



CHAPTER FIVE

Departmental financial statements



INDEPENDENT AUDITOR'S REPORT

To the Minister for Industry, Innovation and Science

I have audited the accompanying annual financial statements of the Department of Industry, Innovation and Science for the year ended 30 June 2016, which comprise a Statement by the Secretary and Chief Financial Officer; Statement of Comprehensive Income; Statement of Financial Position; Statement of Changes in Equity; Cash Flow Statement; Administered Statement of Comprehensive Income; Administered Schedule of Assets and Liabilities; Administered Reconciliation Schedule; Administered Cash Flow Statement; and Notes to and forming part of the Financial Statements.

Opinion

In my opinion, the financial statements of the Department of Industry, Innovation and Science:

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

Accountable Authority's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

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entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

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

Independence

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

Australian National Audit Office



Kristian Gage
Executive Director

Delegate of the Auditor-General

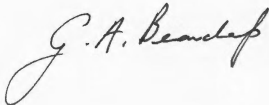
Canberra

7 September 2016

Department of Industry, Innovation and Science
STATEMENT BY THE SECRETARY AND CHIEF FINANCIAL OFFICER

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

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Department of Industry, Innovation and Science will be able to pay its debts as and when they fall due.



Glenys Beauchamp
Secretary

6 September 2016



Robert Twomey
Acting Chief Financial Officer

6 September 2016

Department of Industry, Innovation and Science
Statement of Comprehensive Income for not-for-profit Reporting Entities
for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000	Original Budget \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1A	306,781	323,473	317,539
Suppliers	1.1B	167,058	192,476	152,202
Grants	1.1C	7,822	19,487	2,326
Depreciation and amortisation	3.2A	42,351	43,661	40,057
Finance costs		122	259	-
Write-down and impairment of assets		51	9,043	-
Losses from asset sales		14	38	-
Other expenses	1.1D	712	652	728
Total expenses		524,911	589,089	512,852
Own-Source Income				
Own-source revenue				
Sale of goods and rendering of services	1.2A	57,565	48,656	56,276
Interest		98	39	-
Rental income		700	796	-
Other revenue	1.2B	9,465	26,945	13,194
Total own-source revenue		67,828	76,436	69,470
Gains				
Foreign exchange gains		-	1	-
Reversals of previous asset write-downs and impairments		5,186	2	-
Other gains	1.2C	125	1,593	728
Total gains		5,311	1,596	728
Total own-source income		73,139	78,032	70,198
Net cost of services		(451,772)	(511,057)	(442,654)
Revenue from Government	1.2D	400,205	471,091	402,627
Deficit attributable to the Australian Government		(51,567)	(39,966)	(40,027)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation reserve		2,746	(1,301)	-
Total other comprehensive income/ (loss)		2,746	(1,301)	-
Total comprehensive loss attributable to the Australian Government		(48,821)	(41,267)	(40,027)

The above statement should be read in conjunction with the accompanying notes, including the budget variance commentaries.

Department of Industry, Innovation and Science
Statement of Financial Position for not-for-profit Reporting Entities
as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000	Original Budget \$'000
ASSETS				
Financial assets				
Cash and cash equivalents	3.1A	6,386	8,198	7,930
Trade and other receivables	3.1B	168,759	155,226	226,685
Accrued revenue		2,186	2,855	574
Total financial assets		177,331	166,279	235,189
Non-financial assets				
Land and buildings	3.2A	132,168	124,778	118,772
Property, plant and equipment	3.2A	52,934	57,871	45,897
Laboratory equipment	3.2A	25,013	28,495	32,155
Intangibles	3.2A	42,265	31,981	45,630
Inventories		2,468	2,198	2,146
Prepayments	3.2B	8,483	8,311	7,714
Total non-financial assets		263,331	253,634	252,314
Total assets		440,662	419,913	487,503
LIABILITIES				
Payables				
Suppliers	3.3A	20,040	24,531	33,041
Grants		1,177	1,983	894
Other payables	3.3B	56,531	62,619	72,165
Total payables		77,748	89,133	106,100
Provisions				
Employee provisions	6.1A	98,863	86,000	80,941
Other provisions	3.4A	20,825	16,557	3,116
Total provisions		119,688	102,557	84,057
Total liabilities		197,436	191,690	190,157
Net assets		243,226	228,223	297,346
EQUITY				
Contributed equity		452,029	388,205	500,083
Asset revaluation reserve		11,245	8,499	9,800
Accumulated deficit		(220,048)	(168,481)	(212,537)
Total equity		243,226	228,223	297,346

The above statement should be read in conjunction with the accompanying notes, including the budget variance commentaries.

Department of Industry, Innovation and Science
Statement of Changes in Equity for not-for-profit Reporting Entities
for the year ended 30 June 2016

	Retained earnings			Asset revaluation reserve		
	2016 \$'000	2015 \$'000	Original Budget \$'000	2016 \$'000	2015 \$'000	Original Budget \$'000
Opening balance						
Balance carried forward from previous period	(168,481)	(128,515)	(172,510)	8,499	9,800	9,800
Adjusted opening balance	(168,481)	(128,515)	(172,510)	8,499	9,800	9,800
Comprehensive income						
Deficit for the year	(51,567)	(39,966)	(40,027)	-	-	-
Other comprehensive income	-	-	-	2,746	(1,301)	-
Total comprehensive income	(51,567)	(39,966)	(40,027)	2,746	(1,301)	-
Total comprehensive income attributable to Australian Government	(51,567)	(39,966)	(40,027)	2,746	(1,301)	-
Closing balance attributable to Australian Government	(220,048)	(168,481)	(212,537)	11,245	8,499	9,800

The above statement should be read in conjunction with the accompanying notes, including the budget variance commentaries.

Department of Industry, Innovation and Science
Statement of Changes in Equity for not-for-profit Reporting Entities
for the year ended 30 June 2016

	Contributed Equity			Total Equity		
	2016 \$'000	2015 \$'000	Original Budget \$'000	2016 \$'000	2015 \$'000	Original Budget \$'000
Opening balance						
Balance carried forward from previous period	388,205	449,789	442,102	228,223	331,074	279,392
Adjusted opening balance	388,205	449,789	442,102	228,223	331,074	279,392
Comprehensive income						
Deficit for the year	-	-	-	(51,567)	(39,966)	(40,027)
Other comprehensive income	-	-	-	2,746	(1,301)	-
Total comprehensive income	-	-	-	(48,821)	(41,267)	(40,027)
Total comprehensive income attributable to						
Australian Government	-	-	-	(48,821)	(41,267)	(40,027)
Transactions with owners						
Distribution to owners						
Restructuring	(14)	(24,558)	-	(14)	(24,558)	-
Appropriation (equity return) ¹	-	(77,600)	-	-	(77,600)	-
Contributions by owners						
Equity injection - Appropriations	35,369	12,736	32,512	35,369	12,736	32,512
Departmental capital budget (DCB)	28,469	27,838	25,469	28,469	27,838	25,469
Total transactions with owners	63,824	(61,584)	57,981	63,824	(61,584)	57,981
Closing balance attributable to Australian Government	452,029	388,205	500,083	243,226	228,223	297,346

1. For 2015 comparatives - All unspent amounts in Appropriation Act 1 2010-11, Appropriation Act 4 2010-11, Appropriation Act 1 2011-12, Appropriation Act 2 2011-12, Appropriation Act 4 2011-12, Appropriation Act 5 2011-12 and Appropriation Act 6 2011-12 have been repealed in 2014-15 in accordance with the Omnibus Repeal Day (Autumn 2014) Act 2014 as per EM 2014/12, and PGPA Act section 51 determinations

The above statement should be read in conjunction with the accompanying notes, including the budget variance commentaries.

Department of Industry, Innovation and Science
Statement of Changes in Equity for not-for-profit Reporting Entities
for the year ended 30 June 2016

Accounting Policy

Equity Injections

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

Restructuring of Administrative Arrangements

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

Other Distributions to Owners

The Financial Reporting Rule requires that distributions to owners be debited to contributed equity unless it is in the nature of a dividend.

The above statement should be read in conjunction with the accompanying notes, including the budget variance commentaries.

Department of Industry, Innovation and Science
Cash Flow Statement for not-for-profit Reporting Entities
for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000	Original Budget \$'000
OPERATING ACTIVITIES				
Cash received				
Appropriations		454,751	523,818	384,393
Sale of goods and rendering of services		62,728	48,160	56,276
Net GST received		17,007	15,868	15,526
Rental income		781	730	-
Other		11,004	33,636	13,203
Total cash received		546,271	622,212	469,398
Cash used				
Employees		309,707	340,424	319,105
Suppliers		182,611	193,469	169,004
Grants		9,492	18,209	2,326
Section 74 receipts transferred to OPA		67,855	60,996	-
Other		1,866	4,775	728
Total cash used		571,531	617,873	491,163
Net cash from/(used by) operating activities	5.3A	(25,260)	4,339	(21,765)
INVESTING ACTIVITIES				
Cash received				
Proceeds on sales of property, plant and equipment		140	121	-
Total cash received		140	121	-
Cash used				
Purchase of property, plant and equipment		20,956	20,385	25,469
Purchase of intangibles		18,890	16,661	11,206
Total cash used		39,846	37,046	36,675
Net cash used by investing activities		(39,706)	(36,925)	(36,675)
FINANCING ACTIVITIES				
Cash received				
Appropriations - Contributed equity		34,288	4,107	23,482
Appropriations - Departmental Capital Budget		28,866	30,830	34,499
Total cash received		63,154	34,937	57,981
Net cash from financing activities		63,154	34,937	57,981
Net increase/(decrease) in cash held		(1,812)	2,351	(459)
Cash and cash equivalents at the beginning of the reporting period		8,198	5,847	8,389
Cash and cash equivalents at the end of the reporting period	3.1A	6,386	8,198	7,930

The above statement should be read in conjunction with the accompanying notes, including the budget variance commentaries.

Department of Industry, Innovation and Science Budget Variance Commentary - Departmental for the year ended 30 June 2016

Budget Variance Commentary

The variance in this commentary is the difference between the actual and the budgeted amounts for the 2015-16 original budgeted financial statements that were first presented to parliament in respect of the reporting period from the Department's 2015-16 Portfolio Budget Statements.

Variations are considered to be 'major' based on the following criteria:

- the variance between budget and actual is greater than 10% and \$10 million; or
- an item below this threshold but is considered important for the reader's understanding or is relevant to an assessment of the discharge of accountability and to an analysis of performance of an entity.

Where an item was not originally budgeted for in the PBS, for example asset revaluations, rental income and sale of asset adjustments, explanation will only be provided if the variance is considered to be 'major'.

Statement of Comprehensive Income

The lower than budgeted **employee expenses** is due to an overall reduction in employee numbers as well as a result of the transfer of the Australian Renewable Energy Agency (ARENA) function to the Department of the Environment following the Administrative Arrangements Order (AAO) on 21 September 2015 (see Note 8.1A), which is partially offset by the increase in the employee provisions as explained below.

The provision for the onerous component of one of the Department's accommodation leases, first recorded at 30 June 2015, was reassessed in the current year. This resulted in an increase to **other provisions** (in the statement of financial position) and the reversal of the impairment of the associated fitout, the latter resulting in the higher than budgeted gain from the **reversal of previous asset write-down and impairments**.

Statement of Financial Position

Due to the timing of the original 2015-16 budget, the estimate for **trade & other receivables** did not account for \$78 million of appropriations that lapsed in accordance with the *Omnibus Repeal Day (Autumn 2014) Act 2014*. This reduction has been reflected in the 2015-16 Additional Estimates.

