

FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

To the Attorney-General

I have audited the accompanying annual financial statements of the Administrative Appeals Tribunal for the year ended 30 June 2016, which comprise the Statement by the Registrar and Chief Financial Officer; Statement of Comprehensive Income; Statement of Financial Position; Statement of Changes in Equity; Cash Flow Statement; Administered Schedule of Comprehensive Income; Administered Schedule of Assets and Liabilities; Administered Reconciliation Schedule; Administered Cash Flow Statement; and Notes to and forming part of the financial statements.

Opinion

In my opinion, the financial statements of the Administrative Appeals Tribunal:

- (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 Administrative Appeals Tribunal 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 Registrar of the Administrative Appeals Tribunal 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 and is also responsible for such internal control as the Registrar determines 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

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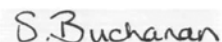
considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit 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

A handwritten signature in black ink that reads "S. Buchanan". The signature is written in a cursive style and is positioned above the printed name and title.

Serena Buchanan
Executive Director

Delegate of the Auditor-General

Canberra
19 September 2016

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ADMINISTRATIVE APPEALS TRIBUNAL

STATEMENT BY THE REGISTRAR 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 Administrative Appeals Tribunal will be able to pay its debts as and when they fall due.



Sian Leatham
Registrar

19 September 2016



Navaka Arachchige
Chief Financial Officer

19 September 2016

Statement of Comprehensive Income

for the period ended 30 June 2016

	Notes	2016 \$'000	Original Budget \$'000
NET COST OF SERVICES			
Expenses			
Employee Benefits	1.1A	94,316	101,112
Suppliers	1.1B	32,160	28,667
Depreciation and amortisation	3.2A	7,404	5,671
Losses from asset sales		15	-
Total expenses		133,895	135,450
Own-Source Income			
Own-source revenue			
Sale of Goods and Rendering of Services	1.2A	743	1,177
Other Revenue	1.2B	102	-
Total own-source revenue		845	1,177
Gains			
Other Gains	1.2C	1,442	1,379
Total gains		1,442	1,379
Total own-source income		2,287	2,556
Net cost of services		(131,608)	(132,894)
Revenue from Government	1.2D	123,529	127,223
Deficit		(8,079)	(5,671)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus		1,053	-
Total other comprehensive income after income tax		1,053	-

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

Budget Variances Commentary

Statement of Comprehensive Income for not-for-profit Reporting Entities

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

- variance between budget and actual is greater than 10% at item level; and
- variance is greater than 2% of the relevant categories. In the case of the Statement of Comprehensive Income, they are total expenses or total revenue.

The variance against *Suppliers* predominantly relates to price increases and increased accommodation costs as a result of changes to accommodation project timelines for co-location in Sydney and Perth. This was not anticipated at the time of developing the budget.

The variance against *Revenue from Government* is mainly due to the demand-driven funding model in place in the Migration and Refugee Division, inherited from the Migration Review Tribunal and Refugee Review Tribunal at amalgamation. The funding model is based on appropriation at budget for finalising 18,000 decisions per annum, adjusted for any variances above (additional appropriation) or below (handing back appropriation) that number, at Portfolio Additional Estimates Statements (PAES). The Migration and Refugee Division finalised 16,111 decisions in 2015-16.

The *Changes in asset revaluation surplus* relates to lease extensions executed for the Melbourne and Perth accommodation. These extensions were not anticipated at the time of developing the budget.

Statement of Financial Position

as at 30 June 2016

		2016	Original Budget
	Notes	\$'000	\$'000
ASSETS			
Financial assets			
Cash and Cash Equivalents	3.1A	489	620
Trade and Other Receivables	3.1B	63,515	70,924
Total financial assets		64,004	71,544
Non-financial assets			
Leasehold improvements	3.2A	33,293	13,567
Plant and equipment	3.2A	2,573	5,865
Computer software	3.2A	3,968	4,796
Other Non-Financial Assets	3.2B	545	733
Total non-financial assets		40,379	24,961
Total assets		104,383	96,505
LIABILITIES			
Payables			
Suppliers	3.3A	1,899	9,395
Other Payables	3.3B	24,989	3,873
Total payables		26,888	13,268
Interest bearing liabilities			
Leases		-	25
Total interest bearing liabilities		-	25
Provisions			
Employee Provisions	6.1A	20,189	21,799
Other Provisions	3.4A	2,330	1,741
Total provisions		22,519	23,540
Total liabilities		49,407	36,833
Net assets		54,976	59,672
EQUITY			
Contributed equity		55,056	61,795
Reserves		5,141	3,600
Retained deficit		(5,221)	(5,723)
Total equity		54,976	59,672

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

Budget Variances Commentary

Statement of Financial Position for not-for-profit Reporting Entities

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

- variance between budget and actual is greater than 10% at item level; and
- variance is greater than 2% of the relevant categories. In the case of the Statement of Financial Position, it is total equity.

Original Budget for *Trade and Other Receivables* included appropriation receivable balances of the Migration Review Tribunal and Refugee Review Tribunal and the Social Security Appeals Tribunal. A section 75 determination was not signed as at 30 June 2016 for the cash and receivable amounts of the Social Security Appeals Tribunal, therefore these amounts have not been recognised in the 2015-16 results.

The variance against *Leasehold improvements* relates to fit-out acquisition in the Sydney co-location. This information was not available at the time of developing the budget.

The variance against *Plant and equipment* relates to budgeted acquisition not taking place due to delayed co-location in Melbourne, Perth and Adelaide.

Suppliers payables represent activity performed during the year but unpaid at year-end. These amounts vary from year to year dependent on the timing of work delivered by suppliers and the payment terms of contracts.

The variance against *Other payables* relates to the lessor's contribution to fit-out for the property lease in Sydney. Lease incentive is amortised on a straight line basis, and this information was not available at the time of developing the budget.

Original Budget for *Contributed equity* included net assets of the Migration Review Tribunal and Refugee Review Tribunal and the Social Security Appeals Tribunal. A section 75 determination was not signed as at 30 June 2016 for the cash and receivable amounts of the Social Security Appeals Tribunal, therefore these amounts have not been recognised in the 2015-16 results.

The variance against *Reserves* is due to revaluation reserves relating to asset revaluation surplus outlined in the Statement of Comprehensive Income.

