

Financial statements

Table of contents

Certification	58
Primary financial statement	62
Statement of comprehensive income	62
Statement of financial position	63
Statement of changes in equity	64
Cash flow statement	65
Administered schedule of comprehensive income	67
Administered schedule of assets and liabilities	68
Administered reconciliation schedule	69
Administered cash flow statement	70
Notes to the financial statements	71
Overview	71
1. Financial performance	73
1.1 Expenses	73
1.2 Own-source revenue and gains	74
2. Financial position	75
2.1 Financial assets	75
2.2 Non-financial assets	76
2.3 Payables	79
2.4 Other provisions	80
3. Assets and liabilities administered on behalf of Government	81
3.1 Administered – financial assets	81
4. Funding	82
4.1 Appropriations	82
4.2 Net cash appropriation arrangements	85
5. People and relationships	86
5.1 Employee provisions	86
5.2 Key management personnel remuneration	88
5.3 Related party disclosures	89
6. Managing uncertainties	90
6.1 Contingent assets and liabilities	90
6.2 Financial instruments	91
6.3 Fair value measurement	92

Statement of Comprehensive Income
for the period ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000	Original Budget \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1A	17,486	17,283	18,637
Suppliers	1.1B	11,736	18,718	14,290
Depreciation and amortisation	2.2A	1,420	985	1,240
Loss on disposal of assets		-	1	-
Total expenses		30,642	36,987	34,167
Own-Source Income				
Own-Source Revenue				
Rental income	1.2A	-	28	-
Other revenue	1.2B	106	477	370
Total own-source revenue		106	505	370
Gains				
Other gains		-	-	35
Total gains		-	-	35
Total own-source income		106	505	405
Net (cost of) / contribution by services		(30,536)	(36,482)	(33,762)
Revenue from Government	1.2D	32,412	33,039	32,522
Surplus / (Deficit)		1,876	(3,443)	(1,240)
OTHER COMPREHENSIVE INCOME				
Total other comprehensive income		-	-	-
Total comprehensive income/(Loss)		1,876	(3,443)	(1,240)

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

Budget Variance Commentary

Statement of Comprehensive Income for ABCC

Employee Benefits

Employee benefits expense were lower than budget as the average staffing level was 139 for the year, compared with a budgeted level of 155 ASL.

Suppliers

Suppliers expense was below budget due to lower than planned external legal expenses. This contrasts with prior year where external legal expenses were considerably higher due to increased number and complexity of litigation activities.

Other Revenue

The ABCC received less revenue from other sources including no costs awarded to the ABCC from court actions.

Statement of Financial Position
as at 30 June 2018

	Notes	2018 \$'000	2017 \$'000	Original Budget \$'000
ASSETS				
Financial Assets				
Cash and cash equivalents		301	154	314
Trade and other receivables	2.1	43,471	41,913	38,216
Total financial assets		43,772	42,067	38,530
Non-financial Assets				
Leasehold improvements	2.2	5,579	6,222	5,458
Plant and equipment	2.2	171	319	175
Intangibles	2.2	534	339	1,542
Other non-financial assets		288	306	322
Total non-financial assets		6,572	7,186	7,497
Total assets		50,344	49,253	46,027
LIABILITIES				
Payables				
Suppliers	2.3A	803	2,422	2,652
Other payables	2.3B	849	630	363
Total payables		1,652	3,052	3,015
Provisions				
Employee provisions	5.1	3,831	3,657	4,034
Other provisions	2.4	69	69	-
Total provisions		3,900	3,726	4,034
Total liabilities		5,552	6,778	7,049
Net assets		44,792	42,475	38,978
EQUITY				
Contributed equity		5,523	5,082	5,523
Retained earnings		39,269	37,393	33,455
Total equity		44,792	42,475	38,978

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

Budget Variance Commentary

Statement of Financial Position for ABCC

Financial Assets

Appropriation receivable increased due to expenses for the year being under budget and capital investment in intangibles being lower than planned.