The original 2015-16 budget, due to the timing of its release, was set prior to a number of subsequent events occurring. This includes the transfer of functions out of the department and a review of accounting treatment for unearned revenue which happened after the budget was finalised. These adjustments have led to lower than budgeted payables. This reduction has been reflected in the 2015-16 Additional Estimates.

The higher than budgeted **employee provisions** is a result of a decrease in the rate used to discount long service leave provisions at 30 June 2016, which is based on the 10 year government bond rate (\$5.5 million), coupled with the impact of an all staff salary increase of up to a maximum of 3% following the finalisation of the department's 2016-19 Enterprise Agreement in April 2016, which is partially offset by the net reduction in employee numbers.

Cash Flow Statement

Lower than budgeted **employee payments** are due to the reduction in employee numbers following the transfer of the ARENA function.

The variance in **supplier expenses** is due to timing differences for payments to suppliers between financial years.

Budgeted **Section 74 receipts transferred to OPA** are not shown separately in the cash flow statement but are netted off against operating cash received from appropriations.

Statement of Changes in Equity

A higher than budgeted **deficit** is due to unforeseen events, including the change in bond rate on employee provisions and an increase in the onerous lease provision. This has been partly offset by a reversal in fitout impairment during the year.

Department of Industry, Innovation and Science
Administered Statement of Comprehensive Income for not-for-profit Reporting Entities
for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000	Original Budget \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	2.1A	6,352	4,946	6,250
Suppliers	2.1B	89,677	403,659	90,248
Fees		40	40	40
Subsidies	2.1C	221,917	696,573	245,911
Personal benefits	2.1D	-	79,011	-
Grants	2.1E	427,335	672,602	571,867
Depreciation and amortisation	4.2A	726	3,897	1,000
Write-down and impairment of assets		2,288	20	-
Payments to corporate Commonwealth entities	2.1F	991,012	1,222,164	1,170,542
Total expenses		1,739,347	3,082,912	2,085,858
Income				
Revenue				
Taxation revenue				
Snowy Hydro land tax		174	174	171
Tradex receipts		1,301	1,204	550
Total taxation revenue		1,475	1,378	721
Non-taxation revenue				
Fees from regulatory services	2.2A	37,936	46,617	48,075
Fees		4,473	4,455	2,508
Interest		6,656	6,708	6,744
Dividends	2.2B	23,595	20,151	24,700
Royalties		979,091	1,384,095	870,316
Other non-taxation revenue		19,734	14,420	65,114
Total non-taxation revenue		1,071,485	1,476,446	1,017,457
Total revenue		1,072,960	1,477,824	1,018,178
Gains				
Reversals of previous financial instruments impairments		-	6,084	-
Other gains		-	302	-
Total gains		-	6,386	-
Total income		1,072,960	1,484,210	1,018,178
Net cost of services		(666,387)	(1,598,702)	(1,067,680)
Deficit on continuing operations		(666,387)	(1,598,702)	(1,067,680)
OTHER COMPREHENSIVE INCOME				
Items subject to subsequent reclassification to net cost of services				
Changes in asset revaluation reserve		(38,159)	(70,027)	-
Total other comprehensive income		(38,159)	(70,027)	-
Total comprehensive loss		(704,546)	(1,668,729)	(1,067,680)

The above statement should be read in conjunction with the accompanying notes, including the budget variance commentaries.

Department of Industry, Innovation and Science
Administered Schedule of Assets and Liabilities for not-for-profit Reporting Entities
as at 30 June 2016

		2016	2015	Original Budget
	Notes	\$'000	\$'000	\$'000
ASSETS				
Financial assets				
Cash and cash equivalents	4.1A	104,917	125,849	129,442
Trade and other receivables	4.1B	112,405	107,530	145,022
Other investments	4.1C	4,036,341	4,086,762	3,988,776
Accrued revenue		73,276	93,661	129,480
Total financial assets		4,326,939	4,413,802	4,392,720
Non-financial assets				
Leasehold improvements	4.2A	231	258	-
Property, plant and equipment	4.2A	324	488	1,330
Intangibles	4.2A	4,671	4,281	5,713
Total non-financial assets		5,226	5,027	7,043
Total assets administered on behalf of Government		4,332,165	4,418,829	4,399,763
LIABILITIES				
Payables				
Suppliers	4.3A	11,735	7,507	2,555
Subsidies	4.3B	53,419	67,787	64,913
Grants	4.3C	48,690	83,175	42,643
Total payables		113,844	158,469	110,111
Provisions				
Employee provisions	6.1B	1,519	1,113	1,278
Total provisions		1,519	1,113	1,278
Total liabilities administered on behalf of Government		115,363	159,582	111,389
Net assets		4,216,802	4,259,247	4,288,374

The above statement should be read in conjunction with the accompanying notes, including the budget variance commentaries.

Department of Industry, Innovation and Science Budget Variance Commentary - Administered for the year ended 30 June 2016

Budget Variance Commentary

Variances are considered to be 'major' based on the following criteria:

- the variance between budget and actual is greater than 10% and \$10 million; or
- an item below this threshold but is considered important for the reader's understanding or is relevant to an assessment of the discharge of accountability and to an analysis of performance of an entity.

Where an item was not originally budgeted for in the PBS, for example sale of asset adjustments, explanation will only be provided if the variance is considered to be 'major'.

Schedule of Comprehensive Income

The lower than budgeted **payments to corporate Commonwealth entities** (\$171 million) is a result of the transfer of the Australian Renewable Energy Agency (ARENA) function to the Department of the Environment following the Administrative Arrangements Order on 21 September 2015 (see Note 8.1B).

Lower than budgeted **subsidies** is a result of a greater than expected decline in activity within the automotive industry and supply chain against the original forecasts for the Automotive Transformation Scheme.

Lower than budgeted **grants** is primarily due to underspends in the programmes under the Clean Energy Initiative Special Account (\$96 million), and delays to the commencement of projects funded under the Low Emission Technology Demonstration Fund (\$40 million). Further, assistance provided under the Home Insulation Program Industry Payment Scheme was lower than expected. Higher than budgeted **royalty revenue** (\$109 million) is mainly attributable to North West Shelf (NWS) petroleum royalties. Higher prices than budgeted for Liquid Natural Gas (LNG), condensate, and domestic gas (Domgas) were realised, which contribute 94% of total royalty revenue. This more than offset the lower than budgeted production levels for all commodities.

Other non-taxation revenue: the original budget included \$45 million of the estimated proceeds from the auction of offshore petroleum exploration permits which were not realised.

Lower than budgeted **fees from regulatory services** (\$9 million) is due to a lower than expected number of operators planning and undertaking offshore oil and gas operations. These fees and levies are collected by the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) on behalf of the Commonwealth.

Schedule of Assets and Liabilities for not-for-profit Reporting Entities

Cash and cash equivalents: the variance is predominantly due to the timing of payments relating to the Clean Energy Initiative Special Account.

Trade and other receivables: the variance is attributable to the transfer of the Innovation Investment Fund loans to the Commonwealth as investments at 30 June 2015, which was not included in the original 2015-16 budget.

Other investments: the higher than budgeted balance is predominantly due to an increase in the valuation of Snowy Hydro Limited at 30 June 2016 (\$65 million), offset by the transfer of ARENA (\$35 million), and fall in the fair value of other investments.

Accrued revenue relates predominantly to amounts accrued in relation to the royalty revenue the department is entitled to collect at 30 June 2016 but due to timing differences has not yet been received. As outlined above, royalty revenues are subject to a number of variables which in turn are impacted by global market conditions. As such, the budgeted accrued revenue amount, which was determined over a year in advance, contains significant estimation uncertainty.

Higher than budgeted **suppliers payable** is predominantly due to \$7.3 million of Entrepreneurs' Programme not included in the original 2015-16 budget.

The cessation of the Ethanol Production Grants (EPG) programme at 30 June 2015 was not reflected in the original 2015-16 **subsidies payable** budget.

Department of Industry, Innovation and Science
Administered Reconciliation Schedule for not-for-profit Reporting Entities
for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
Opening assets less liabilities as at 1 July	4,259,247	4,264,624
Net (cost of)/contribution by services		
Income	1,072,960	1,484,210
Expenses		
Payments to entities other than corporate Commonwealth entities	(748,335)	(1,860,748)
Payments to corporate Commonwealth entities	(991,012)	(1,222,164)
Other comprehensive income		
Revaluations transferred to/(from) reserves	(38,159)	(70,027)
Transfers (to)/from the Australian Government		
Appropriation transfers from Official Public Account		
Administered assets and liabilities appropriations		
Payments to entities other than corporate Commonwealth entities	18,447	9,036
Payments to corporate Commonwealth entities	35,916	96,439
Annual appropriations		
Payments to entities other than corporate Commonwealth entities	507,955	1,601,520
Payments to corporate Commonwealth entities	947,464	941,478
Special appropriations (limited)		
Payments to entities other than corporate Commonwealth entities	228,671	276,008
Payments to corporate Commonwealth entities	14,671	244,493
Special appropriations (unlimited)		
Payments to entities other than corporate Commonwealth entities	-	22,049
Payments to corporate Commonwealth entities	28,918	36,193
Appropriation transfers to OPA		
Transfers to OPA	(1,088,498)	(1,587,422)
Appropriation from prior years	3,395	15,123
Restructuring	(34,838)	8,435
Closing assets less liabilities as at 30 June	4,216,802	4,259,247

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

Department of Industry, Innovation and Science
Administered Cash Flow Statement for not-for-profit Reporting Entities
for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
OPERATING ACTIVITIES			
Cash received			
Interest		124	1,550
Dividends		23,595	48,046
Fees		13,413	13,065
Royalties		999,476	1,450,560
Net GST received		50,526	80,900
Other		23,711	40,764
Levy receipts		28,878	36,234
Total cash received		1,139,723	1,671,119
Cash used			
Suppliers		93,111	455,635
Grants		499,917	690,537
Employees		7,142	4,309
Subsidies		236,321	716,970
Personal benefits		-	82,319
Payment to corporate Commonwealth Entities		991,053	1,222,164
Total cash used		1,827,544	3,171,934
Net cash from/(used by) operating activities	5.3B	(687,821)	(1,500,815)
INVESTING ACTIVITIES			
Cash received			
Repayments of advances and loans		31,911	15,220
Total cash received		31,911	15,220
Cash used			
Investments		18,435	21,444
Trade Support Loans paid		-	22,049
Purchase of intangibles		959	2,706
Purchase of property, plant and equipment		18	502
Corporate Commonwealth Entity investments		35,916	96,439
Total cash used		55,328	143,140
Net cash from/(used by) investing activities		(23,417)	(127,920)
Net increase/(decrease) in cash held		(711,238)	(1,628,735)

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

**Department of Industry, Innovation and Science
Administered Cash Flow Statement for not-for-profit Reporting Entities
for the year ended 30 June 2016**

	Notes	2016 \$'000	2015 \$'000
Cash and cash equivalents at the beginning of the reporting period		125,849	130,405
Cash from Official Public Account			
Appropriations		1,693,754	3,063,082
Appropriation - Administered assets and liabilities		18,447	9,036
Equity appropriation - corporate Commonwealth Entities		35,916	96,439
Special Accounts		33,925	58,659
GST appropriations		49,375	91,372
Total cash from official public account		1,831,417	3,318,588
Cash to Official Public Account			
Appropriations		(1,088,498)	(1,561,114)
Cash from restructuring - Special Accounts		-	(870)
GST appropriations		(52,613)	(106,117)
Special Accounts		-	(26,308)
Total cash to official public account		(1,141,111)	(1,694,409)
Cash and cash equivalents at the end of the reporting period	4.1A	104,917	125,849

Accounting Policy

Administered Cash Transfers to and from the Official Public Account

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

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

Department of Industry, Innovation and Science Table of Contents - Notes

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Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Overview

Objective of the Department of Industry, Innovation and Science

The Department of Industry, Innovation and Science (the Department) is an Australian Government controlled and a not-for-profit entity. The Department contributes to the Australian Government's vision for an agile economy, capitalising on Australia's commercial and scientific strengths by facilitating the growth and productivity of globally competitive industries. The Department also supports: scientific capability; strong science, technology, engineering and mathematics skills; and science literacy, as critical requirements for productivity and economic growth.