Statement of Changes in Equity

for the period ended 30 June 2016

	Notes	2016 \$'000	Original Budget \$'000
CONTRIBUTED EQUITY			
Opening balance			
Balance carried forward from previous period		6,201	6,201
Adjusted opening balance		6,201	6,201
Transactions with owners			
Contributions by owners			
Departmental capital budget		4,633	4,633
Restructuring	8.1	44,222	50,961
Total transactions with owners		48,855	55,594
Transfers between equity components		-	-
Closing balance as at 30 June		55,056	61,795
RETAINED EARNINGS			
Opening balance		2,858	(52)
Adjusted opening balance		2,858	(52)
Comprehensive income			
Surplus/(Deficit) for the period		(8,079)	(5,671)
Total comprehensive income		(8,079)	(5,671)
Transfers between equity components		-	-
Closing balance as at 30 June		(5,221)	(5,723)
ASSET REVALUATION RESERVE			
Opening balance		4,088	3,600
Adjusted opening balance		4,088	3,600
Comprehensive income			
Other comprehensive income		1,053	-
Total comprehensive income		1,053	-
Transfers between equity components		-	-
Closing balance as at 30 June		5,141	3,600

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

Accounting Policy

Equity Injections

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

Restructuring of Administrative Arrangements

Net assets received from or relinquished to another Government entity under a restructuring of administrative

Budget Variances Commentary

Statement of Changes in Equity for not-for-profit Reporting Entities

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

- variance between budget and actual is greater than 10% at item level; and
- variance is greater than 2% of the relevant categories. In the case of the Statement of Changes in Equity, it is total equity.

The variance against *Restructuring* reflects the section 75 determination not signed as at 30 June 2016 for the cash and receivable amounts of the Social Security Appeals Tribunal, outlined in the Statement of Financial Position.

The variance against the *Retained Earnings opening balance* relates to the operating result of the AAT for 2014-15 not available at the time of developing the original budget.

The variance against *Deficit for the period* predominantly relates to lower appropriation revenue recognised during the year. The AAT is currently funded using a combination of funding inherited from the amalgamating tribunals, including a demand-driven funding model for the Migration and Refugee Division which provides upfront (fixed) funding for a base number of 18,000 cases, and a marginal cost based funding adjustment for actual caseload finalised (above or below the base number of cases) for the year. The AAT's other divisions and the Immigration Assessment Authority (IAA) are funded on a fixed funding model and is not linked to caseload. In 2015-16, the Migration and Refugee Division finalised 16,111 cases, 1,889 below the base number of cases.

The increase to *Asset revaluation reserve from comprehensive income* relates to the revaluation surplus recognised for leasehold improvement assets, outlined in the Statement of Comprehensive Income.

Cash Flow Statement

for the period ended 30 June 2016

	2016	Original Budget
Notes	\$'000	\$'000
OPERATING ACTIVITIES		
Cash received		
Appropriations	131,591	120,393
Sale of goods and rendering of services	751	1,177
Other ¹	18,458	-
Total cash received	150,800	121,570
Cash used		
Employees	(97,958)	(96,202)
Suppliers	(30,294)	(25,125)
Net GST paid	(232)	-
Total cash used	(128,484)	(121,327)
Net cash from/(used by) operating activities	22,316	243
INVESTING ACTIVITIES		
Cash used		
Purchase of property, plant and equipment	(27,244)	(4,633)
Total cash used	(27,244)	(4,633)
Net cash from/(used by) investing activities	(27,244)	(4,633)
FINANCING ACTIVITIES		
Cash received		
Contributed equity	4,633	4,633
Cash received on restructuring of administrative arrangements	220	-
Total cash received	4,853	4,633
Net cash from/(used by) financing activities	4,853	4,633
Net increase/(decrease) in cash held	(75)	243
Cash and cash equivalents at the beginning of the reporting period	564	377
Cash and cash equivalents at the end of the reporting period	489	620

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

1. The amount represents movement in lease incentives balances related to the Sydney fit-out landlord incentive.

Budget Variances Commentary

Cash Flow Statements for not-for-profit Reporting Entities

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

- variance between budget and actual is greater than 10% at item level; and
- variance is greater than 2% of the relevant categories. In the case of the Cash Flow Statement, it is total equity.

The variance against *Other* under Operating Activities Cash received relates to lessor's contribution to fit-out for the property lease in Sydney, outlined in the Statement of Financial Position.

The variance against *Suppliers* under Operating Activities Cash used relates to higher than budgeted suppliers' expenses, discussed in the Statement of Comprehensive Income.

The variance against *Purchase of property, plant and equipment* under Investing Activities Cash used relates predominantly to higher than budgeted leasehold improvement purchase, discussed in the Statement of Financial Position.

Administered Schedule of Comprehensive Income*for the period ended 30 June 2016*

	Notes	2016 \$'000	Original Budget \$'000
NET COST OF SERVICES			
Expenses			
Bad debts (Refugee Review Tribunal post decision fees)	2.1A	2,307	2,600
Other Expenses	2.1A	5,256	6,400
Total expenses		7,563	9,000
Income			
Revenue			
Non-taxation revenue			
Other Revenue	2.2A	26,633	28,392
Total non-taxation revenue		26,633	28,392
Total revenue		26,633	28,392
Total income		26,633	28,392
Net contribution by services		19,070	19,392
Surplus		19,070	19,392
OTHER COMPREHENSIVE INCOME			
Total comprehensive income		19,070	19,392

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

Budget Variances Commentary**Administered Schedule of Comprehensive Income for not-for-profit Reporting Entities**

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

- variance between budget and actual is greater than 10% at item level; and
- variance is greater than 2% of the relevant categories. In the case of the Administered Schedule of Comprehensive Income, they are total administered expenses or total administered revenue.

The variance against *Bad debts* relates to fewer decisions made by the Refugee Review Tribunal and a decrease in provision for Refugee Review Tribunal post-decision fees receivable. The management of Refugee Review Tribunal post-decision fees receivable is carried out by the Department of Immigration and Border Protection and provision of doubtful debt is made based on the actual repayment trend. There is a marginal increase in repayments received and this is reflected in the reduced provision.

The variance against *Other expenses* relates to the lower volume of refunds paid and is reflective of the total number of cases finalised by the AAT in 2015-16.