Non-Financial Assets

Intangible software development project commenced in 2016-17 was completed in 2017-18, the final cost was lower than originally planned as result of reduction in the project's scope.

Payables

Suppliers payable below budget due to external legal expenses for the year and at year end being lower than originally planned.

Statement of Changes in Equity
for the period ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000	Original Budget \$'000
CONTRIBUTED EQUITY				
Opening Balance				
Balance carried forward from previous period		5,082	4,484	5,082
Opening balance		5,082	4,484	5,082
Comprehensive Income				
Contributions by owners				
Equity injection - Appropriations		-	150	-
Departmental capital budget		441	448	441
Total transactions with owners		441	598	441
Closing balance as at 30 June		5,523	5,082	5,523
RETAINED EARNINGS				
Opening Balance				
Balance carried forward from previous period		37,393	40,836	34,695
Opening balance		37,393	40,836	34,695
Comprehensive Income				
Surplus/(Deficit) for the period		1,876	(3,443)	(1,240)
Total comprehensive income		1,876	(3,443)	(1,240)
Closing balance as at 30 June		39,269	37,393	33,455
TOTAL EQUITY				
Closing balance as at 30 June		44,792	42,475	38,978

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

Accounting Policy

Equity Injections

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

Budget Variance Commentary

Retained Earnings

The ABCC had an operating surplus in 2017-18 resulting from a decrease in employee benefits and legal expenses.

Cash Flow Statement
for the period ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000	Original Budget \$'000
OPERATING ACTIVITIES				
Cash received				
Appropriations		30,774	36,671	32,831
Sales of goods and rendering of services		136	441	691
Net GST received		1,056	1,669	-
Total cash received		<u>31,966</u>	<u>38,781</u>	<u>33,522</u>
Cash used				
Employees		17,263	17,592	18,637
Suppliers		13,585	19,168	14,576
Section 74 receipts transferred to the Official Public Account		588	1,107	-
Total cash used		<u>31,436</u>	<u>37,867</u>	<u>33,213</u>
Net cash from (used by) operating activities		<u>530</u>	<u>914</u>	<u>309</u>
INVESTING ACTIVITIES				
Cash used				
Purchase of non-financial assets		824	1,672	750
Total cash used		<u>824</u>	<u>1,672</u>	<u>750</u>
Net cash from (used by) investing activities		<u>(824)</u>	<u>(1,672)</u>	<u>(750)</u>
FINANCING ACTIVITIES				
Cash received				
Contributed equity		441	598	441
Total cash received		<u>441</u>	<u>598</u>	<u>441</u>
Net cash from (used by) financing activities		<u>441</u>	<u>598</u>	<u>441</u>
Net increase in cash held		<u>147</u>	<u>(160)</u>	<u>-</u>
Cash and cash equivalents at the beginning of the reporting period		<u>154</u>	<u>314</u>	<u>314</u>
Cash and cash equivalents at the end of the reporting period		<u><u>301</u></u>	<u><u>154</u></u>	<u><u>314</u></u>

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

Budget Variance Commentary

The amounts reported in the departmental Cash Flow Statement are interrelated with figures disclosed in the Statement of Comprehensive Income and Statement of Financial Position.

Sales of goods and rendering of services

The ABCC received less revenue from other sources. No costs awarded to the ABCC from court actions during the financial year.

Appropriations

The ABCC drawdown of appropriations was below budget as a result of the operating surplus for the year.

Employees

Employee benefits expense were lower than budget as the average staffing level was 139 for the year, compared with a budgeted level of 155 ASL.

Suppliers

Suppliers expense was below budget due to lower than planned external legal expenses.

