 2006/12 – Remuneration and Allowances for Holders of Part-time Public Office, Category 2 of the *Remuneration Tribunal Act 1973*.

Assets management

In line with the Foundation's strategy of moving out of traditional library services in favour of online web-based information services, the asset life of the Australian Resource Centre (library) has been reduced from 15 years to 26 months effective from 1 July 2005. The asset life of all other library-associated assets has also been reduced. This has increased the depreciation expense by approximately \$180 000.

All asset acquisitions and disposals are recorded on the Department and Foreign Affairs and Trade's SAP financial management and information system.

Purchasing

All contractual arrangements entered into were conducted in accordance with the *Commonwealth Procurement Guidelines* (January 2005), industry development policies and the Department of Foreign Affairs and Trade *Procurement manual guidelines*.

Consultancy services

The Foundation engages recognised experts on an ad hoc basis where we lack specialist expertise or where independent assessments or input are considered desirable.

In 2005-06 the Australian Valuation Office was engaged by the Foundation to re-value the non-financial assets at a cost of \$1800 including GST.

Competitive tendering and contracting (CTC)

All contractual arrangements entered into by the Foundation were conducted in accordance with the *Commonwealth Procurement Guidelines* and industry development policies. The Foundation has recorded all contracts over \$100 000 on the Foundation's website pursuant to the Senate Order on Departmental and Agency contracts.

The Foundation had one new contract for outsourced services exceeding \$100 000:

- Mainichi EVR Systems Inc for outsourced distribution and promotion of *Discover Eco Australia* educational materials at a cost of \$184 982.

The Foundation had one existing contract for outsourced services exceeding \$100 000:

- Curriculum Corporation for the production of the *Discovering Australia* series at a cost of \$237 699.

All CTC contracts of \$100 000 or more let during the reporting period provided for the Auditor-General to have access to the contractor's premises.

The Foundation obtained the Minister's approval prior to entering into contracts exceeding \$50 000 in accordance with section 23(1) of the AJF Act.

Also during 2005-06 two Tokyo companies, OZMA PR and Hitotsubashi Media Rep, were engaged at a cost of \$42 612 by the Foundation to conduct a number of print-based advertising campaigns, deliver professional development workshops and manage administrative tasks for the *Discover Eco Australia* and *Experience Australia* kit programs.

Exempt contracts

The Foundation did not enter into any contracts (inclusive of GST) or any standing offers that had been exempted by the Chief Executive from being published in the Purchasing and Disposal Gazette on the basis that publication would disclose exempt matters under the *Freedom of Information Act 1982*.

Commonwealth Disability Strategy

The Foundation implements its commitment to services for people with disabilities through human resource policies in accordance with guidelines provided by the Department of Foreign Affairs and Trade.

Chapter 5

Other mandatory information



Occupational health and safety

The Foundation's staff in both Canberra and Tokyo are located within premises managed by the Department of Foreign Affairs and Trade. As such, the department manages any occupational health and safety issues for the Foundation.

Freedom of information

The following information is provided in accordance with section 8 of the *Freedom of Information Act 1982*.

Functions and powers

Subject to section 6(1) of the *Australia-Japan Foundation Act 1976* (the AJF Act), the Foundation may do all things that are necessary or convenient to be done, for or in connection with the performance of its functions and, in particular, may:

- enter into contracts;
- occupy, use and control any land or building owned or held under lease by the Commonwealth and made available for the purposes of the Foundation;
- acquire, hold and dispose of property;
- with the approval of the Minister, accept gifts, devises and bequests made to the Foundation, whether on trust or otherwise, and act as trustee of property vested in the Foundation upon trust;
- make grants or loans of money and provide scholarships or other benefits, on such conditions as it thinks fit; and
- cooperate with other persons.

Minister's power of direction

The Foundation is responsible to the Minister for Foreign Affairs. The AJF Act gives the Minister statutory power of direction to:

- require advice from the Foundation concerning any specified matter falling within the scope of the functions of the Foundation;
- give general directions regarding the performance of the Foundation's functions;
- terminate the appointment of members in certain circumstances;
- require the convening of a meeting of the Foundation; and
- require the Foundation to furnish reports to the Minister, with or without financial statements, in addition to the annual report.

The Foundation shall not, without the approval of the Minister for Foreign Affairs:

- enter into a contract involving the payment or receipt of an amount exceeding \$50 000 or, if a higher amount is prescribed, that higher amount; or
- enter into a lease of land for a period exceeding 10 years.

Arrangements for outside participation

The Foundation can invite persons outside the Commonwealth to participate in the formulation of policy, or in the administration of an enactment or scheme.

Categories of documents

The Foundation has documentary holdings, including:

- minutes, memoranda, file notes;
- submissions to the Minister for Foreign Affairs and senior officers;
- working files and correspondence.

Obtaining access to information

Members of the public can seek access to documents by lodging a formal Freedom of Information request. This must be made in writing, be accompanied by the application fee, and include a telephone number, a fax number (if available) and an address within Australia to which notifications are to be addressed.

Facilities for examining Foundation documents are provided at the secretariats in Tokyo and Canberra and on the website <www.ajf.australia.or.jp/english>.

Initial contact points

Access inquiries should be addressed to the Executive Director, Australia-Japan Foundation, PO Box 6040, Kingston, ACT 2604. The office is located within the Department of Foreign Affairs and Trade in the RG Casey Building, John McEwen Crescent, Barton, ACT 0221. The telephone number is: 02 6261 3898 and the facsimile number is: 02 6261 2143.