Administered Schedule of Assets and Liabilities*as at 30 June 2016*

	Notes	2016 \$'000	Original Budget \$'000
ASSETS			
Financial assets			
Cash and Cash Equivalents	4.1A	162	138
Trade and Other Receivables	4.1B	2,801	2,210
Total financial assets		<u>2,963</u>	<u>2,348</u>
Total assets administered on behalf of Government			
		<u>2,963</u>	<u>2,348</u>
LIABILITIES			
Payables			
Suppliers	4.2A	437	-
Total payables		<u>437</u>	<u>-</u>
Total liabilities administered on behalf of Government			
		<u>437</u>	<u>-</u>
Net assets		<u>2,526</u>	<u>2,348</u>

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

Budget Variances Commentary**Administered Schedule of Assets and Liabilities for not-for-profit Reporting Entities**

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

- variance between budget and actual is greater than 10% at item level; and
- variance is greater than 2% of the relevant categories. In the case of the Administered Schedule of Assets and Liabilities, it is administered net assets.

Trade and other receivables relates to Refugee Review Tribunal post-decision fees receivable and is driven by the number of applications received and finalised by the AAT. The number of applications received fluctuates from year to year and is beyond the AAT's control.

Administered Reconciliation Schedule		
	Notes	2016 \$'000
Opening assets less liabilities as at 1 July		<u>3</u>
Adjusted opening assets less liabilities		<u>3</u>
Net (cost of)/contribution by services		
Income		26,633
Expenses		
Payments to entities other than corporate Commonwealth entities		(7,563)
Transfers (to)/from the Australian Government		
Special appropriations (limited)		
Payments to entities other than corporate Commonwealth entities		5,333
Appropriation transfers to Official Public Account		
Transfers to Official Public Account		(23,389)
Restructuring		1,509
Closing assets less liabilities as at 30 June		<u>2,526</u>

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 AAT for use by the Government rather than the AAT 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 AAT on behalf of 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 2016*

	2016
Notes	\$'000
OPERATING ACTIVITIES	
Cash received	
Application fees	23,435
Total cash received	<u>23,435</u>
Cash used	
Refund of application fees	(5,343)
Total cash used	<u>(5,343)</u>
Net cash from/(used by) operating activities	<u>18,092</u>
INVESTING ACTIVITIES	
Total cash used	-
Net cash from/(used by) investing activities	-
FINANCING ACTIVITIES	
Cash received	
Cash received on restructuring of administrative arrangements	123
Total cash received	<u>123</u>
Net cash from/(used by) financing activities	<u>123</u>
Cash from Official Public Account	
Appropriations	5,333
Total cash from Official Public Account	<u>5,333</u>
Cash to Official Public Account	
Appropriations	(23,389)
Total cash to Official Public Account	<u>(23,389)</u>
Cash and cash equivalents at the beginning of the reporting period	3
Effect of exchange rate movements on cash and cash equivalents at the beginning of the reporting period	-
Cash and cash equivalents at the end of the reporting period	<u>162</u>
	4.1A
This schedule should be read in conjunction with the accompanying notes.	

Overview

Objectives of the Entity

The Administrative Appeals Tribunal (AAT) is an Australian Government controlled entity. It is a not-for-profit entity. The objective and sole outcome of the AAT is to provide independent review on the merits of a wide range of administrative decisions made under Commonwealth laws so as to ensure in each case the correct or preferable decision is made. The financial statement reflects the result of this one outcome.

On 1 July 2015, the Migration Review Tribunal and Refugee Review Tribunal (MRT-RRT) and the Social Security Appeals Tribunal (SSAT) merged with the AAT pursuant to the *Tribunals Amalgamation Act 2015*. All assets, liabilities and commitments of the MRT-RRT and the SSAT were transferred to the AAT, except for \$8.9m in cash and receivable of the SSAT, which will be recognised on completion of the section 75 determination. The AAT continues to operate as a non-corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). Refer to note 8.1 Restructuring for details of assets and liabilities transferred. Therefore, in preparing these financial statements, the AAT has reported the results of the assets and liabilities controlled and the income and expenses attributable to the outcome during the financial year. The comparative financial information has not been deemed useful to the users of the financial statements and accordingly has not been presented.

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

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

The AAT's administered activities on behalf of the Government are generally limited to collection and refund of application fees as prescribed by the *Administrative Appeals Tribunal Act 1975*, the *Administrative Appeals Tribunal Regulation 2015*, the *Migration Act 1958* and the *Migration Regulations 1994*. Additional administered revenues may be remitted by the AAT to Government where there is no right for the AAT to retain the revenue as departmental revenue.

The Basis of Preparation

The financial statements are general purpose financial statements and are required by section 42 of the PGPA Act.

The financial statements have been prepared in accordance with:

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

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars, and have been rounded to the nearest \$'000 unless disclosure of the full amount is required.

Accounting Judgements and Estimates

Fair value of buildings, plant and equipment – Refer Note 3.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles.

Remaining useful lives of buildings, infrastructure, plant and equipment - Refer Note 3.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles.

Make good provision – Refer Note 3.4A: Other Provisions.

Impairment of trade receivables – Refer Note 4.1B: Trade and Other Receivables.

Employee entitlement provision – Refer Note 6.1A: Employee Provisions.

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

Notes to and forming part of the financial statements

New Accounting Standards

Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard.

The following amending standards were issued prior to the signing of the statement by the Accountable Authority and Chief Financial Officer, were applicable to the current reporting period, and had a material effect on the AAT's financial statements:

Standard/ Interpretation	Nature of change in accounting policy, transitional provisions, and adjustment to financial statements
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	Completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.

When transitional provisions apply, all changes in accounting policy are made in accordance with their respective transitional provisions. All other new amending standards 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 AAT's financial statements.

Future Australian Accounting Standard Requirements

The following new standards, revised standards, interpretations and amending standards were issued by the AASB prior to the signing of the statement by the Accountable Authority and Chief Financial Officer, which are expected to have a material impact on the AAT's financial statements for future reporting period(s):

Standard/ Interpretation	Application date for the AAT ¹	Nature of impending change/s in accounting policy and likely impact on initial application
AASB 15 Revenue from contracts with customers	1 July 2018	AASB 15 represents the replacement standard for AASB 118 'Revenue', AASB 111 'Construction Contracts' and Interpretation 12 'Service Concession Arrangements'. The core principle of the standard requires an entity to recognise revenue such that it depicts the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: - contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; - determination of the transaction price, adjusted for the time value of money excluding credit risk; - allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or an estimation approach if no distinct observable prices exist; and - recognition of revenue when each performance obligation is satisfied.
AASB 9 Financial Instruments	1 July 2018	AASB 9 changes the accounting for impairment of financial assets, classification and measurement of all financial assets and liabilities, and hedge accounting. Impairment of financial assets - The new impairment model uses a forward looking (expected loss model) such that an entity is required to recognise expected credit losses rather than losses incurred. Classification and measurement - All financial assets are required to be measured at fair value unless they are intended to be held, and cash flows solely represent principal and interest. When financial assets are measured at fair value, changes in fair value are recognised through either profit or loss or other comprehensive income depending on the specific classification. Hedge accounting - The new standard simplifies the hedge accounting rules including the elimination of the 80%-12% quantitative threshold for qualifying for hedge accounting.