Administered Schedule of Comprehensive Income
for the period ended 30 June 2018

	Notes	2018 \$ (*)	2017 \$ (*)
NET COST OF SERVICES			
Expenses			
Write-down and impairment of assets		<u>2,300</u>	12,000
Total Expenses		<u>2,300</u>	12,000
Income			
Non-taxation revenue			
Court-awarded penalties		<u>5,930,795</u>	2,623,025
Interest		-	-
Total revenue		<u>5,930,795</u>	2,623,025
Net (cost of)/ contribution by services		<u>5,928,495</u>	2,611,025
Surplus/(Deficit)		<u>5,928,495</u>	2,611,025
Total Comprehensive Income		<u>5,928,495</u>	2,611,025

(*) These amounts are rounded to the nearest dollar, as required by the Resource Management Guide No. 125 "Commonwealth Entities Financial Statements Guide"

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

Budget Variance Commentary

Administered activities relate to court awarded penalties and due to their nature are not included in the Portfolio Budget Statements.

Administered Schedule of Assets and Liabilities
as at 30 June 2018

	Notes	2018 \$ (*)	2017 \$ (*)
ASSETS			
Financial assets			
Receivables	3.1	2,846,000	459,600
Other financial assets	3.1	647,500	562,000
Total financial assets		<u>3,493,500</u>	<u>1,021,600</u>
Total Assets Administered on Behalf of Government		<u>3,493,500</u>	<u>1,021,600</u>
LIABILITIES			
Total Liabilities Administered on Behalf of Government		<u>-</u>	<u>-</u>
Net Assets/(Liabilities)		<u>3,493,500</u>	<u>1,021,600</u>

(*) These amounts are rounded to the nearest dollar, as required by the Resource Management Guide No. 125 "Commonwealth Entities Financial Statements Guide"

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

Administered Reconciliation Schedule
as at 30 June 2018

	2018 \$ (*)	2017 \$ (*)
Opening assets less liabilities as at 1 July	1,021,600	722,850
Net contribution by services:		
Administered income	5,930,795	2,623,025
Administered expenses	(2,300)	(12,000)
Transfers (to) / from Australian Government:		
Transfers to Official Public Account	(3,011,595)	(1,186,025)
Transfers to Official Public Account by other agencies	(445,000)	(1,126,250)
Closing assets less liabilities as at 30 June	<u>3,493,500</u>	<u>1,021,600</u>

(*) These amounts are rounded to the nearest dollar, as required by the Resource Management Guide No. 125 "Commonwealth Entities Financial Statements Guide"

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

Accounting Policy

Administered Cash Transfers to and from the Official Public Account

Revenue collected by the ABCC for use by the Government rather than the ABCC 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 ABCC on behalf of the Government and reported as such in the schedule of administered cash flows and in the administered reconciliation schedule.

Administered Cash Flow Statement
for the period ended 30 June 2018

	Notes	2018 \$ (*)	2017 \$ (*)
OPERATING ACTIVITIES			
Cash received			
Court-awarded penalties		<u>3,011,595</u>	1,186,025
Total cash received		<u>3,011,595</u>	<u>1,186,025</u>
Net cash from / (used by) operating activities		<u>3,011,595</u>	1,186,025
Net increase in cash held		<u>3,011,595</u>	<u>1,186,025</u>
Cash and cash equivalents at the beginning of the reporting period		-	-
Cash from the Official Public Account			
Appropriations		-	-
Cash to the Official Public Account			
Administered receipts		<u>(3,011,595)</u>	<u>(1,186,025)</u>
Cash and cash equivalents at the end of the reporting period		<u>-</u>	<u>-</u>

(*) These amounts are rounded to the nearest dollar, as required by the Resource Management Guide No. 125 "Commonwealth Entities Financial Statements Guide"

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ending 30 June 2018

Overview

Objectives of the Australian Building and Construction Commission

The Australian Building and Construction Commission (ABCC) is an independent Australian Government controlled not-for-profit entity.

The *Building and Construction Industry (Improving Productivity) Act 2016*, changed the name of the entity from the Office of the Fair Work Building Industry Inspectorate to the Australian Building and Construction Commission on 2 December 2016.

Assets and liabilities continued in the normal course of business as the entity did not change.