Advertising and market research

As required under section 311A of the Commonwealth Electoral Act 1918, the following is a list agencies and organisations contracted by the Foundation (including overseas) to provide advertising and market research services.

Agency/Organisation	Description	Amount (\$)
HMA Blaze Pty Ltd	Advertisement for recruitment	2 488
HMA Blaze Pty Ltd	Advertisement for recruitment	7 796
OZMA PR	Advertising workshops and demonstration kits	5 988
Hitotsubashi Media Rep	Advertising workshops and demonstration kits	7 415
Total		23 687

No other single advertising, market research, direct mail or media placement over \$1500 was conducted during the year.

Ecologically sustainable development and environmental performance reporting

As a portfolio agency, the Foundation adopts the Department of Foreign Affairs and Trade's policies and guidelines to ensure that its activities accord with and contribute to the principles of ecologically sustainable development, and are shaped and implemented with appropriate reference to environmental impact.

Discretionary grants

The Foundation did not administer any discretionary grant programs during the financial year.

Consultancy services let during 2005–06 valued at \$10 000 or more

The Foundation engaged no consultancy services valued at \$10 000 or more.

Competitive tendering and contracting (CTC) exceeding \$100 000

In selecting contractors, both in Australia and in Japan, the Foundation uses a process that is in accordance with the Department of Foreign Affairs and Trade's broader procurement policies and the Commonwealth Procurement Guidelines. The Foundation strives for an open and non-discriminatory process, based on the principle of value for money.

Mainichi EVR Systems Inc was contracted for the outsourced distribution and promotion of *Discover Eco Australia* educational materials for Japanese primary and junior schools at a cost of \$184 982, by Select Tender.¹

1. Explanation of selection process terms drawn from the Commonwealth Procurement Guidelines (January 2005):

Open Tender: A procurement procedure in which a request for tender is published inviting all businesses that satisfy the conditions for participation to submit tenders.

Select Tender: A procurement procedure in which the procuring agency selects which potential suppliers are invited to submit tenders in accordance with the mandatory procurement procedures.

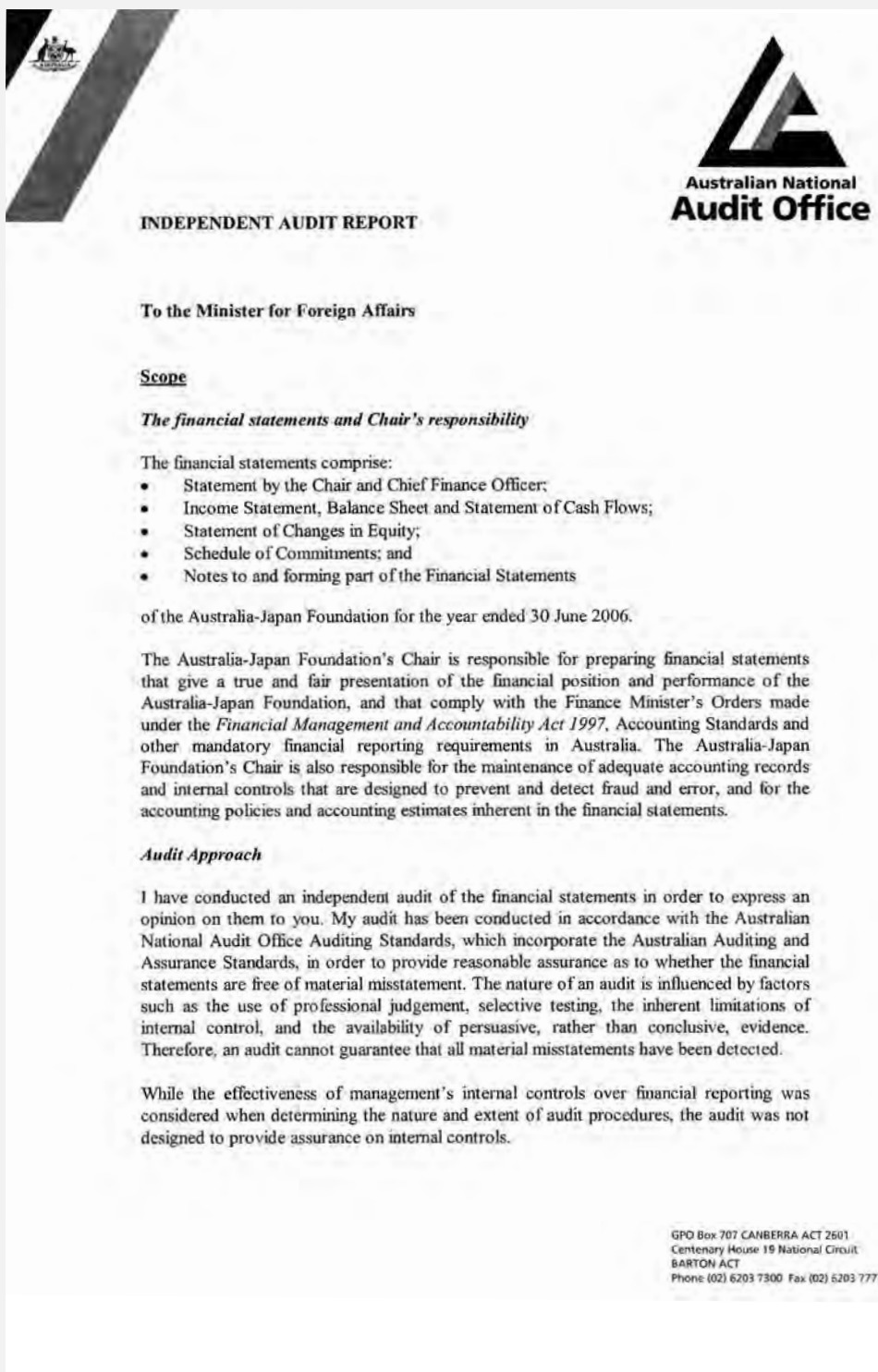
Direct Sourcing: A procurement process, available only under certain defined circumstances, in which an agency may contact a single potential supplier or suppliers of its choice and for which conditions for direct sourcing apply under the mandatory procurement procedures.