The Department was renamed from the Department of Industry and Science to the Department of Industry, Innovation and Science, as a result of Administrative Arrangements Order (AAO) of the 21 September 2015.

The functions that transferred to/from the Department as a result of the AAO were as follows:

- The Australian Renewable Energy Agency function to the Department of Environment;
- The Digital Economy function from the Department of Communications and the Arts; and
- The Office of Northern Australia function from the Department of Infrastructure and Regional Development.

During the year the Department was structured to meet the one outcome of facilitating growth and productivity for globally competitive industries through the delivery of a wide range of measures and activities under the following programmes:

1. Supporting Science and Commercialisation;
2. Growing Business Investment and Improving Business Capability; and
3. Programme Support.

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

The activities that contribute towards the outcome are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by the Department in its own right. Administered activities involve the management or oversight by the Department, on behalf of the Government, of items controlled or incurred by the Government. Administered activities are referred to in the shaded areas of these financial statements.

Basis of Preparation of the Financial Statements

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

The financial statements and notes have been prepared in accordance with:

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

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

The financial statements and notes are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless an alternative treatment is specifically required by an accounting standard or the FRR:

- assets and liabilities are recognised in the statement of financial position when and only when it is probable that future economic benefits will flow to the Department or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executor contracts are not recognised unless required by an accounting standard; and
- income and expenses are recognised in the statement of comprehensive income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Unless otherwise stated, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of AAS.

New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

All new and amending standards or interpretations applicable to the current financial year did not have a material effect on the Department's financial statements.

Future Australian Accounting Standard Requirements

All new and amending standards or interpretations (including AASB 124 *Related Party Disclosures*) that have been issued by the Australian Accounting Standards Board and are effective for future reporting periods will be adopted when effective if they are expected to have a material effect on the Department's financial statements for future reporting periods.

Taxation

The Department is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). Revenues, expenses, assets and liabilities are recognised net of GST, except:

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

Contingent Liabilities

The Department was involved in a number of legal actions on behalf of the Australian Government for a range of matters which may result in the payment of damages and costs. It is not possible to estimate the amount of any eventual payment which may be required in relation to these matters.

Unquantifiable Administered Contingencies

The Australian and Western Australian governments have provided an indemnity to the Gorgon Joint Venture Partners (GJV) to indemnify the GJV against independent third party claims (relating to stored carbon dioxide) under common law following closure of the carbon dioxide sequestration project, and subject to conditions equivalent to those set out in the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*. The Western Australian Government has indemnified the GJV, and the Australian Government has indemnified the Western Australian Government for 80 per cent of any amount determined to be payable under that indemnity.

The Australian Government is responsible for 14 unlimited indemnities relating to the Maralinga Rehabilitation Project (1995-2000). In November 2009, the Australian Government agreed to the handback of former British Nuclear test site – Maralinga section 400 to the site's Traditional Owners, Maralinga Tjarutja. Under the terms of the *Maralinga Nuclear Test Site Handback Deed*, the Australian Government has indemnified the Maralinga Tjarutja people and the South Australian Government in respect of claims arising from test site contamination.

The Australian Government has responsibility for the *Liquid Fuel Emergency Act 1984* (the Act). In addition, the Commonwealth and State and Territory governments have entered into an inter-governmental agreement (IGA) in relation to a national liquid fuel emergency. Under the IGA, the Commonwealth agrees to consult IGA parties on a likely shortage and, if necessary after those consultations, to advise the Governor-General to declare a national emergency under the Act.

The IGA also contains areas where the Australian Government may incur expenses in the unlikely event of a national liquid fuel emergency. These relate to the direct costs of managing a liquid fuel emergency and include the possibility of the Australian Government reimbursing the State and Territory governments for costs arising from their responses, and potential compensation for industry arising from Australian Government directions under the Act.

The Australian, New South Wales and Victorian governments have indemnified Snowy Hydro Limited for liabilities arising from water releases in the Snowy River below Jindabyne Dam, where these releases are in accordance with the water licence and related regulatory arrangements agreed between the three governments. The indemnity applies to liabilities for which a claim is notified within 20 years from 28 June 2002.

An unlimited indemnity was given for the Australian Nuclear Science and Technology Organisation (ANSTO). ANSTO owns and operates nuclear plants, including the nuclear research reactor at Lucas Heights. The Australian Government has indemnified ANSTO and its officers from any liability arising from injury to persons or damage to property caused by ionising radiation.

Department of Industry, Innovation and Science Notes to and forming part of the Financial Statements

Breach of Section 83 of the Constitution

In the current financial year, the Department updated the risk assessments for all its special appropriations and special accounts that have payment provisions, and confirmed the low risk rating for breaches of section 83 of the Constitution. There were no known breaches in 2015-16.

Events After the Reporting Period

As a result of the AAO of the 19 July 2016, the Energy function, which includes the Australian Government's 13% ownership of Snowy Hydro Ltd, was relinquished to the Department of Environment and Energy.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

1. Departmental Financial Performance

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

Expenses

	2016	2015
	\$'000	\$'000
Note 1.1A: Employee Benefits		
Wages and salaries	216,208	235,866
Superannuation:		
Defined contribution plans	20,145	21,187
Defined benefit plans	21,222	23,187
Leave and other entitlements	39,354	34,561
Separation and redundancies	7,411	5,388
Other employee expenses	2,441	3,284
Total employee benefits	306,781	323,473
Note 1.1B: Suppliers		
Goods and services supplied or rendered		
Communication, marketing and freight	3,508	4,788
Contractors and consultants	34,232	32,085
Inventory related costs	8,755	7,025
Property operating expense	14,468	13,712
Rendering of services and maintenance	31,549	39,309
Travel	12,604	12,617
Other goods and services	13,585	13,862
Total goods and services supplied or rendered	118,701	123,398
Goods supplied	14,193	13,492
Services rendered	104,508	109,906
Total goods and services supplied or rendered	118,701	123,398
Other suppliers		
Operating lease rentals in connection with		
Minimum lease payments	46,452	62,223
Contingent rentals	158	569
Workers compensation expenses	1,747	6,286
Total other suppliers	48,357	69,078
Total suppliers	167,058	192,476
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	58,293	61,335
Between 1 to 5 years	153,365	148,932
More than 5 years	180,072	214,993
Total operating lease commitments	391,730	425,260

Leasing commitments

The Department's lease payment commitments are primarily for accommodation for its operation around the country. The three major leases are office space and laboratories in Sydney, as well as office spaces in Industry House and Nishi which are both in Canberra.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Accounting Policy

Leases

All leases in the Department are operating leases, as the risks and benefits are shared with the lessor.

Operating lease payments are expensed on a straight line basis which is representative of the pattern of benefits derived from the leased assets. Lease incentives are recognised as other payables and amortised over the life of the lease on a straight line basis.

	2016	2015
	\$'000	\$'000
Note 1.1C: Grants		
Australian Government entities	911	11,080
State and Territory Governments	498	392
Non-profit organisations	1,374	3,695
Other	5,039	4,320
Total grants	7,822	19,487
Note 1.1D: Other Expenses		
Audit fees	712	645
Other	-	7
Total other expenses	712	652

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Own-Source Revenue and Gains		
	2016	2015
Own-Source Revenue	\$'000	\$'000
Note 1.2A: Sale of Goods and Rendering of Services		
Sale of goods	3,780	3,454
Rendering of services	53,785	45,202
Total sale of goods and rendering of services	57,565	48,656
Note 1.2B: Other Revenue		
State receipts	4,248	11,677
Equipment Energy Efficiency receipts	379	1,710
Sponsorships	1,055	4,241
Other	2,677	8,435
Department of Foreign Affairs and Trade receipts	489	252
Resources received free of charge		
Remuneration of auditors	617	630
Total other revenue	9,465	26,945
Commitments for sublease rental income receivables are as follows:		
Within 1 year	420	508
Between 1 to 5 years	1,503	1,365
More than 5 years	-	360
Total sublease rental income commitments	1,923	2,233
The Department's sublease rental income commitments receivable relate to the sublease to the childcare centre and part of the Questacon building in Canberra.		
Gains		
Note 1.2C: Other Gains		
Reversal of makegood provision	125	1,214
Reversal of other provisions	-	379
Total other gains	125	1,593
Note 1.2D: Revenue from Government		
Appropriations		
Departmental appropriations	400,205	471,091
Total revenue from Government	400,205	471,091

Accounting Policy

Revenue from Government

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

Resources Received Free of Charge

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

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government agency or authority as a consequence of a restructuring of administrative arrangements (Refer to the Restructuring Note).

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

2. Income and Expenses Administered on Behalf of Government

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

Administered - Expenses		
	2016	2015
	\$'000	\$'000
Note 2.1A: Employee benefits		
Wages and salaries	4,264	3,481
Superannuation		
Defined contribution plans	492	355
Defined benefit plans	316	297
Leave and other entitlements	1,280	813
Total employee benefits	6,352	4,946
Note 2.1B: Suppliers		
Services rendered		
Communication, marketing and freight	23,471	810
Consultants and contractors	14,389	13,391
Travel	609	903
Vocational and industry training	-	80,347
Fee for service	42,440	299,973
Other	6,977	6,497
Total services rendered	87,886	401,921
Other suppliers		
Operating lease rentals in connection with		
Minimum lease payments	1,791	1,738
Total other suppliers	1,791	1,738
Total suppliers	89,677	403,659
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	1,292	1,192
Between 1 to 5 years	4,180	4,455
More than 5 years	910	1,859
Total operating lease commitments	6,382	7,506

Leasing commitments

The Department's administered lease payment commitments relate to office spaces for the National Offshore Petroleum Safety operations in Perth and Melbourne.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

	2016	2015
	\$'000	\$'000
Note 2.1C: Subsidies		
Subsidies in connection with external parties		
Assistance to industry	222,741	269,448
Vocational and industry training	-	331,718
Resources related initiatives	(824)	95,407
Total subsidies	221,917	696,573
Note 2.1D: Personal Benefits		
Vocational and industry training	-	79,776
Liquid petroleum gas vehicle scheme	-	(765)
Total personal benefits	-	79,011
Note 2.1E: Grants		
Australian Government entities (related parties)	4,611	25,808
State and Territory Governments	13,131	50,957
Local Governments	2,046	7,600
Non-profit organisations	10,469	76,213
External entities	375,903	454,825
Other	12,910	22,870
Grants through State and Territory Governments	6,632	33,939
Multi-jurisdictional sector	1,633	390
Total grants	427,335	672,602
Note 2.1F: Payments to Corporate Commonwealth Entities		
Commonwealth Scientific and Industrial Research Organisation	750,280	745,268
Australian Nuclear Science and Technology Organisation	156,700	157,414
Australian Institute of Marine Science	40,483	38,796
Australian Renewable Energy Agency	14,671	244,493
National Offshore Petroleum Safety and Environmental Management Authority	28,878	36,193
Total payments to corporate Commonwealth entities	991,012	1,222,164

Accounting Policy

Grants and Subsidies

The Department administers a number of grant and subsidy schemes on behalf of the Government. Grant and subsidy liabilities are recognised to the extent that:

- the services required to be performed by the grantee have been performed, or
- the grant eligibility criteria have been satisfied, but payments due have not been made.

