

## Statement of Comprehensive Income

for the period ended 30 June 2016

|   |       | 2016            | 2015            | Original<br>Budget<br>2016 |
|---|-------|-----------------|-----------------|----------------------------|
|   | Notes | \$'000          | \$'000          | \$'000                     |
| <b>NET COST OF SERVICES</b>   |       |                 |                 |                            |
| <b>Expenses</b>   |       |                 |                 |                            |
| Employee benefits   | 1.1A  | 40,505          | 38,579          | 39,483                     |
| Suppliers   | 1.1B  | 31,613          | 37,172          | 34,337                     |
| Depreciation and amortisation   | 3.2A  | 13,036          | 12,672          | 14,184                     |
| Finance costs   |       | 54              | 65              | 57                         |
| Write-down and impairment of assets   | 1.1C  | 482             | 3,455           | -                          |
| <b>Total expenses</b>   |       | <b>85,690</b>   | <b>91,943</b>   | <b>88,061</b>              |
| <b>Own-source income</b>  |       |                 |                 |                            |
| <b>Own-source revenue</b>   |       |                 |                 |                            |
| Rendering of services   |       | 93              | 50              | -                          |
| Other revenue   | 1.2A  | 385             | 395             | 465                        |
| <b>Total own-source revenue</b>   |       | <b>478</b>      | <b>445</b>      | <b>465</b>                 |
| <b>Gains</b>  |       |                 |                 |                            |
| Other gains   | 1.2B  | 19              | 43              | -                          |
| <b>Total gains</b>  |       | <b>19</b>       | <b>43</b>       | <b>-</b>                   |
| <b>Total own-source income</b>  |       | <b>497</b>      | <b>488</b>      | <b>465</b>                 |
| <b>Net cost of services</b>   |       | <b>(85,193)</b> | <b>(91,455)</b> | <b>(87,596)</b>            |
| Revenue from Government   | 1.2C  | 72,974          | 76,648          | 73,412                     |
| <b>Deficit on continuing operations</b>   |       | <b>(12,219)</b> | <b>(14,807)</b> | <b>(14,184)</b>            |
| <b>OTHER COMPREHENSIVE INCOME</b>   |       |                 |                 |                            |
| <b>Items not subject to subsequent reclassification to net cost of services</b> |       |                 |                 |                            |
| Changes in asset revaluation reserve  |       | 8               | 103             | -                          |
| <b>Total other comprehensive income</b>   |       | <b>8</b>        | <b>103</b>      | <b>-</b>                   |
| <b>Total comprehensive loss</b>   |       | <b>(12,211)</b> | <b>(14,704)</b> | <b>(14,184)</b>            |

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

## Statement of Financial Position

as at 30 June 2016

|                                   | Notes | 2016<br>\$'000 | 2015<br>\$'000 | Original<br>Budget<br>2016<br>\$'000 |
|-----------------------------------|-------|----------------|----------------|--------------------------------------|
| <b>ASSETS</b>                     |       |                |                |                                      |
| <b>Financial assets</b>           |       |                |                |                                      |
| Cash and cash equivalents         | 3.1A  | 282            | 307            | 306                                  |
| Trade and other receivables       | 3.1B  | 25,044         | 29,164         | 14,878                               |
| Other financial assets            | 3.1C  | -              | 51             | -                                    |
| <b>Total financial assets</b>     |       | <b>25,326</b>  | <b>29,522</b>  | <b>15,184</b>                        |
| <b>Non-financial assets</b>       |       |                |                |                                      |
| Buildings                         | 3.2A  | 1,956          | 4,083          | 2,405                                |
| Plant and equipment               | 3.2A  | 1,744          | 1,022          | 964                                  |
| Intangibles                       | 3.2A  | 21,311         | 27,679         | 26,297                               |
| Other non-financial assets        | 3.2B  | 1,130          | 1,097          | 639                                  |
| <b>Total non-financial assets</b> |       | <b>26,141</b>  | <b>33,881</b>  | <b>30,305</b>                        |
| <b>Total assets</b>               |       | <b>51,467</b>  | <b>63,403</b>  | <b>45,489</b>                        |
| <b>LIABILITIES</b>                |       |                |                |                                      |
| <b>Payables</b>                   |       |                |                |                                      |
| Suppliers                         | 3.3A  | 4,944          | 6,687          | 3,201                                |
| Other payables                    | 3.3B  | 458            | 1,652          | 229                                  |
| <b>Total payables</b>             |       | <b>5,402</b>   | <b>8,339</b>   | <b>3,430</b>                         |
| <b>Provisions</b>                 |       |                |                |                                      |
| Employee provisions               | 6.1A  | 11,364         | 9,384          | 12,373                               |
| Other provisions                  | 3.4A  | 1,836          | 1,789          | 1,939                                |
| <b>Total provisions</b>           |       | <b>13,200</b>  | <b>11,173</b>  | <b>14,312</b>                        |
| <b>Total liabilities</b>          |       | <b>18,602</b>  | <b>19,512</b>  | <b>17,742</b>                        |
| <b>Net assets</b>                 |       | <b>32,865</b>  | <b>43,891</b>  | <b>27,747</b>                        |
| <b>EQUITY</b>                     |       |                |                |                                      |
| Contributed equity                |       | 83,725         | 82,540         | 78,627                               |
| Reserves                          |       | 3,994          | 3,986          | 3,882                                |
| Accumulated deficit               |       | (54,854)       | (42,635)       | (54,762)                             |
| <b>Total equity</b>               |       | <b>32,865</b>  | <b>43,891</b>  | <b>27,747</b>                        |