Panel: An arrangement under which a number of suppliers, usually selected through a single procurement process, may each supply property or services to an agency as specified in the panel arrangements.

Chapter 6

Financial statements





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's Chair.

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 June 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

19 September 2006



Australian Government


中日交流基金
Australia-Japan Foundation**STATEMENT BY THE CHAIR AND THE CHIEF FINANCE OFFICER**

In our opinion, the attached financial statements for the year ended 30 June 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.....

Catherine Rossi Harris AO PSM
Chair

19 September 2006

Signed.....

Elaine Ward
Chief Finance Officer

19 September 2006

PO Box 6040
Kingston ACT 2604 Australia
Tel 02 6261 3898
Fax 02 6261 2143
www.ajf.australia.or.jp/english

AUSTRALIA-JAPAN FOUNDATION
INCOME STATEMENT
as at 30 June 2006

		2006	2005
	Notes	\$	\$
INCOME			
<i>Revenues</i>			
Revenues from Government	4A	2,454,000	2,516,000
Services	4B	2,930	9,484
Interest	4C	46,357	58,524
Other revenues	4D	13,541	135
<i>Total revenue</i>		<u>2,516,828</u>	<u>2,584,143</u>
<i>Gains</i>			
Net foreign exchange gains	4E	6,046	40,415
Other gains	4F	666,891	746,504
<i>Total gains</i>		<u>672,937</u>	<u>786,919</u>
TOTAL INCOME		<u>3,189,765</u>	<u>3,371,062</u>
 EXPENSES			
Employees	5A	1,072,017	1,131,278
Suppliers	5B	1,734,563	1,912,498
Depreciation and amortisation	5C	266,598	106,081
Net Loss from Disposal of Assets	5D	329	9,481
Asset Revaluation Write-Downs	5E	82,951	-
TOTAL EXPENSES		<u>3,156,458</u>	<u>3,159,338</u>
 OPERATING RESULT		<u>33,307</u>	<u>211,724</u>

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

AUSTRALIA-JAPAN FOUNDATION
BALANCE SHEET
as at 30 June 2006

	Notes	2006 \$	2005 \$
ASSETS			
Financial Assets			
Cash and cash equivalents	6A	989,089	1,043,478
Receivables	6B	4,573	1,162
Total Financial Assets		993,662	1,044,640
Non-Financial Assets			
Infrastructure, plant and equipment	7A, C	109,778	565,855
Intangibles	7B, C	31,121	59,715
Other non-financial assets	7D	34,279	16,753
Total Non-Financial Assets		175,178	642,323
TOTAL ASSETS		1,168,840	1,686,963
LIABILITIES			
Payables			
Suppliers	8A	2,349	18,311
Other Payables	8B	133,838	234,773
Total Payables		136,187	253,084
Provisions			
Employees	9A	225,685	449,990
Total Provisions		225,685	449,990
TOTAL LIABILITIES		361,872	703,074
NET ASSETS		806,968	983,889
EQUITY			
Reserves		4,961	150,188
Retained Surpluses /(Accumulated deficits)		802,007	833,701
TOTAL EQUITY		806,968	983,889
Current Assets		1,027,941	1,061,393
Non-current Assets		140,899	625,570
Current Liabilities		161,675	519,862
Non-current Liabilities		200,197	183,212

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

AUSTRALIA-JAPAN FOUNDATION
STATEMENT OF CASH FLOWS
as at 30 June 2006

	Notes	2006 \$	2005 \$
OPERATING ACTIVITIES			
Cash Received			
Services		2,913	9,527
Appropriations		2,454,000	2,547,000
Interest		44,331	58,524
Net GST received from ATO		54,747	44,013
Other		13,541	135
Total Cash Received		2,569,532	2,659,199
Cash Used			
Employees		936,299	747,129
Suppliers		1,677,190	1,379,443
Total Cash Used		2,613,489	2,126,572
Net Cash from or (used By) operating activities	10	(43,957)	532,627
INVESTING ACTIVITIES			
Cash Used			
Purchase of plant and equipment and intangibles		10,433	8,145
Total Cash Used		10,433	8,145
Net Cash From or (Used By) Investing Activities		10,433	8,145
FINANCING ACTIVITIES			
Cash Used			
Dividends paid		-	126,687
Total Cash Used		-	126,687
Net Cash From or (Used By) Financing Activities		-	126,687
Net Increase or (Decrease) in Cash Held		(54,390)	397,795
Cash at the beginning of the reporting period		1,043,479	645,684
Cash at the End of the Reporting Period	6A	989,089	1,043,479