Payments to Corporate Commonwealth Entities

Payments to corporate Commonwealth entities from amounts appropriated for that purpose are classified as either administered expenses, equity injections or loans of the Department. The appropriation to the Department is disclosed in Table A of the appropriations note.

Department of Industry, Innovation and Science
Notes to and forming part of the Financial Statements

Administered - Income		
	2016	2015
	\$'000	\$'000
Revenue		
Note 2.2A: Fees from Regulatory Services		
Petroleum fees	9,058	10,383
Levy receipts	28,878	36,234
Total fees from regulatory services	37,936	46,617
Note 2.2B: Dividends		
Commonwealth Scientific and Industrial Research Organisation (CSIRO)	-	1
Innovation and Investment Fund (IIF) loans (Rounds 1 & 2)	195	-
Snowy Hydro Ltd	23,400	20,150
Total dividends	23,595	20,151

Accounting Policy

Revenue

All administered revenues relate to the activities performed by the Department on behalf of the Australian Government. Administered revenues includes Petroleum and uranium royalties; Dividends from Snowy Hydro Ltd; and Levies collected by the National Offshore Petroleum Safety and Environmental Management (NOPSEMA).

Administered fee revenue is recognised only when it has been earned.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

3. Departmental Financial Position

This section analyses the Department's assets used to generate financial performance and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

Financial Assets

	2016	2015
	\$'000	\$'000
Note 3.1A: Cash and Cash Equivalents		
Cash in special accounts	3,803	5,693
Cash on hand	20	21
Cash at bank	2,563	2,484
Total cash and cash equivalents	6,386	8,198

Accounting Policy

Cash is recognised at its nominal amount.

Note 3.1B: Trade and Other Receivables

Good and services receivables

Goods and services	8,596	6,408
Total goods and services receivables	8,596	6,408

Appropriations receivables

Departmental appropriations	90,311	73,634
Departmental Capital Budget	2,269	2,666
Special accounts	24,346	26,878
Equity appropriations	40,968	41,340
Total appropriations receivables	157,894	144,518

Other receivables

GST receivable from the Australian Taxation Office	2,208	3,434
Other	320	1,145
Total other receivables	2,528	4,579
Total trade and other receivables (gross)	169,018	155,505

Less impairment allowance

Goods and services	(259)	(279)
Total impairment allowance	(259)	(279)
Total trade and other receivables (net)	168,759	155,226

All trade receivables are expected to be recovered within 12 months

Trade and other receivables (gross) aged as follows

Not overdue	166,785	153,125
Overdue by		
0 to 30 days	1,086	1,218
31 to 60 days	527	319
More than 60 days	620	843
Total trade and other receivables (net)	169,018	155,505

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

	2016	2015
	\$'000	\$'000
Reconciliation of the Impairment Allowance		
As at 1 July	279	98
Amounts written off	(28)	170
Amounts recovered and reversed	8	(16)
Increase/(Decrease) recognised in net cost of services	-	27
Total as at 30 June	259	279

The impairment allowance relates to receivables overdue by more than 60 days.

All receivables and accrued revenue are expected to be recovered within 12 months except where indicated.

Accounting Policy

The Department's financial assets are classified as 'loans and receivables', as they have fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method less impairment, and assessed for impairment at the end of each reporting period.

Credit terms were 30 days.

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 income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

Department of Industry, Innovation and Science
Notes to and forming part of the Financial Statements

Non-Financial Assets

Note 3.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles

Reconciliation of the opening and closing balances of property, plant and equipment and intangibles for 2016

	Buildings \$'000	Leasehold improvements \$'000	Property, plant and equipment \$'000	Laboratory equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2015							
Gross book value	53,903	64,288	51,188	25,647	51,565	14,909	261,500
Work in Progress	2,212	4,375	6,683	2,848	13,509	-	29,627
Accumulated depreciation, amortisation and impairment	-	-	-	-	(35,428)	(12,574)	(48,002)
Total as at 1 July 2015	56,115	68,663	57,871	28,495	29,646	2,335	243,125
Additions:							
Purchase or internally developed	1,712	9,116	14,246	2,080	16,646	40	43,840
Reversals of impairment recognised through other comprehensive income	-	2,746	-	-	-	-	2,746
Impairments recognised in net cost of services	-	-	-	(11)	-	-	(11)
Reversals of impairments recognised in net cost of services ¹	-	5,185	-	-	-	-	5,185
Depreciation/ Amortisation	(2,425)	(8,944)	(19,029)	(5,551)	(5,174)	(1,228)	(42,351)
Disposals:							
Other	-	-	(154)	-	-	-	(154)
Total as at 30 June 2016	55,402	76,766	52,934	25,013	41,118	1,147	252,380
Total as at 30 June 2016 represented by							
Gross book value	56,703	75,297	65,799	29,278	58,956	14,949	300,982
Work in Progress	1,124	10,402	5,960	1,285	22,764	-	41,535
Accumulated depreciation, amortisation and impairment	(2,425)	(8,933)	(18,825)	(5,550)	(40,602)	(13,802)	(90,137)
Total as at 30 June 2016	55,402	76,766	52,934	25,013	41,118	1,147	252,380

1. The reversal of impairment for leasehold improvements relates to the Nishi Building. A reversal of \$7.9 million was recognised, \$2.7 million was accounted for as an adjustment to the revaluation reserve and \$5.2 million was recognised as a gain.

Contractual commitments for the acquisition of property, plant, equipment and intangible assets

All capital commitments totaling \$15.0 million (2014-15: \$8.5 million) are payable within 12 months. The major projects include \$1.3 million for the flexible workplace leasehold improvements, \$1.5 million for data management and analytics, and information, communications and technology (ICT) contracts namely \$4.3 million for the single business service program, \$2.0 million for ICT infrastructure and equipment, \$1.3 million for the development of SharePoint facilities, and \$0.9 million for document management and collaboration.

Department of Industry, Innovation and Science
Notes to and forming part of the Financial Statements

Reconciliation of the opening and closing balances of property, plant and equipment and intangibles for 2015

	Buildings \$'000	Leasehold improvements \$'000	Property, plant and equipment \$'000	Laboratory equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2014							
Gross book value	62,250	100,840	97,708	45,159	104,083	13,384	423,424
Accumulated depreciation, amortisation and impairment	(4,926)	(19,353)	(32,601)	(13,004)	(64,456)	(11,160)	(145,500)
Total as at 1 July 2014	57,324	81,487	65,107	32,155	39,627	2,224	277,924
Additions:							
Purchase or internally developed	2,504	3,495	11,507	3,093	12,470	1,777	34,846
Revaluations recognised through other comprehensive income	(1,121)	143	(269)	(1,031)	-	-	(2,278)
Reversals of impairment recognised through other comprehensive income	-	977	-	-	-	-	977
Impairments recognised in net cost of services ¹	-	(8,095)	(82)	(10)	(740)	-	(8,927)
Depreciation/Amortisation	(2,592)	(9,344)	(17,347)	(5,712)	(7,000)	(1,666)	(43,661)
Disposals:							
From disposal of entities or operations (including restructuring) ²	-	-	(1)	-	(14,711)	-	(14,712)
Other ³	-	-	(159)	-	-	-	(159)
Other movements	-	-	(885)	-	-	-	(885)
Total as at 30 June 2015	56,115	68,663	57,871	28,495	29,646	2,335	243,125
Total as at 30 June 2015 represented by							
Gross book value	53,903	64,288	51,188	25,647	51,565	14,909	261,500
Work in Progress	2,212	4,375	6,683	2,848	13,509	-	29,627
Accumulated depreciation, amortisation and impairment	-	-	-	-	(35,428)	(12,574)	(48,002)
Total as at 30 June 2015	56,115	68,663	57,871	28,495	29,646	2,335	243,125

1. The Nishi Building was assessed as being impaired at 30 June 2015. A net impairment loss of \$4.8 million was recognised, \$2.9 million was accounted for as an adjustment to the revaluation reserve and \$1.9 million was recognised as an expense.
2. The assets were relinquished to the Department of Education and Training as a result of transferring the Skills and Vocational Education, and Training functions.
3. These assets did not meet the capitalisation threshold and were expensed in 2014-15.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Accounting Policy

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for:

- items of property with a project cost less than \$10,000 (which are expensed in the year of acquisition); and
- items of plant and equipment costing less than \$5,000 which are expensed in the year of acquisition (other than where they form part of a group of similar items which individually cost less than \$5,000 but collectively cost \$50,000 or more, which are recognised in the statement of financial position).

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

Revaluations

Following initial recognition at cost, property, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets. All asset classes with the exception of software were revalued effective 30 June 2015 by an independent valuer, using a fair value basis.

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 in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

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

Depreciation

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

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

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

	2016	2015
Buildings	8-40 years	8-40 years
Leasehold improvements	Lease term	Lease term
Laboratory equipment	3-10 years	3-10 years
Other property, plant and equipment	3-10 years	3-10 years

Impairment

All assets were assessed for impairment at 30 June 2016 and the result reported in note 3.2A and 4.2A. 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 impairment adjustment is reflected in the gross carrying value of the asset.

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 Department were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. No assets have been identified for sale or disposal within the next 12 months unless otherwise specified in the respective notes.

Intangibles

The Department's intangibles comprise both internally developed and purchased software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Purchases of software with a value of less than \$50,000 and internally developed software with a value of less than \$200,000 are expensed in the year of acquisition.

Bulk purchases of software that individually cost less than \$50,000, but as a group cost \$50,000 or more are recognised in the statement of financial position.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Department's software are 3 to 15 years (2014-15: 3 to 15 years).

All software assets were assessed for indications of impairment as at 30 June 2016 and the result reported in note 3.2A and 4.2A.

Department of Industry, Innovation and Science
Notes to and forming part of the Financial Statements

	2016	2015
	\$'000	\$'000
<u>Note 3.2B: Prepayments</u>		
Prepayments expected to be recovered		
No more than 12 months	7,185	6,751
More than 12 months	<u>1,298</u>	<u>1,560</u>
Total other non-financial assets	<u><u>8,483</u></u>	<u><u>8,311</u></u>

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Payables		
	2016	2015
	\$'000	\$'000
Note 3.3A: Suppliers		
Trade creditors and accruals	19,600	22,899
Other creditors	440	1,632
Total suppliers	20,040	24,531

All suppliers are expected to be settled within 12 months. Settlement is usually made within 30 days.

Note 3.3B: Other Payables		
Lease straight lining and incentives	39,105	41,040
Unearned revenue	13,236	9,362
Wages and salaries	2,677	9,956
Superannuation	170	1,345
Other	1,343	916
Total other payables	56,531	62,619
Other payables expected to be settled		
No more than 12 months	18,523	22,629
More than 12 months	38,008	39,990
Total other payables	56,531	62,619

Accounting Policy

Financial liabilities are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised in finance costs.

Liabilities are recognised to the extent that the goods or services have been received regardless of the fact that the Department may not have been invoiced.