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

### Statement of Changes in Equity

for the period ended 30 June 2016

|                                       | Notes | 2016<br>\$'000  | 2015<br>\$'000  | Original<br>Budget<br>2016<br>\$'000 |
|---------------------------------------|-------|-----------------|-----------------|--------------------------------------|
| <b>CONTRIBUTED EQUITY</b>             |       |                 |                 |                                      |
| Opening balance                       |       | 82,540          | 76,935          | 77,442                               |
| <b>Transactions with owners</b>       |       |                 |                 |                                      |
| <b>Contributions by owners</b>        |       |                 |                 |                                      |
| Equity injection - Appropriations     |       | -               | 4,406           | -                                    |
| Departmental capital budget           |       | 1,185           | 1,199           | 1,185                                |
| <b>Total transactions with owners</b> |       | <b>1,185</b>    | <b>5,605</b>    | <b>1,185</b>                         |
| <b>Closing balance as at 30 June</b>  |       | <b>83,725</b>   | <b>82,540</b>   | <b>78,627</b>                        |
| <b>RETAINED EARNINGS</b>              |       |                 |                 |                                      |
| Opening balance                       |       | (42,635)        | (27,828)        | (40,578)                             |
| <b>Comprehensive income</b>           |       |                 |                 |                                      |
| Deficit for the period                |       | (12,219)        | (14,807)        | (14,184)                             |
| <b>Total comprehensive income</b>     |       | <b>(12,219)</b> | <b>(14,807)</b> | <b>(14,184)</b>                      |
| <b>Closing balance as at 30 June</b>  |       | <b>(54,854)</b> | <b>(42,635)</b> | <b>(54,762)</b>                      |
| <b>ASSET REVALUATION RESERVE</b>      |       |                 |                 |                                      |
| Opening balance                       |       | 3,986           | 3,883           | 3,882                                |
| <b>Comprehensive income</b>           |       |                 |                 |                                      |
| Other comprehensive income            |       | 8               | 103             | -                                    |
| <b>Total comprehensive income</b>     |       | <b>8</b>        | <b>103</b>      | <b>-</b>                             |
| <b>Closing balance as at 30 June</b>  |       | <b>3,994</b>    | <b>3,986</b>    | <b>3,882</b>                         |
| <b>TOTAL EQUITY</b>                   |       |                 |                 |                                      |
| Opening balance                       |       | 43,891          | 52,990          | 40,746                               |
| <b>Comprehensive income</b>           |       |                 |                 |                                      |
| Deficit for the period                |       | (12,219)        | (14,807)        | (14,184)                             |
| Other comprehensive income            |       | 8               | 103             | -                                    |
| <b>Total comprehensive income</b>     |       | <b>(12,211)</b> | <b>(14,704)</b> | <b>(14,184)</b>                      |
| <b>Transactions with owners</b>       |       |                 |                 |                                      |
| <b>Contributions by owners</b>        |       |                 |                 |                                      |
| Equity injection - Appropriations     |       | -               | 4,406           | -                                    |
| Departmental capital budget           |       | 1,185           | 1,199           | 1,185                                |
| <b>Total transactions with owners</b> |       | <b>1,185</b>    | <b>5,605</b>    | <b>1,185</b>                         |
| <b>Closing balance as at 30 June</b>  |       | <b>32,865</b>   | <b>43,891</b>   | <b>27,747</b>                        |

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.

## Cash Flow Statement

for the period ended 30 June 2016

|   | Notes | 2016<br>\$'000 | 2015<br>\$'000 | Original<br>Budget<br>2016<br>\$'000 |
|---|-------|----------------|----------------|--------------------------------------|
| <b>OPERATING ACTIVITIES</b>   |       |                |                |                                      |
| <b>Cash received</b>  |       |                |                |                                      |
| Appropriations  |       | 73,522         | 74,271         | 73,827                               |
| Rendering of services   |       | 115            | -              | -                                    |
| Net GST received  |       | 3,228          | 4,441          | -                                    |
| <b>Total cash received</b>  |       | <b>76,865</b>  | <b>78,712</b>  | <b>73,827</b>                        |
| <b>Cash used</b>  |       |                |                |                                      |
| Employees   |       | 39,609         | 38,637         | 38,899                               |
| Suppliers   |       | 36,315         | 39,048         | 34,114                               |
| Section 74 receipts transferred to OPA                              |       | 967            | 770            | -                                    |
| <b>Total cash used</b>  |       | <b>76,891</b>  | <b>78,455</b>  | <b>73,013</b>                        |
| <b>Net cash from/(used by) operating activities</b>                 | 5.4A  | <b>(26)</b>    | <b>257</b>     | <b>814</b>                           |
| <b>INVESTING ACTIVITIES</b>   |       |                |                |                                      |
| <b>Cash used</b>  |       |                |                |                                      |
| Purchase of property, plant and equipment                           |       | 1,056          | 69             | 500                                  |
| Purchase of intangibles   |       | 4,809          | 3,582          | 1,499                                |
| <b>Total cash used</b>  |       | <b>5,865</b>   | <b>3,651</b>   | <b>1,999</b>                         |
| <b>Net cash used by investing activities</b>                        |       | <b>(5,865)</b> | <b>(3,651)</b> | <b>(1,999)</b>                       |
| <b>FINANCING ACTIVITIES</b>   |       |                |                |                                      |
| <b>Cash received</b>  |       |                |                |                                      |
| Contributed equity  |       | 5,866          | 3,395          | 1,185                                |
| <b>Total cash received</b>  |       | <b>5,866</b>   | <b>3,395</b>   | <b>1,185</b>                         |
| <b>Net cash from financing activities</b>                           |       | <b>5,866</b>   | <b>3,395</b>   | <b>1,185</b>                         |
| <b>Net increase/(decrease) in cash held</b>                         |       | <b>(25)</b>    | <b>1</b>       | <b>-</b>                             |
| Cash and cash equivalents at the beginning of the reporting period  |       | 307            | 306            | 306                                  |
| <b>Cash and cash equivalents at the end of the reporting period</b> | 3.1A  | <b>282</b>     | <b>307</b>     | <b>306</b>                           |