ABCC is structured to meet a single outcome:

Outcome 1: *Enforce workplace relations laws in the building and construction industry and ensure compliance with those laws by all participants in the building and construction industry through the provision of education, assistance and advice.*

ABCC activities contributing toward 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 ABCC in its own right. Administered activities involve the management or oversight by the ABCC, on behalf of the Government, of items controlled or incurred by the Government.

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

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 have been prepared in accordance with:

- Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR) for reporting periods ending on or after 1 July 2016; and
- Australian Accounting Standards and Interpretations - Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

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

New Australian Accounting Standards

All new, revised, amending standards and/or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect, and are not expected to have a future material effect, on the ABCC's financial statements.

Taxation

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

Reporting of Administered Activities

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

All administered revenues are revenues relating to ordinary activities performed by the ABCC on behalf of the Australian Government. As such, administered appropriations are not revenues of the ABCC.

The ABCC can receive monies for court-awarded penalties under the *Building and Construction Industry (Improving Productivity) Act 2016*, *Fair Work (Building Industry) Act 2012*, the *Independent Contractors Act 2006* and the *Fair Work Act 2009*. Court awarded penalties are recognised when the court rules in favour of any claims initiated by the ABCC. Collectability of debts is reviewed at the reporting date. Impairment allowances are made when the collectability of the debt is judged to be less, rather than more, likely.

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

Events After the Reporting Period

Departmental

No significant events have occurred after the reporting date that are likely to affect either the ongoing structure or financial activities of the ABCC.

Administered

No significant events have occurred after the reporting date that are likely to affect either the ongoing structure or financial activities of the ABCC.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ending 30 June 2018

Financial Performance

This section analyses the financial performance of the Australian Building and Construction Commission for the year ended 2018

1.1 Expenses

	2018	2017
	\$'000	\$'000
1.1A: Employee Benefits		
Wages and salaries	12,904	12,047
Superannuation:		
Defined contribution plans	1,697	1,363
Defined benefit plans	575	843
Leave and other entitlements	2,126	1,663
Separation and redundancies	184	1,367
Total employee benefits	<u>17,486</u>	<u>17,283</u>

Accounting Policy

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

1.1B: Suppliers

Goods and services supplied or rendered

Information and communications technology	1,700	1,098
Legal	4,027	10,829
Travel	1,009	1,242
Outsourced corporate services	657	657
Other	1,391	1,700
Total goods and services supplied or rendered	<u>8,784</u>	<u>15,526</u>

Goods supplied	250	228
Services rendered	8,534	15,298
Total goods and services supplied or rendered	<u>8,784</u>	<u>15,526</u>

Other suppliers

Operating lease rentals	2,682	2,703
Workers compensation expenses	270	489
Total other suppliers	<u>2,952</u>	<u>3,192</u>
Total suppliers	<u>11,736</u>	<u>18,718</u>

Leasing commitments

The ABCC in its capacity as lessee holds office accommodation leases for varying periods up to ten years. Lease payments are subject to increases in accordance with fixed amounts in the lease agreement or market rental reviews. The ABCC may exercise option clauses in accordance with the terms of the lease.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within 1 year	2,094	2,171
Between 1 to 5 years	6,783	7,290
More than 5 years	3,123	4,615
Total operating lease commitments	<u>12,000</u>	<u>14,076</u>

Accounting Policy

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ending 30 June 2018

1.2 Own-Source Revenue and Gains

	2018 \$'000	2017 \$'000
1.2A: Rental Income		
Operating lease rentals	-	28
Total rental income	<u>-</u>	<u>28</u>

Subleasing rental income commitments

The ABCC in its capacity as lessor has sublet excess office accommodation. There are no subleasing arrangements in place at balance date.