Department of Industry, Innovation and Science
Notes to and forming part of the Financial Statements

Provisions		
	2016	2015
	\$'000	\$'000
Note 3.4A: Other Provisions		
Provisions for onerous lease	18,974	14,770
Provisions for restoration	1,851	1,787
Total provisions for restoration	20,825	16,557
Other provisions expected to be settled		
No more than 12 months	3,850	177
More than 12 months	16,975	16,380
Total other provisions	20,825	16,557

	Provision for Onerous Lease \$'000	Provision for restoration \$'000	Total \$'000
As at 1 July 2015	14,770	1,787	16,557
Additional provisions made	6,543	67	6,610
Amounts reversed	-	(125)	(125)
Amounts used	(2,339)	-	(2,339)
Unwinding of discount or change in discount rate	-	122	122
Total as at 30 June 2016	18,974	1,851	20,825

Accounting Judgements and Estimates

The Department has made provisions to reflect the present value of the following obligations:

Provisions for onerous lease

An onerous contract is considered to exist where the unavoidable cost of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The Department has recognised a provision in relation to a contract that was identified as onerous during the reporting period. The provision relates to surplus floor space for one of the Department's leased premises following the restructuring as a result of the AAO in December 2014.

Provisions for restoration

The Department currently has 12 agreements for the leasing of premises which have provisions requiring the Department to restore the premises to their original condition at the conclusion of the lease.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

4. Assets and Liabilities Administered on Behalf of Government

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

Administered – Financial Assets		
	2016	2015
	\$'000	\$'000
Note 4.1A: Cash and Cash Equivalents		
Cash in special accounts	104,917	125,849
Total cash and cash equivalents	104,917	125,849
Note 4.1B: Trade and Other Receivables		
Loans		
Amortised cost	99,722	94,501
Available for sale - Innovation and Investment Fund (IIF) loans (Rounds 1 & 2)	40,447	40,447
Total loans	140,169	134,948
Other receivables		
Grant recoveries and other receivables	17,666	13,061
Net GST receivable	9,902	12,743
Total other receivables	27,568	25,804
Total trade and other receivables (gross)	167,737	160,752
Less impairment allowance		
Loans - amortised cost	(975)	(1,001)
Loans - available for sale - IIF loans (Rounds 1 & 2)	(40,447)	(40,447)
Grant recoveries and other receivables	(13,910)	(11,774)
Total impairment allowance	(55,332)	(53,222)
Total trade and other receivables (net)	112,405	107,530
Trade and other receivables (net) expected to be recovered		
No more than 12 months	18,416	16,260
More than 12 months	93,989	91,270
Total trade and other receivables (net)	112,405	107,530
Trade and other receivables (gross) aged as follows		
Not overdue	151,966	147,012
Overdue by:		
0 to 30 days	10	895
31 to 60 days	1,136	16
More than 60 days	14,625	12,829
Total trade and other receivables (gross)	167,737	160,752
Impairment allowance aged as follows		
Not overdue	(40,935)	(40,447)
Overdue by:		
0 to 30 days	-	(575)
31 to 60 days	-	(1)
More than 60 days	(14,397)	(12,199)
Total impairment allowance	(55,332)	(53,222)

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Reconciliation of the Impairment Allowance			
Movements in relation to 2016			
	Advances and loans \$'000	Other receivables \$'000	Total \$'000
As at 1 July 2015	41,448	11,774	53,222
Amounts written off	-	(178)	(178)
Increase/(Decrease) recognised in net cost of services	(26)	2,314	2,288
Total as at 30 June 2016	41,422	13,910	55,332
Movements in relation to 2015			
	Advances and loans \$'000	Other receivables \$'000	Total \$'000
As at 1 July 2014	94,323	14,926	109,249
Amounts written off	(135)	(2,884)	(3,019)
Amounts recovered and reversed	-	(62)	(62)
Increase/(Decrease) recognised in net cost of services	(6,561)	449	(6,112)
Restructuring	-	(655)	(655)
Transfer to Investments	(46,179)	-	(46,179)
Total as at 30 June 2015	41,448	11,774	53,222

Accounting Policy

Loans and Receivables

Where loans and receivables are not subject to concessional treatment, they are carried at amortised cost using the effective interest method. Loans and receivables are assessed for indicators of impairment (including collectability) at each balance date. An allowance is made for loans which are assessed as being impaired. Interest is credited to income as it accrues. Gains and losses due to impairment, de-recognition and amortisation are recognised through profit or loss.

The Department's administered loans and receivables relating to a number of programmes that are delivered by the Department on behalf of the Australian Government are classified as follows:

- R&D Start Programme loans. Loans with varying rates of interest, including interest free, which are repaid over a number of years. These loans have been assessed as fully impaired.
- Australian Leather Holdings. A loan of \$25 million has been made to Australian Leather Holdings. This loan attracts interest at a rate of 4.25% above the 10 year Australian Government bond rate. The total loan is due to be repaid in full by February 2022.
- Strategic Investment Coordination (SIC) – Rio Tinto Aluminium (Comalco). This is an interest free loan of \$137 million repayable in 2024. The loan is being amortised at an annual rate of 6.6%. The loan is for the development of a multi-user energy facility with a capacity to supply other users and to form a research and technical development partnership with Rio Tinto establishing a 'Foundation for a Sustainable Minerals Industry'.

Credit terms for receivables were net 30 days.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

	2016	2015
	\$'000	\$'000
Note 4.1C: Other Investments		
Australian Institute of Marine Science	178,025	182,453
Australian Nuclear Science and Technology Organisation	943,532	967,279
Commonwealth Scientific and Industrial Research Organisation	2,197,625	2,237,934
National Offshore Petroleum Safety and Environmental Management Authority	10,917	13,584
Pre-Seed Fund	25,323	25,375
Innovation Investment Fund Round 1	20,838	16,162
Innovation Investment Fund Round 3	100,271	109,878
Innovation Investment Follow-On Fund	19,810	24,259
Australian Renewable Energy Agency	-	34,838
Snowy Hydro Ltd	540,000	475,000
Total other investments	4,036,341	4,086,762

All investments are not expected to be recovered within 12 months

Administered investments in subsidiaries, joint ventures and associates are not consolidated because their consolidation is relevant only at the Whole-of-Government level. Administered investments are classified as "available for sale" and are measured at their fair value as at 30 June 2016. Fair value has been taken to be the Australian Government's proportional interest in the entity valued at either times/earnings or net assets position as at reporting date.

The principal activities of the Department's administered investments are as follows:

Australian Institute of Marine Science

The principal activities are to provide marine research services, particularly tropical science, with the view to support the sustainable use and protection of the marine environment. The Australian Government owns 100% of this investment.

Australian Nuclear Science and Technology Organisation

The principal activities are the timely delivery of valued nuclear related scientific and technical advice services and products. The Australian Government owns 100% of this investment.

Commonwealth Scientific and Industrial Research Organisation

The principal activities are to enhance innovation, productivity and competitiveness in Australian industry, with improved understanding and management of the environment and natural resources through research. The Australian Government owns 100% of this investment.

Pre-Seed Fund

The Australian Government invested in a number of venture capital funds under the Pre-Seed Fund programme. The Pre-Seed Fund programme encourages the private sector to take a more active role in funding and managing the commercialisation of research from universities and Australian Government research agencies, through private sector venture capital fund managers.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Innovation and Investment Fund (IIF)

The Australian Government co-invested in a number of venture capital funds under the IIF programme:

- Rounds 1 and 3 of the IIF are designed to promote the commercialisation of Australian research and development by technology-based companies at the seed, start-up or early growth stages, through licensed private sector venture capital fund managers; and
- The Innovation Investment Follow-on Fund (IIF) was a temporary programme in response to the impact of the global financial crisis on the availability of venture capital. The programme was funded through returns on investments made under the IIF programme. IIF supported investments made under IIF Rounds 1 and 2, the Pre-Seed Fund, the former Renewable Energy Equity Fund and the former ICT Incubators programme.

Australian Renewable Energy Agency

The activities undertaken aim to improve the competitiveness of renewable energy technologies and increase the supply of renewable energy in Australia. The Australian Government owns 100% of this investment. This investment was transferred to the Department of Environment during 2015-16 as a result of the AAO of the 21 September 2015.

National Offshore Petroleum Safety and Environmental Management Authority

The activities undertaken aim to promote the occupational health and safety (OHS) of persons engaged in offshore petroleum operations, and to develop and implement effective monitoring and enforcement strategies to secure compliance by persons with their OHS, structural integrity and environmental management obligations under the Offshore Petroleum and Greenhouse Gas Storage Act 2006. The Australian Government owns 100% of this investment.

Snowy Hydro Ltd

The Australian Government owns 13% of Snowy Hydro Ltd which was corporatised in 2002. The principal activities of Snowy Hydro Ltd are the collection, diversion and storage of water and the generation and transmission of electricity.

Accounting Judgements and Estimates

Snowy Hydro Ltd (SHL) has been valued using the Capitalisation of Future Maintainable Earnings method, with the valuation provided by an independent valuer. Capitalisation multiples for the valuation are selected from share market trading data of comparable listed companies and relevant market acquisition transactions. The capitalisation multiples chosen reflect a discount for lack of control (DLOC). A discount for lack of marketability (DLOM) is also applied as part of the valuation methodology for SHL. The value was determined to be in the range of \$510 million to \$570 million, with the midpoint of \$540 million selected as the value as reported in Notes 4.1C and 7.4A. The variables which may affect SHL's value include environmental markets, electricity demand and supply, electricity industry structure and rainfall.

Department of Industry, Innovation and Science
Notes to and forming part of the Financial Statements

Administered – Non-Financial Assets

Note 4.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles

	Leasehold improvements \$'000	Other property, plant & equipment \$'000	Computer software internally developed \$'000	Computer licence purchased \$'000	Total \$'000
As at 1 July 2015					
Gross book value	258	423	6,001	2,083	8,765
Work in Progress	-	65	683	-	748
Accumulated depreciation, amortisation and impairment	-	-	(2,482)	(2,004)	(4,486)
Total as at 1 July 2015	258	488	4,202	79	5,027
Additions	41	22	908	-	971
Depreciation/ Amortisation	(68)	(140)	(439)	(79)	(726)
Other movements ¹	-	(46)	-	-	(46)
Total as at 30 June 2016	231	324	4,671	-	5,226
Total as at 30 June 2016 represented by:					
Gross book value	299	445	7,157	2,083	9,984
Work in progress	-	19	435	-	454
Accumulated depreciation, amortisation and impairment	(68)	(140)	(2,921)	(2,083)	(5,212)
Total as at 30 June 2016	231	324	4,671	-	5,226

1. These assets did not meet the capitalisation threshold and were expensed in 2015-16.

Revaluations of non-financial assets

All revaluations were conducted in accordance with the revaluation policy. A revaluation was conducted as at 30 June 2015 by an independent valuer.

Contractual commitments for the acquisition of property, plant, equipment and intangible assets

All capital commitments totaling \$1.4 million (2014-15:\$1.6 million) are payable within 12 months, of which \$1.1 million related to the development of the NOPTA-Continuation of National Electronic Approvals Tracking System (NEATS).