Notes to and forming part of the financial statements

Standard/ Interpretation	Application date for the AAT ¹	Nature of impending change/s in accounting policy and likely impact on initial application
AASB 16 Leases	1 July 2019	The revised standard replaces AASB 117 Leases and provides a single lessee accounting model, requiring lessee to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with AASB 16's approach to lessor accounting substantially unchanged from its predecessor, AASB 117.

1. The AAT's expected initial application date is when the accounting standard becomes operative at the beginning of the AAT's reporting period.

All other new standards, revised standards, interpretations and amending standards that were issued prior to the sign-off date and are applicable to future reporting period(s) are not expected to have a future material impact on the AAT's financial statements.

Taxation

The AAT is exempt from all forms of taxation except Fringe Benefits Tax 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.

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

Events After the Reporting Period

Departmental

No subsequent events have been identified that have potential to significantly affect the ongoing structure or financial activities of the AAT.

Administered

No subsequent events have been identified that have potential to significantly affect the ongoing structure or financial activities of the AAT.

Financial Performance

This section analyses the financial performance of the AAT for period ended 30 June 2016.

1.1 Expenses

2016

\$'000

1.1A: Employee Benefits

Wages and salaries	72,136
Superannuation	
Defined contribution plans	5,703
Defined benefit plans	7,037
Leave and other entitlements	8,992
Separation and redundancies	448
Total employee benefits	94,316

Accounting Policy

Accounting policies for employee-related expenses are contained in Note 6.1 of the People and Relationships section.

1.1B: Suppliers**Goods and services supplied or rendered**

Consultants	694
Travel	704
IT services	3,393
Other	12,358
Total goods and services supplied or rendered	17,149

Goods supplied	668
Services rendered	16,481
Total goods and services supplied or rendered	17,149

Other suppliers

Operating lease rentals in connection with	
Minimum lease payments	14,638
Workers compensation expenses	373
Total other suppliers	15,011
Total suppliers	32,160

Leasing commitments

The AAT in its capacity as lessee holds commercial office accommodation leases in Canberra, Sydney, Melbourne, Brisbane, Adelaide and Perth where lease payments are subject to fixed or market review increases as listed in the lease agreements. An arrangement equivalent to commercial office accommodation leases is presently being negotiated in relation to Commonwealth-owned law courts accommodation in Hobart and no commitment is recognised at this time.

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

Within 1 year	12,304
Between 1 to 5 years	45,659
More than 5 years	44,343
Total operating lease commitments	102,306

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

1.2 Own-Source Revenue and Gains

2016
\$'000

Own-Source Revenue

1.2A: Sale of Goods and Rendering of Services

Rendering of services	743
Total sale of goods and rendering of services	743

Accounting Policy

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The stage of completion of contracts at the reporting date is determined by reference to services performed to date as a percentage of total services to be performed.

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

1.2B: Other Revenue

2016
\$'000

Resources received free of charge	
Remuneration of auditors	102
Total other revenue	102

Accounting Policy

Resources Received Free of Charge

Resources received free of charge are recognised as revenue 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. Resources received free of charge are recorded as either revenue or gains depending on their nature unless received from another Government entity as a consequence of a restructuring of administrative arrangements (refer to Note 8.1A).

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government entity as a consequence of a restructuring of administrative arrangements (refer to Note 8.1A).

Gains

1.2C: Other Gains

Resources received free of charge	1,097
Liabilities assumed by other departments	345
Total other gains	1,442

Accounting Policy

Sale of Assets

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

1.2D: Revenue from Government

Appropriations	
Departmental appropriations	123,529
Total revenue from Government	123,529

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 entity gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

Income and Expenses Administered on Behalf of Government

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

2.1 Administered - Expenses

	2016
	\$'000

2.1A: Other Expenses

Refund of application fees	5,256
Bad debts expense	2,307
Total other expenses	7,563

2.2 Administered - Income

	2016
	\$'000

Revenue

2.2A: Other Revenue

Application fees	26,633
Total other revenue	26,633

Accounting Policy

Application Fees

Revenue is generated from fees charged for applications when lodged and applications once the decision has been made (post-decision fee). Administered fee revenue is recognised when invoiced or received.

Financial Position

This section analyses the AAT'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.

3.1 Financial Assets

2016

\$'000

3.1A: Cash and Cash Equivalents

Cash on hand or on deposit

489

Total cash and cash equivalents**489**

Accounting Policy

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

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

3.1B: Trade and Other Receivables

Goods and services receivables

Goods and services

1,277

Total goods and services receivables**1,277****Appropriations receivables**

Appropriation receivable

61,956

Total appropriations receivables**61,956****Other receivables**

Statutory receivables

282

Total other receivables**282****Total trade and other receivables (gross)****63,515****Total trade and other receivables (net)****63,515****Trade and other receivables (net) expected to be recovered**

No more than 12 months

63,515

More than 12 months

-

Total trade and other receivables (net)**63,515****Trade and other receivables (gross) aged as follows**

Not overdue

63,469

Overdue by

0 to 30 days

5

31 to 60 days

8

61 to 90 days

33

More than 90 days

-

Total trade and other receivables (net)**63,515**

Credit terms for goods and services were within 30 days.

Accounting Policy

Loans and Receivables

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

Notes to and forming part of the financial statements

3.2 Non-Financial Assets

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 for 2016

	Leasehold improvements \$'000	Plant and equipment \$'000	Computer Software \$'000	Total \$'000
As at 1 July 2015				
Gross book value	2,497	1,294	1,039	4,830
Accumulated depreciation, amortisation and impairment	-	-	(1,012)	(1,012)
Total as at 1 July 2015	2,497	1,294	27	3,818
Additions				
Purchase	24,322	1,338	1,584	27,244
Acquisition of entities or operations (including restructuring)	8,590	1,679	4,869	15,138
Revaluations and impairments recognised in other comprehensive income	1,258	(205)	-	1,053
Depreciation and amortisation	(3,374)	(1,518)	(2,512)	(7,404)
Disposals	-	(15)	-	(15)
Total as at 30 June 2016	33,293	2,573	3,968	39,834
Total as at 30 June 2016 represented by				
Gross book value	33,293	2,573	7,492	43,358
Accumulated depreciation, amortisation and impairment	-	-	(3,524)	(3,524)
Total as at 30 June 2016	33,293	2,573	3,968	39,834

Revaluations of non-financial assets

On 30 June 2016, an independent valuer conducted the revaluations. Refer to Note 7.4.