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

## Budget Variances Commentary - Departmental

The Clean Energy Regulator (CER) has disclosed major departmental variances against budget where the variance is greater than 10 per cent and \$0.250 million of an individual line item.

### Statement of Comprehensive Income

#### *Expenses: write-down and impairment of assets*

The CER maintained a number of systems to support the management of the carbon pricing mechanism. Subsequent to the repeal of the legislation these systems were initially impaired in 2014-15, with further impairments recognised in 2015-16, as final carbon pricing mechanism reporting requirements ceased.

### Statement of Financial Position

#### *Assets: trade and other receivables*

The CER's appropriation receivable balance includes \$6.109 million in appropriations which have been administratively quarantined by the Department of Finance (but not yet repealed), and which are not included in budget estimates.

#### *Assets: buildings*

The depreciation schedule used to calculate asset values in the budget did not take account of a prior year revaluation increment resulting in a variance to budget.

#### *Assets: property, plant and equipment*

The CER acquired new computer hardware under its ICT refresh project during 2015-16 which was originally planned for on a multi-year basis. The project was condensed into 2015-16 to realise project management efficiencies.

#### *Assets: intangibles*

The budget for 2015-16 is created prior to closing the 2014-15 financial year. A number of transactions relating to higher impairment and lower additions were therefore not reflected in the 2015-16 budget and contributed to the variance. This movement has been offset by higher asset acquisitions in 2015-16.

#### *Assets: other non-financial assets*

The CER has a range of contractual arrangements which include prepayment for goods and services such as support and maintenance for IT systems or office accommodation. The number of these arrangements, and therefore the total value, changes from time to time in the normal course of business.

#### *Liabilities: suppliers payable*

The CER recognises payables and accrued expenditure at the end of the year for work performed but not yet paid, this amount changes from time to time in the normal course of business.

### Cash Flow Statement

#### *Operating activities: cash received - net GST received*

The budget was prepared net of GST whereas actuals are GST inclusive.

#### *Operating activities: cash received - section 74 receipts transferred to Official Public Account*

The budget was prepared net of Section 74 receipts transferred to the Official Public Account as these are highly unpredictable and relate to leave liability transfers and other minor revenues.

#### *Investing activities: cash used - purchase of property, plant and equipment*

The CER acquired new computer hardware under its ICT refresh project during 2015-16 which was originally planned for on a multi-year basis. The project was condensed into 2015-16 to realise project management efficiencies.

#### *Investing activities: cash used - purchase of intangibles (and financing activities: cash received - contributed equity)*

The CER was funded in 2014-15 for a number of capital projects to support the implementation of the Emissions Reduction Fund. Due to the deferred passage of legislation the capital expenditure occurred during 2015-16.

| <b>Administered Schedule of Comprehensive Income</b> |       |                  |                  |                            |
|--|-------|------------------|------------------|----------------------------|
| <i>for the period ended 30 June 2016</i>             |       |                  |                  |                            |
|  |       | 2016             | 2015             | Original<br>Budget<br>2016 |
|  | Notes | \$'000           | \$'000           | \$'000                     |
| <b>NET COST OF SERVICES</b>                          |       |                  |                  |                            |
| <b>Expenses</b>                                      |       |                  |                  |                            |
| Suppliers  | 2.1A  | 3,813            | 3,707            | 3,817                      |
| Subsidies  | 2.1B  | -                | 16,797           | -                          |
| Purchase of Australian Carbon Credit Units           | 2.1C  | 138,409          | 13,033           | 299,783                    |
| Write-down and impairment of assets                  | 2.1D  | 690              | 3,226            | -                          |
| Other expenses                                       | 2.1E  | 1,896            | 135,552          | 295                        |
| <b>Total expenses</b>                                |       | <b>144,808</b>   | <b>172,315</b>   | <b>303,895</b>             |
| <b>Income</b>  |       |                  |                  |                            |
| <b>Revenue</b>                                       |       |                  |                  |                            |
| <b>Taxation revenue</b>                              |       |                  |                  |                            |
| Other taxes  | 2.2A  | 5,170            | 15,885           | 563                        |
| <b>Total taxation revenue</b>                        |       | <b>5,170</b>     | <b>15,885</b>    | <b>563</b>                 |
| <b>Non-taxation revenue</b>                          |       |                  |                  |                            |
| Fees and fines                                       | 2.2B  | 9,888            | 12,431           | 12,265                     |
| <b>Total non-taxation revenue</b>                    |       | <b>9,888</b>     | <b>12,431</b>    | <b>12,265</b>              |
| <b>Total revenue</b>                                 |       | <b>15,058</b>    | <b>28,316</b>    | <b>12,828</b>              |
| <b>Gains</b>   |       |                  |                  |                            |
| Other gains  | 2.2C  | -                | 39,012           | -                          |
| <b>Total gains</b>                                   |       | <b>-</b>         | <b>39,012</b>    | <b>-</b>                   |
| <b>Total income</b>                                  |       | <b>15,058</b>    | <b>67,328</b>    | <b>12,828</b>              |
| <b>Net cost of services</b>                          |       | <b>(129,750)</b> | <b>(104,987)</b> | <b>(291,067)</b>           |
| <b>Deficit</b>                                       |       | <b>(129,750)</b> | <b>(104,987)</b> | <b>(291,067)</b>           |
| <b>OTHER COMPREHENSIVE INCOME</b>                    |       |                  |                  |                            |
| <b>Total other comprehensive income</b>              |       | <b>-</b>         | <b>-</b>         | <b>-</b>                   |
| <b>Total comprehensive loss</b>                      |       | <b>(129,750)</b> | <b>(104,987)</b> | <b>(291,067)</b>           |