1.2B: Other Revenue

Court-awarded costs	-	445
Resources received free of charge - remuneration of auditors	32	31
Other	74	1
Total other revenue	<u>106</u>	<u>477</u>

Accounting Policy

Resources Received Free of Charge

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

Sale of Assets

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

1.2D: Revenue from Government

Appropriations		
Departmental appropriations	32,412	33,039
Total revenue from Government	<u>32,412</u>	<u>33,039</u>

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 ABCC 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ending 30 June 2018

Financial Position

This section analyses the Australian Building and Construction Commission's assets used to conduct its operations and the operating liabilities incurred as a result.

Employee related information is disclosed in the People and Relationships section.

2.1 Financial Assets

	2018	2017
	\$'000	\$'000
2.1: Trade and Other Receivables		
Goods and services receivable		
Goods and services	-	100
Total goods and services receivables	-	100
Appropriations receivable		
Appropriation receivable	43,301	41,663
Total appropriations receivable	43,301	41,663
Other receivables		
GST receivable from the Australian Taxation Office	113	131
Other	57	19
Total other receivables	170	150
Total trade and other receivables (gross)	43,471	41,913
Total trade and other receivables (net)	43,471	41,913

All trade and other receivables were assessed for impairment at reporting date. No indicators of impairment were identified for trade and other receivables.

Credit terms for goods and services were within 30 days (2017: 30 days).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ending 30 June 2018

2.2 Non-Financial Assets

2.2: Reconciliation of 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 2018

	Leasehold Improvements \$'000	Property, plant and equipment \$'000	Intangibles (Computer Software) \$'000	Total \$'000
As at 1 July 2017				
Gross book value	7,534	756	339	8,629
Accumulated depreciation	(1,312)	(437)	-	(1,749)
Total as at 1 July 2017	6,222	319	339	6,880
Additions				
By purchase	502	31	291	824
Depreciation	(1,145)	(179)	(96)	(1,420)
Disposal of assets	-	-	-	-
Total as at 30 June 2018	5,579	171	534	6,284
Total as at 30 June 2018 represented by				
Gross book value	8,036	787	630	9,453
Assets under construction	-	-	-	-
Accumulated depreciation	(2,457)	(616)	(96)	(3,169)
Total as at 30 June 2018	5,579	171	534	6,284

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

The Australian Building and Construction Commission has no properties where a new leasehold and associated leasehold improvements have commenced and will be completed within the next 12 months.

No other property, plant and equipment and intangibles are expected to be sold or disposed of within the next 12 months.

Revaluations of non-financial assets

All revaluations were conducted in accordance with the revaluation policy stated at Note 6.3. No revaluation of leasehold assets occurred in 2017-18 due to ABCC replacing the majority of its leasehold assets during the last two years. The ABCC last independently revalued its leasehold improvements at 30 June 2013.

Accounting Policy

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

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

Asset Recognition Threshold

Purchases of leasehold improvements, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$20,000 for leasehold improvements (2017: \$20,000) and \$2,000 for all other classes (2017: \$2,000), which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The 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 ABCC where there exists an obligation to restore the property to its original condition at the end of the lease term. These costs are included in the value of the ABCC's leasehold improvements assets with a corresponding provision for the 'make good' recognised.

Revaluations

Following initial recognition at cost, leasehold improvements, plant and equipment were 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 did 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. The valuation method used by ABCC to value non-financial assets is the depreciated replacement cost method.

Revaluation adjustments are made on an asset class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reversed 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 through the surplus / deficit except to the extent that they reversed 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 ABCC using, in all cases, the straight-line method of depreciation. Leasehold improvements are depreciated on a straight-line basis over the lesser of the estimated useful life of the improvements and the unexpired period of the lease.

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

Depreciation rates applying to each class of depreciable assets are based on the following useful lives:		
	2018	2017
Leasehold improvements	Lesser of term and useful life	Lesser of term and useful life
Plant and equipment	1-10 years	1-10 years

Impairment
All assets were assessed for impairment at 30 June 2018. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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

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

Intangibles
The ABCC's intangible assets comprise internally developed software. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the ABCC's software are three to six years (2016-17: three to six years).