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

As at the reporting date, the AAT did not enter into significant contractual commitments for the acquisition of property, plant, equipment and intangible assets.

Notes to and forming part of the financial statements

<p>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.</p>	<p>Depreciation rates applying to each class of depreciable asset are based on the following useful lives:</p>						
<p>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.</p>	<table border="0"> <tr> <td colspan="2" style="text-align: right;">2016</td> </tr> <tr> <td style="vertical-align: top;">Leasehold improvements</td> <td style="vertical-align: top;">Lesser of estimated useful life and lease term</td> </tr> <tr> <td style="vertical-align: top;">Plant and</td> <td style="vertical-align: top;">3-20 years</td> </tr> </table>	2016		Leasehold improvements	Lesser of estimated useful life and lease term	Plant and	3-20 years
2016							
Leasehold improvements	Lesser of estimated useful life and lease term						
Plant and	3-20 years						
<p><u>Asset Recognition Threshold</u> Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$2,000 which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).</p>	<p><u>Impairment</u> All assets were assessed for impairment at 30 June 2016. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.</p>						
<p>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 taken up by the entity where there exists an obligation to restore the property to its original condition. These costs are included in the value of the entity's leasehold improvements with a corresponding provision for the 'make good' recognised.</p>	<p>The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the entity were deprived of the asset, its value in use is taken to be its depreciated replacement cost.</p>						
<p><u>Revaluations</u> 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 did not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depend upon the volatility of movements in market values for the relevant assets.</p>	<p><u>Derecognition</u> 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.</p>						
<p>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 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 in the surplus/deficit except to the extent that they reversed a previous revaluation increment for that class.</p>	<p><u>Intangibles</u> The AAT's intangibles comprise internally developed and purchased software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.</p>						
<p>Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.</p>	<p>Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the entity's software are 3 to 5 years.</p>						
<p><u>Depreciation</u> Depreciable property, plant and equipment and leasehold assets are written-off to their estimated residual values over their estimated useful lives to the entity using, in all cases, the straight-line method of depreciation.</p>	<p>All software assets were assessed for indications of impairment as at 30 June 2016.</p>						
<p>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.</p>	<p>Accounting Judgements and Estimates In the process of applying the accounting policies listed in this note, the AAT has made the following judgements that have the most significant impact on the amounts recorded in the financial statements: -the fair value of property, plant and equipment has been taken to be the fair value of similar assets as determined by an independent valuer.</p>						

Notes to and forming part of the financial statements

3.2 Non-Financial Assets continued		2016
		\$'000
3.2B: Other Non-Financial Assets		
Prepayments		545
Total other non-financial assets		545
Other non-financial assets expected to be recovered		
No more than 12 months		545
More than 12 months		-
Total other non-financial assets		545

No indicators of impairment were found for other non-financial assets.

3.3 Payables		2016
		\$'000
3.3A: Suppliers		
Trade creditors and accruals		1,899
Total suppliers		1,899
Suppliers expected to be settled		
No more than 12 months		1,899
More than 12 months		-
Total suppliers		1,899

Settlement was usually made within 30 days.

3.3B: Other Payables		
Salaries and wages		523
Lease incentive		24,466
Total other payables		24,989
Other payables to be settled		
No more than 12 months		1,947
More than 12 months		23,042
Total other payables		24,989

Accounting Judgements and Estimates

The AAT received incentives in the form of rent free periods and contributions on entering operating leases. Lease incentives are amortised on a straight line basis which is representative of the pattern of benefits derived from the incentives.

3.4 Other Provisions		2016
		\$'000
		Provision for restoration
		\$'000
As at 1 July 2015		230
Additional provisions made		469
Balance transferred due to amalgamation		1,843
Amounts used		(246)
Amounts reversed		(85)
Unwinding of discount or change in discount rate		119
Total as at 30 June 2016		2,330
Other provisions expected to be settled		
No more than 12 months		1,121
More than 12 months		1,209
Total other provisions		2,330

Accounting Judgements and Estimates

The AAT currently has seven agreements for the leasing of premises which have provisions requiring the AAT to restore the premises to their original condition at the conclusion of the leases. The AAT has made a provision to reflect the present value of the anticipated future costs. The calculation of this provision requires assumptions in determining the costs required to restore the premises to their original condition, which, because of the long-term nature of the liability, is the most significant uncertainty. This uncertainty may result in future actual expenditure differing from amounts currently provided. The provision recognised is reviewed annually and updated based on the facts and circumstances available at the time.

Assets and Liabilities Administered on Behalf of Government

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

4.1 Administered - Financial Assets		2016
		\$'000
4.1A: Cash and Cash Equivalents		
Cash on hand or on deposit		162
Total cash and cash equivalents		162
4.1B: Trade and Other Receivables		
Other receivables		
Fees		10,650
Total other receivables		10,650
Total trade and other receivables (gross)		10,650
Less impairment allowance		(7,849)
Total trade and other receivables (net)		2,801
Trade and other receivables (net) expected to be recovered		
No more than 12 months		2,801
More than 12 months		-
Total trade and other receivables (net)		2,801
Trade and other receivables (gross) aged as follows		
Not overdue		645
Overdue by		
0 to 30 days		396
31 to 60 days		214
61 to 90 days		396
More than 90 days		8,999
Total trade and other receivables (net)		10,650
Impairment allowance aged as follows		
Not overdue		345
Overdue by		
0 to 30 days		297
31 to 60 days		160
61 to 90 days		297
More than 90 days		6,750
Total impairment allowance		7,849
Credit terms for goods and services were within 30 days.		

Notes to and forming part of the financial statements

Reconciliation of the Impairment Allowance	
Movements in relation to 2016	
	Other receivables \$'000
As at 1 July 2015	-
Balance transferred due to amalgamation	8,486
Amounts written off	-
Amounts recovered and reversed	-
Increase/(Decrease) recognised in net cost of services	(637)
Total as at 30 June 2016	7,849

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. Gains and losses due to impairment, derecognition and amortisation are recognised through profit or loss.