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

**Administered Schedule of Assets and Liabilities**

as at 30 June 2016

|   | Notes | 2016<br>\$'000  | 2015<br>\$'000  | Original<br>Budget<br>2016<br>\$'000 |
|---|-------|-----------------|-----------------|--------------------------------------|
| <b>ASSETS</b>   |       |                 |                 |                                      |
| <b>Financial assets</b>                                       |       |                 |                 |                                      |
| Cash and cash equivalents                                     | 4.1A  | 85,416          | 416             | 1,012                                |
| Taxation receivables  | 4.1B  | 813             | 213             | -                                    |
| Trade and other receivables                                   | 4.1C  | 4,232           | 77              | 64                                   |
| <b>Total financial assets</b>                                 |       | <b>90,461</b>   | <b>706</b>      | <b>1,076</b>                         |
| <b>Total assets administered on behalf of Government</b>      |       | <b>90,461</b>   | <b>706</b>      | <b>1,076</b>                         |
| <b>LIABILITIES</b>  |       |                 |                 |                                      |
| <b>Payables</b>   |       |                 |                 |                                      |
| Suppliers   | 4.2A  | 3,050           | 434             | 351                                  |
| Purchase of Australian Carbon Credit Units                    | 4.2B  | 35,625          | -               | -                                    |
| Other payables  | 4.2C  | 75,913          | 13,805          | -                                    |
| <b>Total payables</b>   |       | <b>114,588</b>  | <b>14,239</b>   | <b>351</b>                           |
| <b>Total liabilities administered on behalf of Government</b> |       | <b>114,588</b>  | <b>14,239</b>   | <b>351</b>                           |
| <b>Net liabilities</b>  |       | <b>(24,127)</b> | <b>(13,533)</b> | <b>725</b>                           |

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

| <b>Administered Reconciliation Schedule</b>                     |       |                  |                |
|---|-------|------------------|----------------|
|   | Notes | 2016<br>\$'000   | 2015<br>\$'000 |
| <b>Opening assets less liabilities as at 1 July</b>             |       | <b>(13,533)</b>  | 1,429,947      |
| <b>Net cost of services</b>                                     |       |                  |                |
| Income  |       | <b>15,058</b>    | 67,328         |
| Expenses  |       |                  |                |
| Payments to entities other than corporate Commonwealth entities |       | <b>(144,808)</b> | (172,315)      |
| <b>Transfers (to)/from the Australian Government</b>            |       |                  |                |
| <b>Appropriation transfers from Official Public Account</b>     |       |                  |                |
| Annual appropriations   |       |                  |                |
| Payments to entities other than corporate Commonwealth entities |       | <b>151,152</b>   | 6,631          |
| Special appropriations (unlimited)                              |       |                  |                |
| Payments to entities other than corporate Commonwealth entities |       | <b>8,580</b>     | 327,206        |
| <b>Appropriation transfers to OPA</b>                           |       |                  |                |
| Transfers to OPA  |       | <b>(40,576)</b>  | (1,672,330)    |
| <b>Closing assets less liabilities as at 30 June</b>            |       | <b>(24,127)</b>  | (13,533)       |

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 entity for use by the Government rather than the entity 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 entity 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 2016*