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

AUSTRALIA-JAPAN FOUNDATION
STATEMENT OF CHANGES IN EQUITY
as at 30 June 2006

Item	Accumulated Results		Asset Revaluation Reserves		Contributed Equity/Capital		Total Equity	
	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$
Opening balance as at 1 July	833,701	621,977	150,188	148,047	-	-	983,889	770,024
Income and Expense								
Revaluation adjustment	-	-	(145,227)	2,141		-	(145,227)	2,141
Subtotal income and expenses recognised directly in equity	-	-	(145,227)	2,141	-	-	(145,227)	2,141
Net Operating Result	33,307	211,724	-	-	-	-	33,307	211,724
Total income and expenses	33,307	211,724	(145,227)	2,141	-	-	(111,920)	213,865
Transactions with owner:								
Distributions to owners:								
Returns on Capital	(65,000)	-	-	-	-	-	-	-
Dividends		-	-	-	-	-	(65,000)	-
Contributions by Owners								
Appropriation (equity injection)	-	-	-	-	-	-	-	-
Restructuring	(65,000)	-	-	-	-	-	-	-
Sub-total Transactions with Owners		-	-	-	-	-	(65,000)	-
Transfers between equity components	-	-	-	-	-	-	-	-
Closing balance as at 30 June 2006	802,008	833,701	4,961	150,188	-	-	806,969	983,889

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

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

	2006 \$	2005 \$
BY TYPE		
Other Commitments		
Operating leases ¹	583,858	917,799
Other	115,319	44,874
Total Other Commitments	699,177	962,673
Commitments Receivable	-	-
Net Commitments by Type	699,177	962,673
BY MATURITY		
Operating Lease Commitments ¹		
One year or less	193,600	342,894
From one to five years	390,258	574,905
Over five years	-	-
Total Operating Lease Commitments	583,858	917,799
Other Commitments ²		
One year or less	115,319	44,874
From one to five years	-	-
Over five years	-	-
Total Other Commitments	115,319	44,874
Net Commitments by Maturity	699,177	962,673

NB: Commitments are GST inclusive where relevant.

AUSTRALIA-JAPAN FOUNDATION
SCHEDULE OF COMMITMENTS
as at 30 June 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 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 4A.

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

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
as at 30 June 2006

Note	Description
Note 1:	Summary of Significant Accounting Policies
Note 2:	The impact of the transition to AEIFRS from previous AGAAP
Note 3:	Events after the Balance Sheet Date
Note 4:	Income
Note 5:	Expenses
Note 6:	Financial Assets
Note 7:	Non-Financial Assets
Note 8:	Payables
Note 9:	Provisions
Note 10:	Cash Flow Reconciliation
Note 11:	Executive Remuneration
Note 12:	Remuneration of Auditors
Note 13:	Average Staffing Levels
Note 14:	Financial Instruments
Note 15:	Appropriations
Note 16:	Special Accounts
Note 17:	Compensation and Debt Relief
Note 18:	Reporting of Outcomes

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
as at 30 June 2006

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.

1.2 Basis of the Preparation of the Financial Statements

The financial statements 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 (Financial Statements for reporting periods ending on or after 30 June 2005)*);
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board; and
- Interpretations issued by the AASB and UIG that apply for the reporting period.

This is the first financial report to be prepared in compliance with the Australian Equivalents to International Financial Reporting Standards (AEIFRS). The impacts of adopting AEIFRS are disclosed in Note 2.

The Income Statement and Balance Sheet have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets, which, as noted, are at fair value or amortised cost. 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
as at 30 June 2006

Note 1: Summary of Significant Accounting Policies (continued)

Unless alternative treatment is specifically required by an accounting standard, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies. (Refer Note 1.13.)

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 or 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) in August 2007. (Refer Note 3.)

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

1.4 Application of Accounting Standards

The following table lists the Australian Accounting Standards that have not been applied, and/or standards that have been issued but are not yet effective.

The AASB has issued amendments to existing standards, these amendments are denoted by year and then number, for example 2005-1 indicates amendment 1 issued in 2005.

The table below illustrates standards and amendments that will become effective for the Australia-Japan Foundation in the future. The nature of the impending change within the table, has been out of necessity abbreviated and users should consult the full version available on the AASB's website to identify the full impact of the change. The expected impact on the financial report of adoption of these standards is based on Foundation's initial assessment at this date, but may change. The Australia-Japan Foundation intends to adopt all of standards upon their application date.

AUSTRALIA-JAPAN FOUNDATION**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS***as at 30 June 2006*

	Standard affected	Application date*	Nature of impending change	Impact expected on financial report
2005-1	AASB 139	1 Jan 2006	Amends hedging requirements for foreign currency risk of a highly probable intra-group transaction.	No expected impact.
2005-4	AASB 139, AASB 132, AASB 1, AASB 1023 and AASB 1038	1 Jan 2006	Amends AASB 139, AASB 1023 and AASB 1038 to restrict the option to fair value through profit or loss and makes consequential amendments to AASB 1 and AASB 132.	No expected impact.
2005-5	AASB 1 and AASB 139	1 Jan 2006	Amends AASB 1 to allow an entity to determine whether an arrangement is, or contains, a lease. Amends AASB 139 to scope out a contractual right to receive reimbursement (in accordance with AASB 137) in the form of cash.	No expected impact.
2005-6	AASB 3	1 Jan 2006	Amends the scope to exclude business combinations involving entities or businesses under common control.	No expected impact.
2005-9	AASB 4, AASB 1023, AASB 139 and AASB 132	1 Jan 2006	Amended standards in regards to financial guarantee contracts.	No expected impact.
2005-10	AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038	1 Jan 2007	Amended requirements subsequent to the issuing of AASB 7.	No expected impact.
2006-1	AASB 121	31 Dec 2006	Changes in requirements for net investments in foreign subsidiaries depending on denominated currency.	No expected impact.
	AASB7 Financial Instruments: Disclosures	1 Jan 2007	Revise the disclosure requirements for financial instruments from AASB132 requirements.	No expected impact.