Accounting Judgements and Estimates

Collectability of debt is reviewed at the end of the reporting period. Impairment allowances are made when the collectability of the debt is judged to be less, rather than more, likely.

Notes to and forming part of the financial statements

4.2 Administered - Payables	
	2016
	\$'000
4.2A: Suppliers	
Trade creditors and accruals	437
Total suppliers	437
Suppliers expected to be settled	
No more than 12 months	437
More than 12 months	-
Total suppliers	437
Settlement was usually made within 30 days.	

Notes to and forming part of the financial statements

Funding

This section identifies the AAT's funding structure.

5.1 Appropriations

5.1A: Annual Appropriations (Recoverable GST exclusive)

Annual Appropriations for 2016

	Appropriation Act		PGPA Act			Appropriation applied in 2016 (current and prior years) \$'000	Variance ¹ \$'000
	Annual Appropriation \$'000	Advance to the Finance Minister \$'000	Section 74 Receipts \$'000	Section 75 Transfers \$'000	Total appropriation \$'000		
Departmental							
Ordinary annual services	136,929	-	19,681	44,284	200,894	150,579	50,315
Capital Budget ²	4,633	-	-	-	4,633	5,603	(970)
Other services	-	-	-	-	-	-	-
Equity Injections	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-
Total departmental	141,562	-	19,681	44,284	205,527	156,182	49,345
Administered							
Ordinary annual services	-	-	-	-	-	-	-
Capital Budget	-	-	-	-	-	-	-
Administered items	-	-	-	-	-	-	-
Payments to corporate Commonwealth entities	-	-	-	-	-	-	-
Other services	-	-	-	-	-	-	-
States, ACT, NT and Local government	-	-	-	-	-	-	-
New administered outcomes	-	-	-	-	-	-	-
Administered assets and liabilities	-	-	-	-	-	-	-
Payments to corporate Commonwealth entities	-	-	-	-	-	-	-
Total administered	-	-	-	-	-	-	-

1. Variance is substantially attributable to cash under spend during the year and the timing of payments.

2. Departmental Capital Budgets are appropriated through Appropriation Acts (No.1). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

Notes to and forming part of the financial statements

5.1B: Unspent Annual Appropriations (Recoverable GST exclusive)

	2016 \$'000
Departmental	
Appropriation Act (No. 1) 2014-15	-
Appropriation Act (No. 3) 2014-15	23,614
Appropriation Act (No. 1) 2015-16	33,005
Appropriation Act (No. 3) 2015-16	9,706
Total departmental	66,325

5.1C: Special Appropriations (Recoverable GST exclusive)

	Appropriation applied 2016 \$'000
Authority	
Public Governance, Performance and Accountability Act 2013 s.77(e), Administered	5,333
Total special appropriations applied	5,333

Notes to and forming part of the financial statements

5.2 Net Cash Appropriation Arrangements

	2016
	\$'000
Total comprehensive income/(loss) less depreciation/amortisation expenses previously funded through revenue appropriations	8,457
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	<u>(7,404)</u>
Total comprehensive income/(loss) - as per the Statement of Comprehensive Income	<u>1,053</u>

Notes to and forming part of the financial statements

5.3 Cash Flow Reconciliation

5.3A: Cash Flow Reconciliation

	2016
	\$'000
Reconciliation of cash and cash equivalents as per statement of financial position and cash flow statement	
Cash and cash equivalents as per	
Cash Flow Statement	489
Statement of Financial Position	489
Discrepancy	<u>-</u>
Reconciliation of net cost of services to net cash from/(used by) operating activities	
Net cost of services	(131,608)
Revenue from Government	123,529
Adjustments for non-cash items	
Depreciation/amortisation	7,404
Loss on disposal of assets	15
Movement in assets and liabilities	
Assets	
(Increase)/Decrease in net receivables	7,050
(Increase)/Decrease in prepayments	(142)
Liabilities	
Increase/(Decrease) in employee provisions	1,204
Increase/(Decrease) in suppliers payables	356
Increase/(Decrease) in other payables	14,251
Increase/(Decrease) in other provisions	257
Net cash from/(used by) operating activities	<u><u>22,316</u></u>

Notes to and forming part of the financial statements

5.3B: Administered - Cash Flow Reconciliation		2016
		\$'000
Reconciliation of cash and cash equivalents as per statement of financial position and cash flow statement		
Cash and cash equivalents as per		
Administered Cash Flow Statement		162
Administered Schedule of Assets and Liabilities		162
Discrepancy		-
Reconciliation of net cost of services to net cash from/(used by) operating activities		
Net contribution by services		19,070
Adjustments for non-cash items		
Net write down of non-financial assets		2,307
Movement in assets and liabilities		
Assets		
(Increase)/Decrease in net receivables		(3,199)
Liabilities		
Increase/(Decrease) in other payables		(86)
Net cash from operating activities		18,092

People and Relationships

This section describes a range of employment and post-employment benefits provided to AAT's people and its relationships with other key people.

6.1 Employee Provisions

	2016
	\$'000
<hr/>	
6.1A: Employee Provisions	
Leave	20,189
Total employee provisions	<u>20,189</u>
Employee provisions expected to be settled	
No more than 12 months	11,507
More than 12 months	8,682
Total employee provisions	<u>20,189</u>

Accounting policy

Liabilities for 'short-term' employee benefits and termination benefits expected within 12 months of the end of reporting period are measured at their nominal amounts.

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

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the entity is estimated to be less than the annual leave entitlement for sick leave.

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

The liability for long service leave is recognised and measured using the short-hand method included in the FRR at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2016. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Superannuation

Most members and staff of the AAT are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), or the PSS accumulation plan (PSSap), or other superannuation funds held outside the Australian Government.

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

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

The AAT makes employer contributions to the employees' defined benefit superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The AAT 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

The employee benefits provisions have been estimated in accordance with AASB 119 Employee Benefits and reflect the expected value of those benefits.

Notes to and forming part of the financial statements

6.2 Senior Management Personnel Remuneration

	2016
	\$'000
Short-term employee benefits	
Salary	1,356
Total short-term employee benefits	<u>1,356</u>
Post-employment benefits	
Superannuation	211
Total post-employment benefits	<u>211</u>
Other long-term employee benefits	
Annual leave	112
Long-service leave	36
Total other long-term employee benefits	<u>148</u>
Termination benefits	
Voluntary redundancy payments	90
Total termination benefits	<u>90</u>
Total senior executive remuneration expenses	<u>1,805</u>

The total number of senior management personnel that are included in the above table are eight.