Department of Industry, Innovation and Science
Notes to and forming part of the Financial Statements

Note 4.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles

	Leasehold improvements \$'000	Other property, plant & equipment \$'000	Computer software internally developed \$'000	Computer licence purchased \$'000	Total \$'000
As at 1 July 2014					
Gross book value	-	912	2,345	2,083	5,340
Work in Progress	-	185	2,102	-	2,287
Accumulated depreciation, amortisation and impairment	-	(267)	(763)	(54)	(1,084)
Total as at 1 July 2014	-	830	3,684	2,029	6,543
Additions	331	1	2,237	-	2,569
Revaluations and impairments recognised in other comprehensive income	(126)	(62)	-	-	(188)
Depreciation/Amortisation	(8)	(220)	(1,719)	(1,950)	(3,897)
Other movements	61	(61)	-	-	-
Total as at 30 June 2015	258	488	4,202	79	5,027
Total as at 30 June 2015 represented by:					
Gross book value	258	423	6,001	2,083	8,765
Work in Progress	-	65	683	-	748
Accumulated depreciation and impairment	-	-	(2,482)	(2,004)	(4,486)
Total as at 30 June 2015	258	488	4,202	79	5,027

Department of Industry, Innovation and Science Notes to and forming part of the Financial Statements

Accounting Policy

Administered Property, Plant and Equipment

The Department manages on behalf of the Australian Government assets held by the National Offshore Petroleum Titles Administrator (NOPTA), a statutory position established under section 695A of the Offshore Petroleum and Greenhouse Gas Storage Act 2006.

Administered intangibles

The Department manages intangible assets relating to programmes that are delivered by the Department on behalf of the Australian Government as follows:

- Syntroleum Technology – a licence utilising Gas-to-Liquids technology. This asset was recognised at cost and was amortised on a straight-line basis over the term of the licence (15 years). As at reporting date this asset is now fully amortised.
- The National Electronic Approvals Tracking System (NEATS) software – public portal which provides access to publicly available information concerning offshore petroleum titles and applications.

Department of Industry, Innovation and Science
Notes to and forming part of the Financial Statements

Administered – Payables		
	2016	2015
	\$'000	\$'000
Note 4.3A: Suppliers		
Trade creditors and accruals	<u>11,735</u>	7,507
Total suppliers	<u>11,735</u>	<u>7,507</u>
Settlement is usually made within 30 days.		
Note 4.3B: Subsidies		
Subsidies in connection with		
Assistance to industry	53,419	63,418
Resources related initiatives	<u>-</u>	4,369
Total subsidies	<u>53,419</u>	<u>67,787</u>
All subsidies are payable to external parties.		
Settlement is usually made according to the terms and conditions of each grant. This is usually within 30 days of performance or eligibility.		
Note 4.3C: Grants		
Australian Government entities	-	293
Non-profit organisations	40,111	58,392
Other	<u>8,579</u>	24,490
Total grants	<u>48,690</u>	<u>83,175</u>
All suppliers, subsidies, personal benefits, grants and other payables are expected to be settled within 12 months.		

Department of Industry, Innovation and Science Notes to and forming part of the Financial Statements

5. Funding

This section identifies the Department's funding structure.

Appropriations

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

Annual Appropriations for 2016

	Appropriation Act		PGPA Act		Total appropriation \$'000	Appropriation applied in 2016 (current and prior years) \$'000	Variance ² \$'000
	Annual Appropriation ¹ \$'000	Section 74 \$'000	Section 75 \$'000				
Departmental							
Ordinary annual services	399,627	67,855	578		468,060	452,218	15,842
Capital Budget	28,469	-	-		28,469	28,866	(397)
Other services							
Equity	35,369	-	-		35,369	34,288	1,081
Total departmental	463,465	67,855	578		531,898	515,372	16,526
Administered							
Ordinary annual services							
Administered items	848,124	-	(179,988)		668,136	507,955	160,181
Payments to corporate Commonwealth entities	947,464	-	-		947,464	947,464	-
Other services							
Administered assets and liabilities	30,938	-	-		30,938	18,447	12,491
Payments to corporate Commonwealth entities	35,916	-	-		35,916	35,916	-
Total administered	1,862,442	-	(179,988)		1,682,454	1,509,782	172,672

Notes:

1. Departmental Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.
2. Administered variances are as a result of the payment of 2014-15 creditors in 2015-16 less any creditor payments due for 2015-16 which will be paid in 2016-17.
3. \$71.7m has been permanently quarantined against 2015-16 administered ordinary annual services appropriations under section 51 of the PGPA Act. They relate to government decisions and approved movements of funds.
4. No other entities spend money from the CRF on behalf of the department.

Department of Industry, Innovation and Science
Notes to and forming part of the Financial Statements

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

Annual Appropriations for 2015

	<i>Appropriation Act</i>		<i>PGPA Act</i>		Total appropriation	Appropriation applied in 2015 (current and prior years)	Variance ²
	Annual Appropriation ¹	Section 74	Section 75				
	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000
Departmental							
Ordinary annual services	509,130	60,996	(33,415)		536,711	524,729	11,982
Capital Budget	27,838	-	(944)		26,894	30,830	(3,936)
Other services							
Equity	12,736	-	-		12,736	4,107	8,629
Total departmental	549,704	60,996	(34,359)		576,341	559,666	16,675
Administered							
Ordinary annual services							
Administered items	2,557,861	-	(562,983)		1,994,878	1,601,520	393,358
Payments to corporate Commonwealth entities	943,177	-	-		943,177	941,478	1,699
Other services							
Administered assets and liabilities	-	-	-		-	9,036	(9,036)
Payments to corporate Commonwealth entities	96,439	-	-		96,439	96,439	-
Total administered	3,597,477	-	(562,983)		3,034,494	2,648,473	386,021

Notes:

- 2014-15 Departmental annual appropriation includes supplementation funding which was recognised in 2013-14 financial year but appropriated in 2014-15.
- Administered variances are as a result of the payment of 2013-14 creditors in 2014-15 less any creditor payments due for 2014-15 which will be paid in 2015-16.
- \$0.4m of departmental appropriation and \$411.0m of administered appropriations have been permanently quarantined under section 51 of the PGPA Act. They relate to government decisions, reclassification of funding and approved movement of funds.
- No other entities spend money from the CRF on behalf of the department

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Note 5.1B: Unspent Annual Appropriations ('Recoverable GST exclusive')

	2016	2015
	\$'000	\$'000
Departmental		
Appropriation Act 2 2012-13	224	224
Appropriation Act 1 2013-14	1,414	1,414
Appropriation Act 2 2013-14	-	2,676
Appropriation Act 4 2013-14	2,809	27,769
Appropriation Act 1 2014-15	422	70,256
Appropriation Act 1 2014-15 Cash	-	2,505
Appropriation Act 1 2014-15 DCB	-	2,666
Appropriation Act 2 2014-15	4,649	10,893
Appropriation Act 3 2014-15	-	2,386
Appropriation Act 1 2015-16	88,897	-
Appropriation Act 1 2015-16 DCB	2,269	-
Appropriation Act 2 2015-16	30,651	-
Appropriation Act 4 2015-16	2,857	-
Appropriation Act 1 2015-16 Cash	2,583	-
Total departmental	136,775	120,789
Administered		
Appropriation Act 1 2012-13	61,487	61,487
Appropriation Act 2 2012-13	13,191	13,191
Appropriation Act 3 2012-13	4	4
Appropriation Act 4 2012-13	3,450	3,450
Appropriation Act 1 2013-14	29,365	29,370
Appropriation Act 2 2013-14	12,308	29,131
Appropriation Act 4 2013-14	53,267	53,279
Appropriation Act 1 2014-15	425,371	518,233
Appropriation Act 1 2015-16	184,951	-
Appropriation Act 2 2015-16	29,326	-
Appropriation Act 3 2015-16	13,155	-
Total administered	825,875	708,145

Note: The above balances include appropriations withheld under section 51 of the PGPA Act that constitutes a permanent loss of control as well as temporarily quarantined amounts, as these have not been formally reduced by law prior to 30 June 2016.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Note 5.1C: Disclosure by Agent in Relation to Annual and Special Appropriations ('Recoverable GST exclusive')

	ARENA	Department of Education and Training
	2016	2015
	\$'000	\$'000
Total receipts	-	45
Total payments	5,979	16,517

All the above transactions relate to payments made on behalf of the agencies listed during the transition of functions as a result of the AAO changes.

Note 5.1D: Special Appropriations Applied ('Recoverable GST exclusive')

Authority	Appropriation applied	
	2016	2015
	\$'000	\$'000
<i>Textile, Clothing and Footwear Strategic Investment Program Act 1999</i>	21,325	24,251
<i>Automotive Transformation Scheme Act 2009</i>	207,346	251,757
<i>Offshore Minerals Act 1994 (Act No. 28 of 1994)</i>	-	-
<i>Australian Renewable Energy Agency Act 2011</i>	14,671	244,493
<i>Trade Support Loans Act 2014</i>	-	22,049
<i>Offshore Petroleum and Greenhouse Gas Storage Act 2006</i>	28,918	36,193
<i>Public Governance, Performance and Accountability Act 2013 s.77</i>	3,021	3,448
Total special appropriation applied	275,281	582,191

Department of Industry, Innovation and Science
Notes to and forming part of the Financial Statements

Special Accounts						
Note 5.2A: Special Accounts ('Recoverable GST exclusive')						
	Clean Energy Initiative Special Account ¹		Services for Other Entities and Trust Moneys Account ²		National Offshore Petroleum Titles Administrator Special Account ³	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance brought forward from previous period	94,582	107,776	21,906	11,962	9,360	10,126
Total Increases	40,079	32,351	13,942	14,995	10,659	12,201
Available for payments	134,661	140,127	35,848	26,957	20,019	22,327
Total administered decreases	63,747	45,545	5,812	5,051	16,051	12,967
Total balance carried to the next period	70,914	94,582	30,036	21,906	3,968	9,360
	Science and Technology Donations/ Sponsorship Account ⁴		Australian Building Codes Board Special Account ⁵		Ranger Rehabilitation Special Account ⁶	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance brought forward from previous period	5,299	698	10,319	11,693	68,293	66,163
Total increases	999	4,949	8,409	8,494	209,373	272,342
Available for payments	6,298	5,647	18,728	20,187	277,666	338,505
Decreases						
Total Departmental decreases	2,763	348	8,835	9,868	-	-
Total Administered special public money decreases	-	-	-	-	207,411	270,212
Total balance carried to the next period	3,535	5,299	9,893	10,319	70,255	68,293
	Energy 2015 Special Account ⁷		Energy Special Account ⁸		Climate Change Special Account ⁹	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance brought forward from previous period	-	-	11,696	11,841	5,260	6,521
Total increases*	17,337	-	-	1,201	-	1,729
Available for payments	17,337	-	11,696	13,042	5,260	8,250
Total departmental decreases	2,614	-	11,696	1,346	5,260	2,990
Total balance carried to the next period	14,723	-	-	11,696	-	5,260

*The increase in the Energy 2015 Special Account includes the total transfer of \$16.956 million from the Energy Special Account and Climate Change Special Account abolished in 2015-16.