All software assets were assessed for indications of impairment as at 30 June 2018.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ending 30 June 2018

2.3 Payables

	2018	2017
	\$'000	\$'000
2.3A: Suppliers		
Trade creditors and accruals	803	2,422
Total suppliers	803	2,422

Settlement is usually made net 30 days.

2.3B: Other Payables

Salaries and wages	110	105
Superannuation	18	17
Lease incentives	26	37
Operating lease rentals	576	413
Other	119	58
Total other payables	849	630

2.4 Other Provisions

2.4: Other Provisions

	Provision for Restoration \$'000	Total \$'000
As at 1 July 2017	69	69
Additional provisions made	-	-
Total as at 30 June 2018	69	69

The ABCC currently has one (2017: one) agreement for the leasing of premises which has a provision requiring the Agency to restore the premises to its original condition at the expiry of the lease.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ending 30 June 2018

Assets and Liabilities Administered on Behalf of the Government

This section analyses the financial performance of the Australian Building and Construction Commission for the year ended 2018.

3.1 Administered - Financial Assets

	2018 \$ (*)	2017 \$ (*)
3.1: Trade and Other Receivables		
Other receivables		
Court-awarded penalties	2,846,000	459,600
Total trade and other receivables (gross)	2,846,000	459,600
Less Impairment allowance		
Other receivables - Court-awarded penalties	-	-
Total trade and other receivables (net)	2,846,000	459,600

All receivables are expected to be settled within 12 months

Reconciliation of the Impairment Allowance

Movements in relation to 2018

	Other receivables \$ (*)	Total \$ (*)
As at 1 July 2017	-	-
Impairment allowance received from restructuring	-	-
Amounts written off	-	-
Amounts recovered and reversed	-	-
Increase recognised in net surplus	-	-
Total as at 30 June 2018	-	-

Accounting Policy

Receivables

Receivables are carried at amortised cost. Gains and losses due to impairment, derecognition and amortisation are recognised through profit or loss.

Accounting Judgements and Estimates

All receivables at 30 June 2018 have been reviewed for collectibility by the ABCC Legal Branch and assessed as recoverable, resulting in no requirement for a provision for impairment.

3.1B: Other Financial Assets

Accrued revenue	647,500	562,000
Total other financial assets	647,500	562,000

All other financial assets are expected to be settled within 12 months.

(*) These amounts are rounded to the nearest dollar, as required by the Resource Management Guide No. 125 "Commonwealth Entities Financial Statements Guide"

Funding

This section identifies the Australian Building and Construction Commission's funding structure

4.1 Appropriations

4.1A: Annual Appropriations ('Recoverable GST exclusive')

Annual Appropriation for 2018

	Annual Appropriation ¹ \$'000	Adjustments to Appropriation ² \$'000	Total appropriation \$'000	Appropriation Applied in 2018 (current and prior Years) \$'000	Variance ³ \$'000
Departmental					
Ordinary annual services	32,412	588	33,000	31,361	1,639
Capital Budget ⁴	441	-	441	441	-
Equity Injections	-	-	-	-	-
Total departmental	32,853	588	33,441	31,802	1,639

Notes:

1. Appropriations reduced under Appropriation Acts (No. 1,3,5) 2017-18: sections 10, 11 and 12 and under Appropriation Acts (No. 2,4,6) 2017-18: sections 13 and 14. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament.
2. Adjustments to Appropriation in 2017-18 comprised PGPA Act Section 74 receipts of \$0.588 million.
3. The variance between total appropriation and appropriation applied in 2018 relates to less than expected payments for suppliers and employee expenses.
4. 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.