Notes to and forming part of the financial statements

Managing Uncertainties

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

7.1 Contingent Assets and Liabilities

Quantifiable Contingencies

There are no quantifiable contingent liabilities or assets at 30 June 2016.

Unquantifiable Contingencies

There are no unquantifiable or remote contingencies at 30 June 2016.

7.1B: Administered - Contingent Assets and Liabilities

Quantifiable Administered Contingencies

There are no quantifiable contingent liabilities or assets at 30 June 2016.

Unquantifiable Administered Contingencies

There are no unquantifiable or remote contingencies at 30 June 2016.

Notes to and forming part of the financial statements

7.2 Financial Instruments

	2016
	<u>\$'000</u>
7.2A: Categories of Financial Instruments	
Financial Assets	
Cash and cash equivalents	489
Loans and receivables	
Goods and services receivables	1,277
Total financial assets	<u>1,766</u>
Financial Liabilities	
Financial liabilities measured at amortised cost	
Trade creditors and accruals	1,899
Total financial liabilities measured at amortised cost	<u>1,899</u>
Total financial liabilities	<u>1,899</u>

7.2B: Net gains or losses on financial assets

The AAT has no gains or losses in relation to financial assets for year ending 30 June 2016.

7.2C: Net gains or losses on financial liabilities

The AAT has no gains or losses in relation to financial liabilities for year ending 30 June 2016.

Notes to and forming part of the financial statements

Accounting Policy

Financial assets

The AAT classifies its financial assets in the following category:

- a) loans and receivables.

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

Loans and Receivables

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

Effective Interest Method

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

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 estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

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

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other Financial Liabilities

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

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

Notes to and forming part of the financial statements:

7.2D: Credit Risk

The AAT is exposed to minimal credit risk as loans and receivables are cash and trade receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables \$1,277,350. The AAT has assessed the risk of the default on payment and has allocated nil in 2016 to an impairment allowance account.

The AAT manages its credit risk by limiting the extension of credit to customers; acting promptly to recover past due amounts and withholding credit from defaulting customers until accounts are returned to normal terms. In addition, the AAT has policies and procedures that guide employees' debt recovery activities including the use of debt collection agents if required.

The AAT has no significant exposures to any concentrations of credit risk with particular customers and does therefore not require collateral to mitigate against credit risks.

In relation to the AAT's gross credit risk and the financial effect in respect of the amount that best represents the maximum exposure to credit risk the following collateral is held:

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

	Not past due nor impaired	Past due or impaired
	2016	2016
	\$'000	\$'000
Cash and cash equivalents	489	-
Receivables for goods and services	1,231	46
Total	1,720	46

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

	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables for goods and services	5	8	33	-	46
Total	5	8	33	-	46

Notes to and forming part of the financial statements

7.2 Financial Instruments

Z.2E: Liquidity Risk

Liquidity risk is the risk that the AAT will not be able to meet its obligations as they fall due.

The AAT is appropriately funded from the Australian Government and manages its budgeted funds to ensure it is able to meet payments as they fall due. Policies are in place to ensure timely payments are made when due and there have been no past experience of default.

Maturities for non-derivative financial liabilities in 2016

	On demand \$'000	Within 1 year \$'000	Between 1 to 2 years \$'000	Between 2 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Trade creditors	-	1,899	-	-	-	1,899
Total	-	1,899	-	-	-	1,899

Z.2F: Market Risk

The AAT held basic financial instruments that did not expose it to certain market risks, such as 'Currency risk', 'Interest rate risk' or 'Other price risk'.

Notes to and forming part of the financial statements

7.3 Administered - Financial Instruments		2016
		\$'000
Z.3A: Categories of Financial Instruments		
Financial Assets		
Cash on hand or on deposit		162
Loans and receivables		
Goods and services receivable		2,801
Z.3B: Credit Risk		
<p>The maximum exposure to credit risk is the risk that arises from potential default of post-decision application fees by an RRT applicant. This amount is equal to the total amount of trade receivables \$10,650,133. The AAT has a Memorandum of Understanding with the Department of Immigration and Border Protection to invoice and manage the recovery of these debts. The Department assesses the risk of default on payment and recommends provision and write off to the AAT. The AAT has allocated \$7,849,178 in 2016 to an impairment allowance account</p> <p>The Department as the agent for the AAT manages the credit risk by acting promptly to recover past due amounts and negotiating payment plans with debtors. The AAT has no significant exposures to any concentrations of credit risk with particular applicants and seeking collateral to mitigate against possible credit risks is not applicable.</p>		
Credit quality of financial assets not past due or individually determined as impaired		
	Not past due nor impaired	Past due or impaired
	2016	2016
	\$'000	\$'000
Cash on hand or on deposit	162	-
Total	162	-

Notes to and forming part of the financial statements

7.3C: Liquidity Risk

The AAT's financial liabilities were trade creditors-refunds. The exposure to liquidity risk was based on the notion that the AAT would encounter difficulty in meeting its obligations associated with financial liabilities. This was highly unlikely as the AAT was appropriated funding from the Australian Government and the AAT managed its budgeted funds to ensure it had adequate funds to meet payments as they fell due. In addition, the AAT had policies in place to ensure timely payments were made when due and had no past experience of default.

Maturities for non-derivative financial liabilities in 2016

	On demand \$'000	Within 1 year \$'000	Between 1 to 2 years \$'000	Between 2 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Creditors - refunds	-	437	-	-	-	437
Total	-	437	-	-	-	437

7.3D: Market Risk

The AAT held basic financial instruments that did not expose it to certain market risks, such as 'Currency risk', 'Interest rate risk' or 'Other price risk'.

Notes to and forming part of the financial statements

7.4 Fair Value Measurement

The following tables provide an analysis of assets and liabilities that are measured at fair value. The remaining assets and liabilities disclosed in the statement of financial position do not apply the fair value hierarchy.

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the 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: Unobservable inputs for the asset or liability.

Accounting Policy

All revaluations are in accordance with the revaluation policy stated in Note 3.2. On 30 June 2016 an independent valuer, Australian Valuation Solution (AVS) conducted the revaluations.