**Department of Industry, Innovation and Science
Notes to and forming part of the Financial Statements**

	Section of PGPA Act appropriated under	Establishing Instrument and Purpose of Special Account	Sunset Date of Special Account Determination
1	78	<i>Determination 2009/21 – Clean Energy Initiative Special Account Establishment 2009</i> , to meet the costs and expenses related to initiatives to support the growth of clean energy generation and new technologies to reduce carbon emissions.	1 October 2019
2	78	<i>Determination 2011/09 - Services for Other Entities and Trust Moneys</i> , to enable the Department to continue to hold and expend amounts on behalf of persons or entities other than the Commonwealth.	1 October 2021
3	80	<i>Offshore Petroleum and Greenhouse Gas Storage Act 2006</i> , to meet costs, expenses and other obligations related to the performance of the Titles Administrator's functions or the exercise of the Titles Administrator's powers.	N/A
4	78	<i>Determination 2006/40 – Science and Technology Donations/Sponsorship Special Account Establishment 2006</i> , for the expenditure of donations/sponsorship received to support specific activities which promote greater understanding and awareness of science and technology within the community.	1 October 2016
5	78	<i>Determination 2006/68 – Australian Building Codes Board Special Account Establishment 2006</i> , for the expenditure for research, investigation and development and the dissemination of information directed towards the achievement and maintenance of uniform building regulation; development of a national system of accreditation; and development of comparable legislative control procedures in the building approval process among the State and Territories.	1 April 2017
6	78	<i>Determination 2006/70- Ranger Rehabilitation Special Account Establishment 2006</i> , for expenditure relating to the rehabilitation of the ranger project area in accordance with the Ranger Uranium Project Government Agreement (as amended) between the Commonwealth and Energy Resources of Australia Limited, Australian Atomic Energy Commission, Peko-Wallsend Operations Limited and Electrolytic Zinc Company of Australasia Limited.	1 April 2017
7	78	<i>Determination 2015/07- Energy Special Account 2015 - Establishment</i>) for activities that contribute to policy development in the national energy sector. This special account replaced both the Energy Special Account and the Climate Change Special Account.	1 October 2025
8	78	<i>Determination 2005/08- Energy Special Account Establishment 2005</i> as amended by <i>Financial Management and Accountability (Variation of the Energy Special Account) Determination 2012/01</i> , for activities that contribute to policy development in the national energy sector. This account was abolished in 2015-16 and the balance was transferred to the <i>Energy Special Account 2015</i> .	N/A
9	78	<i>Determination 2012/16- Establishment of the Climate Change Special Account</i> , for activities under the National Partnership Agreement on Energy Efficiency. This account was abolished in 2015-16 and the balance was transferred to the <i>Energy Special Account 2015</i> .	N/A

Department of Industry, Innovation and Science Notes to and forming part of the Financial Statements

The Department has the following special accounts established under section 80 of the *Public Governance, Performance and Accountability Act 2013* which had nil balances and there no transactions debited or credited to it during the current or prior reporting period:

- (1) BAF Energy Portfolio Special Account to make payments in relation to the creation and development of energy; and
- (2) National Repository Capital Contribution Fund Special Account for the establishment and operation of a radioactive waste management facility. Note that the Fund is to be established after a facility licence that authorises a person to operate the facility is issued under the *Australian Radiation Protection and Nuclear Safety Act 1998*. This is anticipated to occur around 2020

Department of Industry, Innovation and Science
Notes to and forming part of the Financial Statements

Cash Flow Reconciliation		
	2016	2015
	\$'000	\$'000
Note 5.3A: Cash Flow Reconciliation		
Reconciliation of cash and cash equivalents as per statement of financial position to cash flow statement		
Cash and cash equivalents as per		
Cash flow statement	6,386	8,198
Statement of financial position	<u>6,386</u>	<u>8,198</u>
Discrepancy	<u>-</u>	<u>-</u>
Reconciliation of net cost of services to net cash from/(used by)		
operating activities		
Net cost of services	(451,772)	(511,057)
Revenue from Government	400,205	471,091
Adjustments for non-cash items		
Reversal of previous write down of non-financial assets	(5,186)	(2)
Reversal of provision	(125)	(1,593)
Depreciation / amortisation	42,351	43,661
Finance costs	122	259
Net write down of assets	51	9,043
Net losses/(gains) from sale of assets	14	38
Restructuring	(14)	(2,186)
Movement in assets and liabilities		
Assets		
(Increase) / decrease in net receivables	(13,990)	17,790
(Increase) / decrease in accrued revenue	669	(2,255)
(Increase) / decrease in prepayments	(172)	(572)
(Increase) / decrease in inventories	(270)	(51)
(Increase) / decrease in capital receivable	769	(16,695)
(Increase) / decrease in GST receivable	1,226	(742)
Liabilities		
Increase / (decrease) in employee provisions	12,863	(5,190)
Increase / (decrease) in suppliers payable	(4,491)	(5,902)
Increase / (decrease) in unearned revenue	3,874	(7,024)
Increase / (decrease) in capital payable	(4,883)	4,304
Increase / (decrease) in grants payable	(806)	1,089
Increase / (decrease) in other provisions and other payables	<u>(5,695)</u>	<u>10,333</u>
Net cash from/(used by) operating activities	<u>(25,260)</u>	<u>4,339</u>

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

	2016	2015
	\$'000	\$'000
Note 5.3B: Administered Cash Flow Reconciliation		
Reconciliation of cash and cash equivalents as per administered schedule of assets and liabilities to administered cash flow statement		
Cash and cash equivalents as per		
Administered cash flow statement	104,917	125,849
Administered schedule of assets and liabilities	104,917	125,849
Discrepancy	-	-
Reconciliation of net cost of services to net cash from/(used by) operating activities		
Net (cost of)/contribution by services	(666,387)	(1,598,702)
Adjustments for non-cash items		
Net write down of non-financial assets	2,288	20
Indexation	(6,576)	(5,068)
Depreciation/amortisation	726	3,897
Other gains	-	(6,386)
Restructuring	-	33,154
Movements in assets and liabilities		
Assets		
(Increase)/Decrease in net receivables	2,683	30,070
(Increase)/Decrease in dividend receivables	-	27,895
(Increase)/Decrease in accrued revenue	20,385	66,465
Liabilities		
Increase/(Decrease) in grants payable	(34,485)	14,747
Increase/(Decrease) in subsidies payable	(14,368)	(28,687)
Increase/(Decrease) in suppliers payable	7,507	(31,460)
Increase/(Decrease) in personal benefits payable	-	(6,897)
Increase/(Decrease) in other employee provisions	406	137
Net cash from/(used by) operating activities	(687,821)	(1,500,815)

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

6. People and Relationships

This section describes a range of employment and post-employment benefits provided to our people.

Employee Provisions

	2016	2015
	\$'000	\$'000
Note 6.1A: Employee Provisions		
Leave	94,039	84,738
Separations and redundancies	4,824	1,262
Total employee provisions	98,863	86,000
Employee provisions expected to be settled		
No more than 12 months	33,486	28,567
More than 12 months	65,377	57,433
Total employee provisions	98,863	86,000

Note 6.1B: Administered - Employee Provisions

Leave	1,519	1,113
Total employee provisions	1,519	1,113
Employee provisions expected to be settled		
No more than 12 months	471	290
More than 12 months	1,048	823
Total employee provisions	1,519	1,113

Accounting Policy

Liabilities for 'short-term employee benefits' and termination benefits expected to be wholly settled within twelve months of the end of reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

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

Leave

The liability for employee benefits includes provisions for annual leave and long service leave.

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

The liability for long service leave has been determined by reference to the work of an actuary as at 30 June 2014 and management assessments relating to salary growth rates. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

The Department recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Department of Industry, Innovation and Science Notes to and forming part of the Financial Statements

Superannuation

The Department's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap), the Australian Government Employees Superannuation Trust (AGEST) or non-government superannuation funds.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap, AGEST and other non-government superannuation funds are defined contribution schemes.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance in the administered schedules and notes.

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

The liability for superannuation recognised as at 30 June 2016 represents outstanding contributions for the final fortnight of the year.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Senior Management Personnel Remuneration

Note 6.2A: Senior Management Personnel Remuneration

	2016	2015
	\$000	\$000
Short-term employee benefits		
Salary	17,988	17,058
Performance bonuses	95	48
Other ¹	811	880
Total short-term employee benefits	18,894	17,986
Post-employment benefits:		
Superannuation	3,016	2,848
Total post-employment benefits	3,016	2,848
Other long-term employee benefits		
Annual leave	1,314	1,359
Long-service leave	591	612
Total other long-term employee benefits	1,905	1,971
Termination benefits	229	735
Total senior executive remuneration expenses	24,044	23,540

The total number of senior management personnel that are included in the above table is 99 (2015: 100). Note that the comparability of the number of senior management personnel is impacted by part-year service.

1. Other short term employee benefits include motor vehicle running costs and car parking costs.

This note:

- includes long-term acting arrangements;
- includes part year service, which includes senior management personnel impacted by transfers as a result of AAO; and
- includes the impact of leave taken.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

7. Managing Uncertainties

This section analyses how the Department manages financial risks within its operating environment.

Financial Instruments

	2016	2015
	\$'000	\$'000
Note 7.1A: Categories of Financial Instruments		
Financial Assets		
Cash and cash equivalents	6,386	8,198
Trade and other receivables	8,657	7,274
Accrued revenue	2,186	2,855
Total loans and receivables	17,229	18,327
Total financial assets	17,229	18,327
Financial Liabilities		
Suppliers	20,040	24,531
Grants payable	1,177	1,983
Other payables	14,579	10,278
Total financial liabilities measured at amortised cost	35,796	36,792
Total financial liabilities	35,796	36,792

Note 7.1B: Net Gains or Losses

The net gains/losses on financial instruments is immaterial.

Note 7.1C: Fair Value of Financial Instruments

The Department considers that the carrying amounts reported in the Statement of Financial Position are a reasonable approximation of the fair value of these financial assets and liabilities.

Department of Industry, Innovation and Science Notes to and forming part of the Financial Statements

Note 7.1D: Credit Risk

The Department's maximum exposure 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 Statement of Financial Position. This risk is minimal as most items are cash and trade receivables.

The Department manages its credit risk by undertaking background and credit checks prior to entering into a debtor relationship. In addition, the Department has policies and procedures for debt recovery actions. The Department analyses its credit risk based on 30+ days. As such, the ageing of financial instruments has been presented in the same format. The Department holds no collateral to mitigate against credit risk.

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

	Not past due nor impaired	Not past due nor impaired	Past due or impaired	Past due or impaired	Total	Total
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	6,386	8,198	-	-	6,386	8,198
Trade and other receivables	6,683	1,145	2,233	6,408	8,916	7,553
Other financial assets	2,186	2,855	-	-	2,186	2,855
Total	15,255	12,198	2,233	6,408	17,488	18,606

Ageing of trade and other receivables that were past due but not impaired

	0 to 30 days	31 to 60 days	60+ days	Total
	\$'000	\$'000	\$'000	\$'000
2016	1,086	527	361	1,974
2015	1,218	319	564	2,101

Note 7.1E: Liquidity Risk

The Department's financial liabilities are payables to suppliers. The exposure to liquidity risk is based on the notion that the Department will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to appropriation funding and other funding mechanisms available to the Department (e.g. Advance to the Finance Minister) and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

All non-derivative financial liabilities will mature within one year. The Department did not hold any derivative financial liabilities in the current or prior reporting period.

Note 7.1F: Market Risk

The Department holds financial instruments that do not materially expose it to significant market risks.