Annual Appropriation for 2017

	Annual Appropriation ¹ \$'000	Adjustments to Appropriation ² \$'000	Total appropriation \$'000	Appropriation Applied in 2017 (Current and Prior Years) \$'000	Variance ³ \$'000
Departmental					
Ordinary annual services	33,039	1,107	34,146	37,778	(3,632)
Capital Budget ⁴	448	-	448	448	-
Equity	150	-	150	150	-
Total departmental	33,637	1,107	34,744	38,376	(3,632)

Notes:

1. Appropriations reduced under Appropriation Acts (No. 1,3,5) 2016-17: sections 10, 11 and 12 and under sections 13 and 14. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament.
2. Adjustments to Appropriation in 2016-17 comprised PGPA Act Section 74 receipts of \$1.107 million.
3. The variance between total appropriation and appropriation applied in 2017 relates to payments funded from unspent prior year appropriation items. Additional unspent appropriations were drawn down to fund capital expenditure and the operating loss for the financial year.
4. Departmental Capital Budgets are appropriated through Appropriation Acts (No. 1, 3, 5). They form part of ordinary separately identified in the appropriation acts. The variance between total appropriation and appropriation applied in 2017 relates to payments funded from unspent prior year appropriation items.

4.1B: Unspent Annual Appropriations ('Recoverable GST exclusive')

Departmental

	2018	2017
	\$'000	\$'000
Appropriation Act (No. 1) 2014-15 ¹	-	19,322
Appropriation Act (No. 1) 2015-16	-	8,474
Appropriation Act (No. 1) 2016-17	10,449	19,577
Supply Act (No. 1) 2016-17	-	13,766
Appropriation Act (No. 1) 2017-18	33,154	-
Total	43,603	61,139

Unspent appropriation includes cash and cash equivalents on hand at 30 June.

Notes:

1. Unspent Appropriation Act (No. 1) 2014-15 includes quarantined appropriation under Section 51 of \$19,322,000.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ending 30 June 2018

4.2 Net Cash Appropriation Arrangements

	2018 \$'000	2017 \$'000
Total comprehensive income less depreciation / amortisation expenses previously funded through revenue appropriations¹	3,296	(2,458)
Plus: depreciation / amortisation expenses previously funded through revenue appropriation	<u>(1,420)</u>	<u>(985)</u>
Total comprehensive income - as per the Statement of Comprehensive Income	<u>1,876</u>	<u>(3,443)</u>

1. From 2010-11, the Australian Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation / amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payments for capital expenditure is required.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ending 30 June 2018

People and relationships

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people.

5.1 Employee Provisions

	2018 \$'000	2017 \$'000
5.1: Employee Provisions		
Leave	3,825	3,651
Other	6	6
Total Employee Provisions	3,831	3,657

Accounting Policy

Liabilities for short-term employee benefits and termination benefits expected to be settled within twelve months of the end of reporting period are measured at their nominal amounts.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for personal leave as all personal leave is non-vesting and the average personal leave taken in future years by employees of the ABCC is estimated to be less than the annual entitlement for personal 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 ABCC's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The estimate of the present value of the long service leave liability takes into account attrition rates and pay increases through promotion and inflation using the shorthand method prescribed in the FRR.

Separation and redundancy

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

Superannuation

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

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

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

The ABCC makes employer contributions to the employee's defined benefit superannuation schemes at rates determined by an actuary to be sufficient to meet the current cost to the Government. The ABCC accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions.

Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, the ABCC has made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

- the Australian Government shorthand method has been used to estimate the present value of long service leave liabilities. This involves the estimation of salary growth rates, discount rates, the probability of leave vesting and the amount of leave expected to be settled in service.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ending 30 June 2018

5.2 Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The ABCC has determined the key management personnel to be the Minister for Jobs, Industrial Relations and Women, the Commissioner and Senior Executives. Key management personnel remuneration is reported in the table below:

	2018	2017
	\$'000	\$'000
Short-term employee benefits	2,170	1,799
Post-employment benefits	322	265
Other long-term employee benefits	251	286
Termination benefits	-	375
Total key management personnel remuneration expenses¹	<u>2,743</u>	<u>2,725</u>

Notes:

The total number of key management personnel that are included in the above table are 11 (2017: 12)

1. The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the ABCC.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ending 30 June 2018

5.3 Related Party Disclosures

Related party relationships:

The ABCC is an Australian Government controlled entity. Related parties to the ABCC are Key Management Personnel including the Portfolio Minister and Executive.