|   | Notes | 2016<br>\$'000  | 2015<br>\$'000     |
|---|-------|-----------------|--------------------|
| <b>OPERATING ACTIVITIES</b>   |       |                 |                    |
| <b>Cash received</b>  |       |                 |                    |
| Taxes   |       | 3,817           | 1,641,562          |
| Fees and fines  |       | 9,888           | 17,462             |
| Net receipts from small-scale technology clearing house             |       | 89,999          | -                  |
| Net GST received  |       | -               | 7                  |
| <b>Total cash received</b>  |       | <b>103,704</b>  | <b>1,659,031</b>   |
| <b>Cash used</b>  |       |                 |                    |
| Suppliers   |       | 3,390           | 11,565             |
| Subsidies   |       | -               | 309,206            |
| Purchase of Australian Carbon Credit Units                          |       | 111,883         | -                  |
| Other   |       | 6,540           | 363                |
| Net GST paid  |       | 16,047          | -                  |
| <b>Total cash used</b>  |       | <b>137,860</b>  | <b>321,134</b>     |
| <b>Net cash from/(used by) operating activities</b>                 | 5.4B  | <b>(34,156)</b> | <b>1,337,897</b>   |
| Cash and cash equivalents at the beginning of the reporting period  |       | 416             | 1,012              |
| <b>Cash from Official Public Account</b>                            |       |                 |                    |
| Appropriations  |       | 159,732         | 333,837            |
| <b>Total cash from Official Public Account</b>                      |       | <b>159,732</b>  | <b>333,837</b>     |
| <b>Cash to Official Public Account</b>                              |       |                 |                    |
| Appropriations  |       | (40,576)        | (1,672,330)        |
| <b>Total cash to Official Public Account</b>                        |       | <b>(40,576)</b> | <b>(1,672,330)</b> |
| <b>Cash and cash equivalents at the end of the reporting period</b> | 4.1A  | <b>85,416</b>   | <b>416</b>         |

This schedule should be read in conjunction with the accompanying notes.

## Budget Variances Commentary - Administered

The CER has disclosed major administered variances against budget where the variance is greater than 10 per cent and \$0.500 million of an individual line item.

### **Carbon Pricing Mechanism Repeal**

The carbon pricing mechanism was repealed with effect from July 2014 and removed from the CER's budget estimates. Subsequent to the repeal there have been a number of minor residual items accounted for in 2015-16 relating to the re-submission of emissions numbers, the remission of shortfall charges and non-relinquishment orders.

### **Emissions Reduction Fund**

The CER continued the implementation and delivery of the Emissions Reduction Fund in 2015-16, including the completion of the second and third auctions. The budget profile was updated during the 2016-17 Budget process to better reflect the outcome of the first three auctions, with the purchase of Australian Carbon Credit Units (ACCU's) in 2015-16 consistent with revised budget estimates.

### **Administered Schedule of Comprehensive Income**

#### *Expenses: purchase of Australian Carbon Credit Units*

The budget allocation reflects the original profile for the purchase of ACCU's under the Emissions Reduction Fund which has since been updated in line with the known pattern of commitments.

#### *Expenses: write-down and impairment of assets*

The CER recognised an impairment allowance for outstanding debts it considered were unlikely to be recovered at the end of the year due to an entity going into administration

#### *Expenses: other expense*

The finalisation of the carbon pricing mechanism resulted in a number of minor residual items in 2015-16.

#### *Revenue: other taxes*

The budget allocation assumes a low level of non-compliance with obligations to surrender Renewable Energy Certificates, however during 2015-16 there was a small increase in the number of liable entities with renewable energy shortfall charges.

#### *Revenue: fees and fines*

The large number of CER created renewable energy certificates issued through the small-scale technology clearing house, which remained in deficit at year end (more buyers of certificates than sellers of certificates), resulted in lower than estimated certificate registration fees. In addition the *Renewable Energy (Electricity) Act 2000* was amended in June 2015 to allow for full exemption from liability for emissions-intensive trade exposed activities (previously partially exempt) resulting in lower than estimated certificate surrender fees.

### **Administered Schedule of Assets and Liabilities**

#### *Assets: cash and cash equivalents*

The CER operates the small-scale technology certificate clearing house to facilitate the purchase and sale of certificates between liable entities and individuals or agents installing small-scale solar, wind and hydro systems. The closing balance represents receipts from liable entities held in the clearing house for payment in 2016-17.

#### *Assets: taxation receivables*

The budget assumes that revenues under the schemes will be received before year end. This item represents outstanding debts under the Renewable Energy Target not yet impaired, and residual amounts owing under the carbon pricing mechanism which were not yet due.

#### *Assets: trade and other receivables*

The budget was prepared net of GST, with this item primarily representing GST receivable by the CER in relation to the small-scale technology certificate clearing house, that was not yet due.

#### *Liabilities: suppliers payable*

The CER recognises payables and accrued expenditure at the end of the year for work performed but not yet paid, this amount changes from time to time in the normal course of business.

#### *Liabilities: purchase of Australian Carbon Credit Units*

The agency's accounting treatment recognises ACCU's issued but not yet delivered as a liability at year end, whereas the budget allocation assumed settlement of all deliveries.

#### *Liabilities: other payables*

The agency's budget assumes that the clearing house will be in equilibrium at year end. However as there were more buyers than sellers of certificates the clearing house ended the year in deficit.

## Overview

### Objectives of the Entity

The CER is an Australian Government controlled entity. It is a non-corporate not-for-profit Commonwealth entity. The objective of the CER is to accelerate carbon abatement for Australia.

The CER is structured to meet the following single outcome, and the result is included in the statement of comprehensive income and statement of financial position:

Outcome 1: Contribute to a reduction in Australia's net greenhouse gas emissions, including through the administration of market based mechanisms that incentivise reduction in emissions and the promotion of additional renewable electricity generation.

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

The CER'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 CER in its own right. Administered activities involve the management or oversight by the CER, on behalf of the Government, of items controlled or incurred by the Government.