7.4A: Fair Value Measurement

	Fair value measurements at the end of the reporting period 2016 \$'000	Category (Level 1, 2 or 3)	Valuation Technique(s) ²	Inputs used
Non-financial assets¹				
Leasehold improvements	33,293	Level 3	Cost Approach	Replacement Cost New (price per square metre)
Plant and Equipment - Other	2,128	Level 2	Market Approach	Consumed economic benefit/Obsolescence of asset
Plant and Equipment - Library Collection	300	Level 3	Market Approach	Adjusted market transactions
Plant and Equipment - Computer Equipment	146	Level 3	Cost Approach	Adjusted market transactions Replacement Cost New Consumed economic benefit/Obsolescence of asset

1. Non-financial assets (NFAs) are valued at highest and best use.

2. All revaluations were conducted in accordance with the revaluation policy by AVS. In accordance with AASB 13, AVS followed two approaches in determining the fair values of the assets: Market approach and Depreciated Replacement Cost approach. The selection of the most appropriate technique to measure fair value is dependent on the nature of the asset being measured and the exit market within which the asset would transact. No individual assets were measured using multiple valuation techniques.

Market approach - This approach provides an indication of value by comparing the subject asset with similar assets for which price information is available. Market evidence has primarily been sourced from national physical and online auction markets and dealer enquiries. These inputs to the fair value measurements are considered level 2 (apart from the library collection, which is level 3) in the fair value hierarchy as they have been observed from the market and AVS has been required to utilise minimal professional judgement to adjustments for differences in asset characteristics.

Cost approach - The cost approach reflects the amount that would be required to replace the service capacity of an asset at the reporting date. Current replacement costs have been developed from recently analysed fit-out projects undertaken by the entity, other government agencies and building cost publications such as Rawlinsons and Cordells. Consideration has been given to an assets location, size, layout, fit-out density, function, quality and the conditions of relevant construction markets.

Notes to and forming part of the financial statements

7.4B: Reconciliation for Recurring Level 3 Fair Value Measurements

	Non-financial assets
	Property, plant and equipment
	2016
	\$'000
As at 1 July	883
Total gains/(losses) recognised in net cost of services ¹	(1,518)
Total gains/(losses) recognised in other comprehensive income ²	(205)
Transfer due to amalgamation	1,286
Purchases	-
Transfers out of Level 3	-
Total as at 30 June	446
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 Statement of Comprehensive Income under *Depreciation and amortisation*.

2. These gains/(losses) are presented in the Statement of Comprehensive Income under *asset revaluation surplus*.

Other Information

This section outlines the restructuring and details of asset and liabilities transferred to the AAT at amalgamation.

8.1 Restructuring

8.1A: Restructuring

	Migration Review Tribunal and Refugee Review Tribunal (MRT-RRT) ¹	Social Security Appeals Tribunal (SSAT) ¹	Total
	\$'000	\$'000	\$'000
FUNCTIONS ASSUMED³			
Assets recognised			
Cash and cash equivalents	12	208	220
Trade and other receivables	53,564	8,770	62,334
Leasehold improvements	4,815	3,775	8,590
Plant and equipment	1,150	529	1,679
Intangibles	2,913	1,957	4,870
Other non financial assets	62	165	227
Total assets recognised	62,516	15,404	77,920
Liabilities recognised			
Suppliers	244	460	704
Other payables	5,757	3,172	8,929
Employee provisions	9,127	4,196	13,323
Other provisions	671	1,171	1,842
Total liabilities recognised	15,799	8,999	24,798
Net assets/(liabilities) recognised²	46,717	6,405	53,122
Income assumed			
Recognised by the receiving entity	-	-	-
Recognised by the losing entity	-	-	-
Total income assumed	-	-	-
Expenses assumed			
Recognised by the receiving entity	-	-	-
Recognised by the losing entity	-	-	-
Total expenses assumed	-	-	-

1. On 1 July 2015, the MRT-RRT and SSAT were merged with the AAT pursuant to the *Tribunals Amalgamation Act 2015*. All assets, liabilities and commitments of the MRT-RRT and SSAT were transferred to the Administrative Appeals Tribunal, except for \$8.9m in cash and receivable of the SSAT, which will be recognised on completion of the section 75 determination. The amalgamated AAT continues to operate as a non-corporate entity under the PGPA Act from 1 July 2015.

2. The net assets/(liabilities) from all entities were \$53.1m, including \$8.9m in cash and receivable of the SSAT, which has not been recognised as contributed equity, pending the completion of a section 75 determination.

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

Notes to and forming part of the financial statements

8.1B: Administered - Restructuring

	Migration Review Tribunal and Refugee Review Tribunal (MRT-RRT) ¹	Social Security Appeals Tribunal (SSAT) ¹	Total
	\$'000	\$'000	\$'000
FUNCTIONS ASSUMED³			
Assets recognised			
Cash and cash equivalents	123	-	123
Trade and other receivables	1,910	-	1,910
Total assets recognised	2,033	-	2,033
Liabilities recognised			
Suppliers	524	-	524
Total liabilities recognised	524	-	524
Net assets/(liabilities) recognised²	1,509	-	1,509
Income assumed			
Recognised by the receiving entity	-	-	-
Recognised by the losing entity	-	-	-
Total income assumed	-	-	-
Expenses assumed			
Recognised by the receiving entity	-	-	-
Recognised by the losing entity	-	-	-
Total expenses assumed	-	-	-

1. On 1 July 2015, the MRT-RRT and SSAT were merged with the AAT pursuant to the *Tribunals Amalgamation Act 2015*. All assets, liabilities and commitments of the MRT-RRT and SSAT were transferred to the Administrative Appeals Tribunal. The amalgamated AAT continues to operate as a non-corporate entity under the PGPA Act from 1 July 2015.

2. The net assets/(liabilities) assumed from MRT-RRT were \$1.5m and SSAT did not have an administered function.

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

Notes to and forming part of the financial statements

8.2 Reporting of Outcomes

The AAT has only one outcome which is described in the Overview note and all resources are used to deliver that outcome.

Outcome 1

	2016
	\$'000
Expenses	(133,895)
Total expenses	(133,895)
Own-source income	2,287
Total own-source income	2,287
Expenses	(7,563)
Total expenses	(7,563)
Income	26,633
Total income	26,633
Net cost/(contribution) of outcome delivery	(112,538)
Assets	104,383
Total assets	104,383
Liabilities	(49,407)
Total liabilities	(49,407)
Assets	2,963
Total assets	2,963
Liabilities	(437)
Total liabilities	(437)