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
as at 30 June 2006

Note 1: Summary of Significant Accounting Policies (continued)

1.5 Revenues and Receivables

Revenues 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.

Other 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.

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.

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
as at 30 June 2006

Note 1: Summary of Significant Accounting Policies (continued)

1.6 Gains

Resources Received Free of Charge

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

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

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

1.7 Transactions with the Government as Owner

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

1.8 Employee Benefits

As required by Finance Minister's Orders, the Australia-Japan Foundation has early adopted AASB 119 *Employee Benefits* as issued in December 2004.

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.

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
as at 30 June 2006

Note 1: Summary of Significant Accounting Policies (continued)

1.8 Employee Benefits (continued)

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.

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.

Locally engaged staff (LES) in Tokyo, are entitled to resignation benefits after 5 years of service or retirement benefits when they reach the age of 60.

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.

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

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
as at 30 June 2006

Note 1: Summary of Significant Accounting Policies (continued)

1.8 Employee Benefits (continued)

Overseas Allowances

Overseas conditions of service entitlements for officers during their posting are expensed as incurred. These allowances were applicable for the six months from July to December 2005. At reporting date, the Foundation had no liability for overseas allowances.

Superannuation

Staff of the Foundation are members of the Public Sector Superannuation Scheme. The liability for their superannuation benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course.

The Foundation makes employer contributions to the Australian Government at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of the Foundation's employees.

Retirement and resignation benefits entitlements accrued by locally engaged staff in Tokyo are brought to account as non-current provisions at their nominal value at 30 June 2006.

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.

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 Cash and cash equivalents

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
as at 30 June 2006

Note 1: Summary of Significant Accounting Policies (continued)

1.11 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.

1.12 Trade Creditors

Trade creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

1.13 Contingent Liabilities and Contingent Assets

Contingent Liabilities and Assets are not recognised in the Balance Sheet but are discussed 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. Where settlement becomes probable, a liability or asset is recognised. A liability or asset is recognised when its existence is confirmed by a future event, settlement becomes probable (virtually certain for assets) or reliable measurement becomes possible. There were no quantifiable contingent assets or liabilities as at 30 June 2006. There were also no unquantifiable or remote contingent assets or liabilities for the current or prior years.

1.14 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.

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
as at 30 June 2006

Note 1: Summary of Significant Accounting Policies (continued)

1.15 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).

Revaluations

Basis

Library, plant and equipment are carried at valuation, being revalued annually. The valuations this financial year were based on the closure of the library in Tokyo in August 2007, which has a significant impact on both the Income Statement and the Balance Sheet. (Refer Note 3.) Valuations undertaken in each year are as at 30 June.

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, valuations are normally 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. However, for June 2006, the revaluations were based on disposal value due to the proposed closure of the library in Tokyo in August 2007. (Refer Note 3.)

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 profit and loss. Revaluation decrements for a class of assets are recognised directly through profit and loss 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
as at 30 June 2006

Note 1: Summary of Significant Accounting Policies (continued)

1.15 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. Leasehold improvements are depreciated on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

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:

	2006	2005
• Plant and equipment	5 to 10 years	5 to 10 years
• Australian Resource Centre (library)	26 months	19 to 20 years
• 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 5C.		

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
as at 30 June 2006

Note 1: Summary of Significant Accounting Policies (continued)

1.16 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. The useful lives of the Foundation's software was 7 to 10 years (2004-05: 7 to 10 years). However, due to the proposed closure of the library in Tokyo in August 2007, the remaining useful life of the Foundation's software is 14 months. (Refer Note 3.)

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

1.17 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
as at 30 June 2006

Note 2: The impact of the transition to AEIFRS from previous AGAAP

The cash flow statement presented under previous AGAAP is equivalent to that prepared under AEIFRS.

Set out below are the key areas where accounting policies are expected to change on adoption of AEIFRS. The financial effect of these changes has been assessed as immaterial to the Foundation.

- i. Under AASB119 *Employee Benefits*, annual leave not expected to be settled within 12 months of balance day is discounted to a present value. Under AGAAP annual leave is measured at the nominal amount regardless of when it is expected to be settled.

AEIFRS includes an option for entities not to restate comparative information in respect to financial instruments in the first AEIFRS report. Amounts for financial instruments presented in AJF's 2005-06 primary financial statements are not expected to change as a result of the adoption of AEIFRS.

The Foundation has assessed the impacts of AEIFRS. The Foundation assesses that no adjustments are required to be made.

Note 3: 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 will be revoked. The *Australia-Japan Foundation (Repeal and Transitional Provisions) Bill 2006* received Royal Assent on 5 September 2006. It is expected that the schedule to the Act will come into effect by proclamation in November. 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). Once the repealing legislation comes into effect, the Foundation's assets and liabilities will be transferred to DFAT.

The AJF Board on 16 June 2006 confirmed its earlier decision to close the Australian Resource Centre (library) in Tokyo. The expected date of the closure is August 2007. As at 30 June 2006, the library and all associated assets have a remaining depreciable life of 14 months.

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
as at 30 June 2006

	2006 \$	2005 \$
Note 4: Income		
<u>Revenues</u>		
<u>Note 4A: Revenues from Government</u>		
Appropriations for outputs	<u>2,454,000</u>	<u>2,516,000</u>
<u>Note 4B: Services</u>		
Services - External Entities	<u>2,930</u>	<u>9,484</u>
<u>Note 4C: Interest Revenue</u>		
Interest on deposits	<u>46,357</u>	<u>58,524</u>
<u>Note 4D: Other Revenues</u>		
Other Revenues	<u>13,541</u>	<u>135</u>
<u>Gains</u>		
<u>Note 4E: Net Foreign Exchange Gain/ (Loss) ¹</u>		
Non-speculative, unrealised	<u>6,046</u>	<u>40,415</u>
<u>Note 4F: Other gains</u>		
Resources received free of charge	<u>666,891</u>	<u>746,504</u>

¹ This represents unrealised foreign exchange movement on employee provisions.