The role of the CER is determined by climate change law. In particular, the CER has administrative responsibilities in relation to the National Greenhouse and Energy Reporting Scheme, Carbon Pricing Mechanism, Emissions Reduction Fund, Australian National Registry of Emission Units, Carbon Farming Initiative and the Renewable Energy Target.

The responsibilities of the CER include:

- collecting, analysing and assessing emissions and energy data, which underpins the reduction of net greenhouse gas emissions and supports Australia's emissions and energy data needs
- operating the Australian National Registry of Emissions Units and the Renewable Energy Certificate Registry
- monitoring, facilitating and enforcing compliance with the schemes it administers
- issuing ACCU's to projects that reduce greenhouse gas emissions
- accrediting greenhouse and energy auditors who are engaged by the scheme participants and the CER to undertake audit activities under the schemes
- working with other Commonwealth, state and territory law enforcement and regulatory bodies, and
- providing education and information on the schemes it administers and how they work.

### The Basis of Preparation

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

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 rounded to the nearest \$'000 unless otherwise specified.

### New Accounting Standards

#### *Adoption of New Australian Accounting Standard Requirements*

With the exception of AASB 2015-7 no accounting standard has been adopted earlier than the application date as stated in the standard:

| Standard/ Interpretation  | Application date for the entity | Nature of change in accounting policy and likely impact on initial application  |
|---|---------------------------------|---|
| AASB 2015-7<br><i>Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities</i> | 1 July 2016                     | The objective of this Standard is to make amendments to AASB 13 <i>Fair Value Measurement</i> to relieve not-for-profit public sector entities from certain disclosures applying to assets within the scope of AASB 116 <i>Property, Plant and Equipment</i> whose future economic benefits are not primarily dependent on the asset's ability to generate future net cash inflows. |

All other 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 entity's financial statements.

*Future Australian Accounting Standard Requirements*

The following new/revised/amending standards and/or interpretations were issued by the Australian Accounting Standards Board 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 entity's financial statements for future reporting period(s):

| Standard/ Interpretation   | Application date for the entity <sup>1</sup> | Nature of impending change/s in accounting policy and likely impact on initial application  |
|--|--|---|
| AASB 2015-6<br><i>Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities</i> | 1 July 2016                                  | The objective of this Standard is to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit public sector entities.<br><br>The likely impact of the amendment to this standard will be the disclosure of related party transactions with key management personnel. |
| AASB 16 <i>Leases</i>  | 1 January 2019                               | The objective of this Standard is to introduce a single lease accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months.<br><br>The likely impact on the CER of this new Standard is not yet known.                              |

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

All other new/revised/amending standards and/or interpretations 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 entity's financial statements.

**Taxation**

The entity 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.

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**

There was no subsequent event between balance and signing of the financial statements that had the potential to significantly affect the ongoing structure and financial activities of the entity.

**Administered**

There was no subsequent event between balance and signing of the financial statements that had the potential to significantly affect the ongoing structure and financial activities of the entity.

## Financial Performance

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

| 1.1 Expenses  | 2016          | 2015          |
|---|---------------|---------------|
|   | \$'000        | \$'000        |
| <b>1.1A: Employee benefits</b>  |               |               |
| Wages and salaries  | 29,069        | 28,162        |
| Superannuation  |               |               |
| Defined contribution plans  | 2,876         | 2,738         |
| Defined benefit plans   | 3,094         | 3,249         |
| Leave and other entitlements  | 5,203         | 3,458         |
| Separation and redundancies   | 31            | 795           |
| Other   | 232           | 177           |
| <b>Total employee benefits</b>  | <b>40,505</b> | <b>38,579</b> |
| <b>1.1B: Suppliers</b>  |               |               |
| <b>Goods and services supplied or rendered</b>  |               |               |
| Consultants   | 6,133         | 7,576         |
| Contractors   | 6,036         | 10,372        |
| Third party service providers   | 7,807         | 8,046         |
| Travel  | 677           | 505           |
| Legal expenses  | 277           | 317           |
| Recruitment and training  | 1,665         | 1,624         |
| Office equipment  | 2,479         | 2,376         |
| Other   | 2,477         | 2,242         |
| <b>Total goods and services supplied or rendered</b>  | <b>27,551</b> | <b>33,058</b> |
| Goods supplied  | 575           | 559           |
| Services rendered   | 26,976        | 32,499        |
| <b>Total goods and services supplied or rendered</b>  | <b>27,551</b> | <b>33,058</b> |
| <b>Other suppliers</b>  |               |               |
| Operating lease rentals in connection with  |               |               |
| Minimum lease payments  | 3,661         | 3,630         |
| Workers compensation expenses   | 401           | 484           |
| <b>Total other suppliers</b>  | <b>4,062</b>  | <b>4,114</b>  |
| <b>Total suppliers</b>  | <b>31,613</b> | <b>37,172</b> |
| <b>Leasing commitments</b>  |               |               |
| The CER in its capacity as lessee has one operating lease for office accommodation. Lease payments are subject to an annual increase at a fixed rate. There are no options for renewal. |               |               |
| <b>Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:</b>   |               |               |
| Within 1 year   | 3,484         | 4,320         |
| Between 1 to 5 years  | -             | 4,003         |
| <b>Total operating lease commitments<sup>1</sup></b>  | <b>3,484</b>  | <b>8,323</b>  |