The Department has minor exposure to "Currency risk" through some international purchases of equipment (National Measurement Institute laboratory equipment) and provision of services or grants. No material exposures exist at year end.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Administered - Financial Instruments		
	2016	2015
	\$'000	\$'000
Note 7.2A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	104,917	125,849
Grant recoveries and other receivables	3,756	1,287
Loans - amortised cost	98,747	93,500
Total loans and receivables	207,420	220,636
Available for sale		
Administered investments	4,036,341	4,086,762
Total available for sale	4,036,341	4,086,762
Total financial assets	4,243,761	4,307,398
Financial Liabilities		
Financial Liabilities measured at amortised cost		
Grants and subsidies payable	102,109	150,962
Suppliers payable	11,735	7,507
Total financial liabilities measured at amortised cost	113,844	158,469
Total financial liabilities	113,844	158,469
Note 7.2B: Net Gains or Losses on Financial Assets		
Loans and receivables		
Interest revenue	6,656	6,708
Dividends	23,595	20,151
Net gains on loans and receivables	30,251	26,859
Available-for sale financial assets		
Impairment - IIF Loans	-	6,649
Net losses on available-for-sale financial assets	-	6,649
Financial assets at fair value through profit or loss (designated)		
Write-down and impairment - Investments	-	(20)
Net losses on financial assets at fair value through profit or loss (designated)	-	(20)
Net gains/(losses) on financial assets	30,251	33,488
The net gains/losses on financial liabilities is immaterial.		
Note 7.2C: Fair Value of Financial Instruments		
The Department considers that the carrying amounts reported in the Administered Schedule of Assets and Liabilities are a reasonable approximation of the fair value of these financial assets and liabilities.		

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Note 7.2D: Credit Risk

The Department is exposed to credit risk through its financial assets of loans and other receivables. The maximum exposure to credit risk arises from potential default of a debtor. The carrying amount of loans and other receivables, net of impairment losses, represents the Department's maximum exposure to credit risk.

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

	Not past due nor impaired 2016 \$'000	Not past due nor impaired 2015 \$'000	Past due or impaired 2016 \$'000	Past due or impaired 2015 \$'000	Total 2016 \$'000	Total 2015 \$'000
Grant recoveries and other receivables	2,382	329	15,284	12,732	17,666	13,061
Loans - amortised cost	98,747	93,493	975	1,008	99,722	94,501
Loans - available for sale - IIF	-	-	40,447	40,447	40,447	40,447
Total	101,129	93,822	56,706	54,187	157,835	148,009

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

	0 to 30 days \$'000	31 to 60 days \$'000	60+ days \$'000	Total \$'000
Grant recoveries and other receivables	10	1,136	228	1,374
Total	10	1,136	228	1,374

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

	days \$'000	days \$'000	days \$'000	Total \$'000
Grant recoveries and other receivables	320	16	622	958
Loans - amortised cost	-	-	7	7
Total	320	16	629	965

Note 7.2E: Liquidity Risk

The majority of the Department's administered financial liabilities are grants and subsidies payable. The exposure to liquidity risk is based on the notion that the Department will encounter difficulty in meeting its obligations associated with administered financial liabilities. This is highly unlikely due to appropriation funding mechanisms available to the Department and internal policies and procedures to ensure appropriate resources exist to meet any financial obligations.

All financial liabilities are expected to be settled within 12 months.

Note 7.2F: Market Risk

The Department's exposure to interest rate risk is primarily from its loans (at amortised cost). Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. However, the effect on profit and loss is assessed as immaterial given the low value of these financial instruments as at 30 June 2016.

Department of Industry, Innovation and Science Notes to and forming part of the Financial Statements

Fair Value Measurement

The following tables provide an analysis of assets and liabilities that are measured at fair value.

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

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

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

Level 3: Recurring and non-recurring Level 3 fair value measurements – valuation processes

The Department's assets are held for operational purposes and not held for the purposes of deriving a profit. The current use of the assets is considered the highest and best use.

The Department's valuation methodologies for its non-financial assets are provided by its independent valuer, which have been developed in accordance with *AASB 13 Fair Value Measurement*. The Department tests the procedures of the valuation model as an internal management review at least once every 12 months (with a formal valuation undertaken once every three years). If a particular asset class experiences significant and volatile changes in fair value (i.e. where indicators suggest that the value of the class has changed materially since the previous reporting period), that class is subject to specific valuation in the reporting period, where practicable, regardless of timing of the last valuation.

Note 7.3A: Fair Value Measurements, Valuation Techniques and Inputs Used

Fair value measurements at the end of the reporting period by hierarchy for assets and liabilities in 2016

	Fair value measurements at the end of the reporting period	
	2016	2015
	\$'000	\$'000
Non-financial assets:		
Buildings	55,402	53,903
Leasehold improvements	76,766	64,288
Property, plant and equipment ¹	18,207	34,883
Property, plant and equipment	34,727	16,305
Laboratory equipment	25,013	25,647
Total fair value measurements of assets in the statement of financial position	210,115	195,026

- Level 2 property, plant and equipment are measured at market cost. The inputs used are the prices derived from observed transactions of similar equipment.

The balance of the non-financial assets are categorised as Level 3, valued using depreciated replacement cost.

Department of Industry, Innovation and Science
Notes to and forming part of the Financial Statements

Administered - Fair Value Measurement				
Note 7.4A: Administered Fair Value Measurements, Valuation Technique and Inputs Used				
Fair value measurements at the end of the reporting period by hierarchy for assets and liabilities				
	Fair value measurements at the end of the reporting period		Category (Level 1, 2 or 3)	For Levels 2 and 3 fair value measurements
	2016	2015		
	\$'000	\$'000		
Financial assets:				
Other investments - Snowy Hydro Ltd ¹	540,000	475,000	Level 2	Income
Other investments - Other	3,496,341	3,611,762	Level 3	Cost
Total financial assets	4,036,341	4,086,762		
Non-financial assets:				
Property, plant and equipment ²	324	423	Level 2	Market
Leasehold Improvements	231	258	Level 3	Approach
				Depreciated
				replacement
				cost
Total non-financial assets	555	681		
Total fair value measurements of assets in the administered schedule of assets and liabilities	4,036,896	4,087,443		
For the following level 2 measurements, the inputs used are as follows:				
1. Operating results to estimate future earnings; and				
2. Prices derived from observed transactions of similar equipment				
Note 7.4B: Administered Reconciliation for Recurring Level 3 Fair Value Measurements				
Recurring Level 3 fair value measurements - reconciliation				
	2016	2015		
	\$'000	\$'000		
Opening balance	3,611,762	3,438,014		
Total gains/(losses) recognised in other comprehensive income ¹	(103,158)	27,160		
(Disposals)/ Additions (including Restructuring)	(34,838)	41,538		
Issues	54,351	117,705		
Settlements	(31,776)	(12,655)		
Closing balance	3,496,341	3,611,762		
Changes in unrealised gains/(losses) recognised in net cost of services for assets held at the end of the reporting period	-	-		

1. These gains/losses are presented in the Administered Schedule of Comprehensive Income under changes in asset revaluation surplus.

Department of Industry, Innovation and Science Notes to and forming part of the Financial Statements

8. Other Information

This section provides other disclosures relevant to the Department's financial environment for the year.

Restructuring

As a result of the AAO of the 21 September 2015 the Australian Renewable Energy Agency (ARENA) function was relinquished to the Department of Environment and the following functions were assumed during 2015-16:

1. The Digital Economy function from the Department of Communications and the Arts, involving only the transfer of departmental assets and liabilities.
2. The Office of Northern Australia function from the Department of Infrastructure and Regional Development, involving only the transfer of departmental assets and liabilities.

The following functions were relinquished during 2014-15 as a result of the AAO of the 23 December 2014:

1. The Skills and Vocational Education and Training functions to the Department of Education and Training.
2. The Small Business function to The Treasury, involving only the transfer of administered assets and liabilities.
3. The Office of Spatial Policy function to the Department of Communications, involving only the transfer of the administered special account.

Note 8.1A: Departmental Restructuring

	ASSUMED		RELINQUISHED	
	2016 Digital Economy ¹	2016 Office of Northern Australia ²	2016 ARENA	2015 Skills and Vocational Education Training ¹
	Department of Communications and the Arts	Department of Infrastructure and Regional Development	Department of Environment	Department of Education and Training
	\$'000	\$'000	\$'000	\$'000
FUNCTIONS ASSUMED/RELINQUISHED				
Assets relinquished				
Appropriation receivables	540	296	1,453	24,100
Property, plant and equipment	-	-	-	1
Intangibles	-	-	-	14,711
Total assets assumed/relinquished	540	296	1,453	38,812
Liabilities assumed/relinquished				
Employee provisions	554	296	1,453	14,254
Total liabilities assumed/relinquished	554	296	1,453	14,254
Net assets/(liabilities) assumed/relinquished	(14)	-	-	24,558
Income assumed				
Recognised by the receiving entity	5,202	2,934		
Recognised by the losing entity	813	590		
Total income assumed	6,015	3,524		
Expenses assumed				
Recognised by the receiving entity	5,202	2,934		
Recognised by the losing entity	813	590		
Total expenses assumed	6,015	3,524		

In respect of functions assumed, the net book values of assets and liabilities were transferred to the entity for no consideration.

Department of Industry, Innovation and Science
Notes to and forming part of the Financial Statements

Note 8.1B: Administered Restructuring					
	ASSUMED	RELINQUISHED			
	2016	2016	2015	2015	2015
	Digital Economy¹	ARENA	Skills and Vocational Education and Training functions ¹	Small Business ²	Office of Spatial Policy ³
	Department of Communications and the Arts	Department of Environment	Department of Education and Training	The Treasury	Department of Communications
	\$'000	\$'000	\$'000	\$'000	\$'000
FUNCTIONS RELINQUISHED					
Assets relinquished					
Cash and cash equivalents	-	-	737	-	133
Trade receivables	-	-	-	1	-
Advances and loans	-	-	23,850	-	-
Other receivables	-	-	1,449	-	-
Investments	-	34,838	-	-	-
Total assets relinquished	-	34,838	26,036	1	133
Liabilities relinquished					
Payables	-	-	34,605	-	-
Total liabilities relinquished	-	-	34,605	-	-
Net assets/(liabilities) relinquished	-	34,838	(8,569)	1	133
Income assumed					
Recognised by the receiving entity	-				
Recognised by the losing entity	-				
Total income assumed	-				
Expenses assumed					
Recognised by the receiving entity	2,147				
Recognised by the losing entity	1,562				
Total expenses assumed	3,709				

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Reporting of Outcomes

Note 8.2A: Net Cost of Outcome Delivery

	Total 2016 \$'000	Total 2015 \$'000
Departmental		
Expenses	524,911	589,089
Own-source income	73,139	78,032
Administered		
Expenses	1,739,347	3,082,912
Own-source income	1,053,280	1,484,210
Net cost/(contribution) of outcome delivery	1,137,839	2,109,759

The Department has only one Outcome as described in the Objective of the Department on page 16. Refer to the Statement of Comprehensive Income, the Statement of Financial Position, the Administered Schedule of Comprehensive Income, and the Administered Schedule of Assets and Liabilities for details relating to this note.

Department of Industry, Innovation and Science
Notes to and forming part of the Financial Statements

9. Regulatory Charging

Regulatory Charging Summary

	2016	2015
	\$'000	\$'000
Note 9.1A: Regulatory Charging Summary		
Amount applied		
Departmental		
Annual appropriations	3,081	4,690
Special appropriations (including special accounts)	-	-
Own source revenue	-	-
Administered		
Annual appropriations	2,307	3,261
Special appropriations (including special accounts)	-	-
Total amounts applied	5,388	7,951
Expenses		
Departmental	7,629	10,386
Administered	16,953	15,342
Total expenses	24,582	25,728
Revenue		
Departmental	4,549	6,495
Administered	13,052	13,250
Total revenue	17,601	19,745

No amounts were written off in the current or prior period.

Cost recovered activities:

Licensing and Appointment, Pattern Approval Laboratory, Certification of Licenses, Greenhouse and Energy Minimum Standards National Legislative Framework, and National Offshore Petroleum Titles Administrator

Documentation (Cost Recovery Impact Statement/s) for the above activities is available at www.industry.gov.au or www.measurement.gov.au or www.nopta.gov.au