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
as at 30 June 2006

	2006	2005
	\$	\$
Note 5: Expenses		
<u>Note 5A: Employee Expenses</u>		
Wages and Salaries	566,119	585,325
Superannuation	12,929	14,308
Leave and other entitlements	136,442	173,667
Resources provided free of charge	356,527	357,978
Total employee expenses	1,072,017	1,131,278
<u>Note 5B: Supplier Expenses</u>		
Goods from external entities	248,283	379,380
Services from related entities	310,364	485,220
Services from external entities	830,473	556,577
Operating lease rentals ¹	342,894	490,733
Workers' compensation premiums	2,549	588
Total supplier expenses	1,734,563	1,912,498
<u>Note 5C: Depreciation and Amortisation</u>		
<u>Depreciation</u>		
Infrastructure, plant and equipment	239,111	60,847
<u>Amortisation</u>		
Intangibles — Computer Software	27,487	45,234
Total depreciation and amortisation	266,598	106,081

¹ These comprise minimum lease payments only.

Depreciation expenses are approximately \$180,000 higher than usual due to the reduction of the useful life of the Library in Tokyo to August 2007, when it is expected to cease operation and also be fully depreciated. The life of the Library was changed from 20 years to 26 months, effective from 1 July 2005.

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
as at 30 June 2006

	2006	2005
	\$	\$

Note 5: Expenses (continued)

Note 5C: Depreciation and Amortisation (continued)

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

Plant and equipment	24,415	27,232
Library - Australian Resource Center, Tokyo	214,696	33,615
Internally developed software — in use	23,256	42,653
Other software	4,231	2,581
Total depreciation and amortisation	266,598	106,081

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

Note 5D: Net Loss/ (Gains) from Write-off of

Assets

Infrastructure, plant and equipment:

Write-offs	329	9,481
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Note 5E: Asset Revaluation Write-Downs

Asset Revaluation Decrement	82,951	-
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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
as at 30 June 2006

	2006 \$	2005 \$
Note 6: Financial Assets		
<u>Note 6A: Cash and cash equivalents</u>		
Special Account	146,807	844,407
Special Account - 30 Day Bank Bills	650,000	-
Departmental (other than special accounts)	192,282	199,071
Total cash	989,089	1,043,478
<u>Note 6B: Receivables</u>		
GST receivable from the Australian Taxation Office	2,402	1,033
Accrued Revenue	2,171	129
Total receivables (net)	4,573	1,162
Receivables are represented by:		
Current	4,573	1,162
Total receivables (net)	4,573	1,162
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 (2005: 30 days).		
Receivables (gross) are aged as follows:		
Not Overdue	4,573	1,162
Total receivables (gross)	4,573	1,162

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
as at 30 June 2006

	2006	2005
	\$	\$
Note 7: Non-Financial Assets		
<u>Note 7A: Infrastructure, Plant and Equipment</u>		
<i>Infrastructure, plant and equipment</i>		
– fair value ¹	125,349	649,732
– accumulated depreciation	(15,571)	(83,877)
	109,778	565,855
<i>Total Infrastructure, Plant and Equipment</i>		
<i>(non-current)</i>	109,778	565,855

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

Revaluation decrements of \$227,070 for infrastructure, plant and equipment (2005: increments of \$2,141) were made to the asset revaluation reserves (\$145,227) and expenses (\$81,843).

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
as at 30 June 2006

	2006	2005
	\$	\$
Note 7: Non-Financial Assets (continued)		
<u>Note 7B: Intangible Assets</u>		
<i>Computer software</i>		
Purchased Software - fair value ¹	4,200	106,012
Accumulated amortisation	(213)	(96,685)
<i>Total purchased software</i>	3,987	9,327
Revaluation decrements of \$1,108 for computer software were made to expenses.		
Internally developed — in use — at cost	208,651	208,651
Accumulated amortisation	(181,518)	(158,263)
<i>Total internally developed software - in use</i>	27,133	50,388
<i>Total computer software</i>	31,121	59,715

¹ The library (ARC) in Tokyo is planned for closure by August 2007. The library and all associated assets have an end life of 31 August 2007 which has increased the depreciation expense by shortening the life of the assets (Note 5C). The valuer has also reduced the value to the assets to disposal value (Note 7A).

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
as at 30 June 2006

Note 7: Non-Financial Assets (continued)

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

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

Item	Plant and Equipment	Computer software internally developed	Computer software purchased	TOTAL
	\$	\$	\$	\$
As at 1 July 2005:				
Gross book value	649,732	208,651	106,012	964,395
Accumulated depreciation/amortisation	(83,877)	(158,262)	(96,686)	(338,825)
Opening Net Book Value	565,855	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	266,046	-	44,462	310,508
Depreciation / amortisation expense	(239,111)	(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
As at 30 June 2006				
Gross book value	125,349	208,651	4,200	338,200
Accumulated depreciation/amortisation	(15,571)	(181,518)	(213)	(197,302)
Closing Net Book Value	109,778	27,133	3,987	140,898

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
as at 30 June 2006

Note 7: Non-Financial Assets (continued)

Note 7C: 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)

	2006	2005
	\$	\$
<u>Note 7D: Other Non-Financial Assets</u>		
Prepayments	34,279	16,753

All other non-financial assets are current assets.