1. Commitments are GST inclusive.

|  | 2016       | 2015         |
|--|------------|--------------|
|  | \$'000     | \$'000       |
| <b>1.1C: Write-down and impairment of assets</b> |            |              |
| Impairment on intangible assets                  | 455        | 3,462        |
| Write-down of intangible assets                  | -          | 13           |
| Write-down of property, plant and equipment      | 27         | (20)         |
| <b>Total write-down and impairment of assets</b> | <b>482</b> | <b>3,455</b> |

**Accounting Policy**

*Employee benefits*

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

*Operating leases*

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

| <b>1.2 Own-Source Revenue and Gains</b> |               |               |
|---|---------------|---------------|
|   | <b>2016</b>   | 2015          |
|   | <b>\$'000</b> | \$'000        |
| <b>Own-source revenue</b>               |               |               |
| <b>1.2A: Other revenue</b>              |               |               |
| Resources received free of charge       |               |               |
| Remuneration of auditors                | 385           | 395           |
| <b>Total other revenue</b>              | <b>385</b>    | <b>395</b>    |
| <b>Gains</b>                            |               |               |
| <b>1.2B: Other gains</b>                |               |               |
| Gains from sale of assets               | 15            | -             |
| Other                                   | 4             | 43            |
| <b>Total other gains</b>                | <b>19</b>     | <b>43</b>     |
| <b>1.2C: Revenue from Government</b>    |               |               |
| Appropriations                          |               |               |
| Departmental appropriations             | 72,974        | 76,648        |
| <b>Total revenue from Government</b>    | <b>72,974</b> | <b>76,648</b> |

**Accounting Policy***Rendering of services*

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

- a) the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- b) the probable economic benefits associated with the transaction will flow to the CER.

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

*Resources received free of charge*

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

*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 CER does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

| <b>2.1 Administered - Expenses</b>  |                |                |
|---|----------------|----------------|
|   | 2016           | 2015           |
|   | \$'000         | \$'000         |
| <b>2.1A: Suppliers</b>  |                |                |
| <b>Services rendered</b>  |                |                |
| Contractors   | 3,813          | 3,707          |
| <b>Total suppliers</b>  | <b>3,813</b>   | <b>3,707</b>   |
| <b>2.1B: Subsidies</b>  |                |                |
| <b>Subsidies in connection with</b>   |                |                |
| Buy-back of carbon units  | -              | 16,797         |
| <b>Total subsidies</b>  | <b>-</b>       | <b>16,797</b>  |
| <b>2.1C: Purchase of Australian Carbon Credit Units</b>   |                |                |
| Purchase of Australian Carbon Credit Units  | 138,409        | 13,033         |
| <b>Total purchase of Australian Carbon Credit Units</b>   | <b>138,409</b> | <b>13,033</b>  |
| Commitments for the purchase of Australian Carbon Credit Units were \$1,007,346,000 as at 30 June 2016 (2015: \$584,602,000). |                |                |
| <b>2.1D: Write-down and impairment of assets</b>  |                |                |
| Impairment on financial instruments   | 690            | 3,226          |
| <b>Total write-down and impairment of assets</b>  | <b>690</b>     | <b>3,226</b>   |
| <b>2.1E: Other expenses</b>   |                |                |
| Remission of shortfall charges and penalties  | 64             | 362            |
| Adjustment to accrued carbon price revenue  | 1,832          | 135,190        |
| <b>Total other expenses</b>   | <b>1,896</b>   | <b>135,552</b> |

### Accounting Judgements and Estimates

#### *Purchase of Australian Carbon Credit Units*

The CER implemented the Emissions Reduction Fund (ERF) in 2014-15 which is a voluntary scheme that aims to provide incentives for a range of organisations and individuals to reduce their emissions. The scheme is currently implemented through a carbon abatement auction process where the CER contracts with successful participants to purchase ACCU's.

ACCU's are earned by participants through eligible projects for each tonne of carbon dioxide equivalent (tCO<sub>2</sub>-e) stored or avoided.

The CER has an accounting policy for ERF transactions with the following key elements:

- the CER will recognise a liability under the ERF where it has a present obligation arising from a past event;
- the obligating event is ACCU issuance. This is on the basis that it is more likely than not that ACCU's issued will be surrendered in satisfaction of contract deliverables, and
- where ACCU's issued exceed total contract value they will not be recognised by the CER on the basis that no contractual obligation exists.

| <b>2.2 Administered - Income</b>                       |               |               |
|--|---------------|---------------|
|  | <b>2016</b>   | 2015          |
|  | <b>\$'000</b> | \$'000        |
| <b>Revenue</b>   |               |               |
| <b>2.2A: Other taxes</b>                               |               |               |
| Carbon price revenue - shortfall charges and penalties | 724           | 14,165        |
| Renewable energy - shortfall charges and interest      | 4,446         | 1,720         |
| <b>Total other taxes</b>                               | <b>5,170</b>  | <b>15,885</b> |
| <b>Non-taxation revenue</b>                            |               |               |
| <b>2.2B: Fees and fines</b>                            |               |               |
| Renewable energy fees                                  | 9,590         | 12,161        |
| Other fees   | 298           | 96            |
| Fines  | -             | 174           |
| <b>Total fees and fines</b>                            | <b>9,888</b>  | <b>12,431</b> |
| <b>Gains</b>   |               |               |
| <b>2.2C: Other gains</b>                               |               |               |
| True-up on the issue of carbon units                   | -             | 39,012        |
| <b>Total other gains</b>                               | <b>-</b>      | <b>39,012</b> |

**Accounting Policy***Administered revenues*

All administered revenues are revenues relating to ordinary activities performed by the CER on behalf of the Government. As such, administered appropriations are not revenues of the individual entity that oversees distribution or expenditure of the funds as directed.