Transactions with related parties:

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. These transactions have not been separately disclosed in this note.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the ABCC, it has been determined that there are no related party transactions to be separately disclosed.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ending 30 June 2018

Managing Uncertainties

This section analyses how the Australian Building and Construction Commission manages financial risks within its operating environment

6.1 Contingent Assets and Liabilities

6.1A Contingent Assets and Liabilities

Quantifiable Contingencies

At 30 June 2018, the ABCC had no quantifiable contingent assets (2017: nil).

At 30 June 2018, the ABCC had 1 quantifiable contingent liability with a value of \$0.035 million (2017: nil).

Unquantifiable Contingencies

At 30 June 2018, the ABCC had 1 unquantifiable contingent asset (2017: nil).

At 30 June 2018, the ABCC had no unquantifiable contingent liabilities relating to matters before the court that are considered more likely than not to lead to costs against the ABCC (2017: 2).

6.1B: Administered - Contingent Assets and Liabilities

The following information relates to potential court-awarded penalties in respect to matters to which the ABCC is / will be a party.

Quantifiable Administered Contingencies

At 30 June 2018, the ABCC had no quantifiable administered contingent assets (2017: Nil)

At 30 June 2018, the ABCC had no quantifiable administered contingent liabilities. (2017: nil)

Unquantifiable Administered Contingencies

At 30 June 2018, the ABCC had 31 unquantifiable administered contingent assets relating to matters before the courts that are considered more likely than not to lead to a penalty order. (2017: 40)

At 30 June 2018, the ABCC had no unquantifiable administered contingent liabilities. (2017: nil)

Accounting Policy

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when the likelihood of settlement is greater than remote.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ending 30 June 2018

6.2 Financial Instruments

	2018	2017
	\$'000	\$'000
6.2: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	301	154
Goods and services receivables	-	100
Other receivables	57	19
Total loans and receivables	358	273
Total financial assets	358	273
Financial Liabilities		
Financial liabilities measured at amortised cost		
Suppliers	803	2,422
Total financial liabilities measured at amortised cost	803	2,422
Total financial liabilities	803	2,422

The ABCC has no net income or expenses from financial instruments.

Accounting Policy

Financial Assets

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The ABCC only holds financial assets in the category of loans and receivables. Financial assets are recognised and derecognised upon trade date.

Impairment of Financial Assets

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

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

Financial Liabilities

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

Other Financial Liabilities

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ending 30 June 2018

6.3 Fair Value Measurement

Accounting Policy

Physical non-current assets are valued in accordance with AASB 13 Fair Value Measurement.

The assets include office equipment, computers and office fit-out of leased premises. The assets are deemed to be "Non-specialised". The ABCC does not consider that it has any unique assets. Non-specialised assets with short useful lives are measured at depreciated replacement cost, as a surrogate for fair value. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. For all Leasehold Improvement assets, the consumed economic benefit / asset obsolescence deduction is determined based on the term of the associated lease.

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

Fair value measurements – highest and best use differs from current use for non-financial assets (NFAs)

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

Unobservable inputs

The significant unobservable inputs used in the fair value measurement of the ABCC's leasehold improvements and property, plant and equipment asset classes relate to the consumed economic benefit / asset obsolescence. A significant increase (decrease) in this input would result in a significantly lower (higher) fair value measurement.

6.3: Fair Value Measurement

	Fair value measurements at the end of the reporting period	
	2018	2017
	\$'000	\$'000
Non-financial assets		
Land and buildings (leasehold improvements)	5,579	6,222
Property, plant and equipment	171	319
Total fair value measurements of assets in the Statement of Financial Position	5,750	6,541

There is no significant change in the valuation technique since the prior year.