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
as at 30 June 2006

	2006	2005
	\$	\$
Note 8: Payables		
<u>Note 8A: Suppliers</u>		
Trade creditors ¹	2,349	18,311
Total supplier payables	2,349	18,311
Supplier payables are presented by:		
Current	2,349	18,311
Non-current	-	-
Total supplier payables	2,349	18,311
Settlement is usually made net 30 days.		
<u>Note 8B: Other Payables</u>		
Accrued Expenses ¹	68,838	234,773
Dividend payable	65,000	-
Total other payables	133,838	234,773

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 other payables are current liabilities.

¹ 2004-05 Accrued expenses were previously included in Trade creditors

AUSTRALIA-JAPAN FOUNDATION**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS***as at 30 June 2006*

	2006	2005
	\$	\$
Note 9: Provisions		
<u>Note 9A: Employee Provisions</u>		
Salaries and wages	4,109	12,026
Leave	21,379	24,752
Separations and redundancies	200,197	413,212
<i>Total employee provisions</i>	225,685	449,990
Current	25,488	266,778
Non-current	200,197	183,212

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
as at 30 June 2006

	2006	2005
	\$	\$
Note 10: Cash Flow Reconciliation		
Reconciliation of operating result to net cash from operating activities:		
Operating result	33,307	211,724
Depreciation /amortisation	266,598	106,081
Net write-down of non-financial assets	82,951	-
Net loss on disposal of assets	329	9,481
(Increase) / decrease in net receivables	(3,411)	31,586
(Increase) / decrease in prepayments	(17,526)	(4,312)
Increase / (decrease) in employee provisions	(224,307)	(14,243)
Increase / (decrease) in supplier payables	(15,962)	192,311
Increase / (decrease) in accrued expenses	(165,935)	-
<i>Net cash from / (used by) operating activities</i>	(43,957)	532,628

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
as at 30 June 2006

	2006	2005
Note 11: Executive Remuneration		
The number of members who received remuneration during the 2005-2006 financial year within the following bands is:		
\$0 to \$9,999	7	9
The aggregate amount of total remuneration of members shown above.	\$10,832	\$8,944
No other remuneration was paid to Board members.		
The aggregate amount of separation and redundancy/termination benefit payments during the year to members shown above.	Nil	Nil
Note 12: 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:	30,000	30,000
No other services were provided by the Auditor-General.		
Note 13: Average Staffing Levels	2006	2005
The average staffing levels for the Foundation during the year were:	6	7

AUSTRALIA-JAPAN FOUNDATION

STATEMENT OF CHANGES IN EQUITY

as at 30 June 2006

Note 14: Financial Instruments

Note 14A: Interest Rate Risk

Financial Instrument	Notes	Floating Interest Rate		Fixed Interest Rate						Non-Interest Bearing		Total			Weighted Average Effective Interest Rate	
				1 Year or Less		1 to 5 Years		> 5 Years								
		2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 %
Financial Assets																
Cash at bank	6A	-	-	650,000	-	-	-	-	-	339,089	1,043,478	989,089	1,043,478	5.62	5.40	
Receivables for goods and services (gross)	6B	-	-	-	-	-	-	-	-	2,171	129	2,171	129	n/a	n/a	
Total		-	-	650,000	-	-	-	-	-	341,260	1,043,607	991,260	1,043,607			
Total Assets												1,168,840	1,686,963			
Financial Liabilities																
Trade creditors	8A, 8B	-	-	-	-	-	-	-	-	71,188	253,084	71,188	253,084	N/A	N/A	
Total		-	-	-	-	-	-	-	-	71,188	253,084	71,188	253,084			
Total Liabilities												361,872	703,074			

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
as at 30 June 2006

Note 14: Financial Instruments (continued)

14B: 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 14C: 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
STATEMENT OF CHANGES IN EQUITY
as at 30 June 2006

Note 15: Appropriations

Note 15A: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund (CRF) for Ordinary Annual Services Appropriations

Particulars	Departmental Outputs		Total	
	2006	2005	2006	2005
	\$	\$	\$	\$
Balance carried from previous year	200,104	(94,342)	200,104	(94,342)
Opening Balance adjustment to Special Account	-	152,160	-	152,160
<i>Adjusted Balance carried for previous period</i>	200,104	57,818	200,104	57,818
Appropriation Act (No.1)	2,438,000	2,461,000	2,438,000	2,461,000
Appropriation Act (No.3)	16,000	55,000	16,000	55,000
Appropriation reduced by section 9 determinations (current year)	-	-	-	-
Sub-total Annual Appropriation	2,454,000	2,516,000	2,454,000	2,516,000
Appropriations to take account of recoverable GST (FMAA s30A)	22,711	24,031	22,711	24,031
Annotations to 'net appropriations' (FMAA s31)	65	3,452	65	3,452
Total Appropriations available for payments	2,676,880	2,601,301	2,676,880	2,601,301
Cash Payments made during the year (GST inclusive)	(1,483,528)	(1,401,197)	(1,483,528)	(1,401,197)
Appropriations credited to Special Accounts (excluding GST)	(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	193,352	200,104	193,352	200,104
<i>Represented by:</i>				
Cash at bank and on hand	192,282	199,071	192,282	199,071
Receivables – GST receivable from ATO	1,070	1,033	1,070	1,033
Total	193,352	200,104	193,352	200,104

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
as at 30 June 2006

Note 16: Special Accounts

Australia-Japan Foundation (Departmental)	2006	2005
	\$	\$
<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	844,407	772,603
Adjustment to opening balance	-	(152,160)
<i>Adjusted balance carried forward from previous year</i>	844,407	620,443
Appropriation Act (No.1) 2004-2005	1,000,000	1,000,000
Costs Recovered from non-government sector	-	-
Services — rendering of services to external entities	2,848	6,221
Other Receipts	-	-
Services — rendering of services to external entities	13,541	-
Interest	44,331	58,513
GST credits (FMAA s30A)	33,405	19,439
Available for payments	1,938,532	1,704,616
Payments	(1,140,395)	(860,209)
Investment debits from the Special Account (FMAA s39)	(1,350,000)	(1,590,000)
Amounts credited to Special Account on redemption of investment	700,000	1,590,000
Balance carried to next year	798,140	844,407
<i>Represented by:</i>		
Cash — held by the Foundation	146,807	844,407
Cash - held in Investment	650,000	-
Receivables — Net GST Receivable from ATO	1,333	-
Total	798,140	844,407

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
as at 30 June 2006

Note 16: Special Accounts (continued)

Investment of Public Money:	2006	2005
Special Appropriations under section 39 of theFMA Act	\$	\$
Amount invested carried from previous period	-	-
Prior year investments redeemed in current year	-	-
Investments made during the year	10,344,300	8,150,000
Interest earned	46,398	58,524
Transactional charges	-	-
Redemptions of current year investments	(9,740,698)	(8,208,524)
Amount invested carried to the next period (sum of the above)	650,000	-
<i>Budget estimate</i>	1,350,000	1,590,000

Other Trust Monies Special Account	2006	2005
	\$	\$
<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 no transactions for this Special Account.

Services for Other Government and Non-Agency Bodies (Departmental)	2006	2005
	\$	\$
<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 no transactions for this Special Account.

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
as at 30 June 2006

	2006 \$	2005 \$
Note 17. Compensation and Debt Relief		
<i>Departmental</i>		
No 'Act of Grace' payments were made during the reporting period (2005: No payments made)	Nil	Nil
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> (2005: No waivers made)	Nil	Nil
No ex-gratia payments were made during the reporting period (2005: No payments made)	Nil	Nil
No payments were made under the 'Defective Administration Scheme' during the reporting period (2005: No payments made)	Nil	Nil
No payments were made under section 73 of the <i>Public Service Act 1999</i> during the reporting period (2005: No payments made)	Nil	Nil

AUSTRALIA-JAPAN FOUNDATION
STATEMENT OF CHANGES IN EQUITY
as at 30 June 2006

Note 18: Reporting of Outcomes

18A Net Cost of Outcome Delivery

	Outcome 1		Total	
	2006	2005	2006	2005
	\$	\$	\$	\$
Departmental expenses	3,156,458	3,159,338	3,156,458	3,159,338
Total expenses	3,156,458	3,159,338	3,156,458	3,159,338
<i>Costs recovered from provision of goods and services to the non-government sector</i>				
Departmental	2,930	9,484	2,930	9,484
Total costs recovered	2,930	9,484	2,930	9,484
<i>Other external revenues</i>				
Departmental				
Interest on cash deposits	46,357	58,524	46,357	58,524
Other	19,587	40,550	19,587	40,550
Total Departmental	65,944	99,075	65,943	99,075
Total other external revenues	65,944	99,075	65,944	99,075
Net cost/(contribution) of outcome	3,087,584	3,050,779	3,087,584	3,050,779

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
STATEMENT OF CHANGES IN EQUITY

as at 30 June 2006

Note 18: Reporting of Outcomes (continued)

18B: 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	
	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$
Departmental expenses								
Employees	589,610	588,265	310,886	333,727	171,522	209,287	1,072,018	1,131,278
Suppliers	954,010	994,499	503,023	564,187	277,530	353,812	1,734,563	1,912,498
Depreciation and amortisation	-	-	266,598	106,081	-	-	266,598	106,081
Other expenses	-	-	83,279	9,481	-	-	83,279	9,481
Total departmental expenses	1,543,620	1,582,764	1,163,786	1,013,476	449,051	563,099	3,156,458	3,159,339
Funded by:								
Revenues from government	1,349,700	1,308,320	752,717	742,220	351,583	465,460	2,454,000	2,516,000
Sale of goods and services	-	-	2,930	9,484	-	-	2,930	9,484
Other non-taxation revenues	403,059	439,701	245,218	249,446	84,558	156,432	732,835	845,578
Total departmental revenues	1,752,759	1,748,021	1,000,865	1,001,150	436,141	621,892	3,189,765	3,371,062

Abbreviations and index



ABBREVIATIONS

AASB	Australian Accounting Standards Board
AEIFRS	Australian Equivalents to International Financial Reporting Standards
AGAAP	Australian Generally Accepted Accounting Principles
AJF	Australia-Japan Foundation
ANAO	Australian National Audit Office
ARC	Australian Resource Centre, Tokyo
ATO	Australian Taxation Office
CRF	Consolidated Revenue Fund
CTC	competitive tendering and contracting
DFAT	Department of Foreign Affairs and Trade
FMA Act	<i>Financial Management and Accountability Act 1997</i>
FMAA Act	<i>Financial Management Legislation Amendment Act 1999</i>
FMIS	financial management information system
FMOs	Finance Minister's Orders
FTA	free trade agreement
GST	Goods and Services Tax
IPE	Infrastructure, Plant and Equipment
IT	information technology
JPDU	Japan Parliamentary Debating Union
PBS	Portfolio Budget Statements
SAP	DFAT's financial management information system
YoE	Year of Exchange

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