Carbon price revenue is recognised when liable entities' emissions occur, under the economic transaction method, where it is possible that future economic benefits will occur and can be reliably measured. Unit shortfall charges and other penalties are recognised at the time they are imposed.

Renewable energy revenue is generated through the creation and surrender of Renewable Energy Certificates when the underlying transaction occurs. Shortfall charges and interest penalties are recognised at the time they are imposed.

## Financial Position

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

| 3.1 Financial Assets  | 2016          | 2015          |
|---|---------------|---------------|
|   | \$'000        | \$'000        |
| <b>3.1A: Cash and cash equivalents</b>                            |               |               |
| Cash on hand or on deposit  | 282           | 307           |
| <b>Total cash and cash equivalents</b>                            | <b>282</b>    | <b>307</b>    |
| <b>3.1B: Trade and other receivables</b>                          |               |               |
| <b>Services receivable</b>  |               |               |
| Services  | 251           | 192           |
| <b>Total services receivable</b>                                  | <b>251</b>    | <b>192</b>    |
| <b>Appropriations receivable</b>                                  |               |               |
| Appropriations receivable   | 24,195        | 28,457        |
| <b>Total appropriations receivable</b>                            | <b>24,195</b> | <b>28,457</b> |
| <b>Other receivables</b>  |               |               |
| Statutory receivables   | 598           | 515           |
| <b>Total other receivables</b>                                    | <b>598</b>    | <b>515</b>    |
| <b>Total trade and other receivables (gross)</b>                  | <b>25,044</b> | <b>29,164</b> |
| Less: impairment allowance  | -             | -             |
| <b>Total trade and other receivables (net)</b>                    | <b>25,044</b> | <b>29,164</b> |
| <b>Trade and other receivables (net) expected to be recovered</b> |               |               |
| No more than 12 months  | 25,044        | 29,164        |
| <b>Total trade and other receivables (net)</b>                    | <b>25,044</b> | <b>29,164</b> |
| <b>Trade and other receivables (gross) aged as follows</b>        |               |               |
| Not overdue   | 24,943        | 29,017        |
| Overdue by  |               |               |
| 0 to 30 days  | 62            | 14            |
| 31 to 60 days   | 9             | -             |
| 61 to 90 days   | 29            | -             |
| More than 90 days   | 1             | 133           |
| <b>Total trade and other receivables (net)</b>                    | <b>25,044</b> | <b>29,164</b> |

Credit terms for goods and services were within 30 days (2015: 30 days).

|  | 2016<br>\$'000 | 2015<br>\$'000 |
|--|----------------|----------------|
| <b>3.1C: Other financial assets</b>                    |                |                |
| Accrued revenue  | -              | 51             |
| <b>Total other financial assets</b>                    | <b>-</b>       | <b>51</b>      |
| <b>Other financial assets expected to be recovered</b> |                |                |
| No more than 12 months                                 | -              | 51             |
| <b>Total other financial assets</b>                    | <b>-</b>       | <b>51</b>      |

#### **Accounting Policy**

##### *Cash*

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

- a. cash on hand
- b. demand deposits in bank accounts with an original maturity of 3 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.

##### *Receivables*

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

##### *Financial assets*

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

Financial asset held at amortised cost - if there is objective evidence that an impairment loss has been incurred for 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 profit and loss.

### 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 and intangibles for 2016

|   | Buildings    | Plant and equipment | Intangibles <sup>1</sup> | Total         |
|---|--------------|---------------------|--------------------------|---------------|
|   | \$'000       | \$'000              | \$'000                   | \$'000        |
| <b>As at 1 July 2015</b>  |              |                     |                          |               |
| Gross book value  | 6,658        | 1,347               | 63,386                   | 71,391        |
| Accumulated depreciation, amortisation and impairment                 | (2,575)      | (325)               | (35,707)                 | (38,607)      |
| <b>Total as at 1 July 2015</b>  | <b>4,083</b> | <b>1,022</b>        | <b>27,679</b>            | <b>32,784</b> |
| Additions   |              |                     |                          |               |
| Purchase  | -            | 1,056               | -                        | 1,056         |
| Internally developed  | -            | -                   | 4,685                    | 4,685         |
| Assets found at stocktake   | -            | 4                   | -                        | 4             |
| Revaluations and impairments recognised in other comprehensive income | -            | -                   | -                        | -             |
| Impairments recognised in net cost of services                        | -            | -                   | (455)                    | (455)         |
| Depreciation and amortisation   | (2,127)      | (311)               | (10,598)                 | (13,036)      |
| Disposals   | -            | -                   | -                        | -             |
| Other   | -            | (27)                | -                        | (27)          |
| <b>Total as at 30 June 2016</b>                                       | <b>1,956</b> | <b>1,744</b>        | <b>21,311</b>            | <b>25,011</b> |
| <b>Total as at 30 June 2016 represented by</b>                        |              |                     |                          |               |
| Gross book value  | 6,658        | 2,362               | 55,143                   | 64,163        |
| Accumulated depreciation, amortisation and impairment                 | (4,702)      | (618)               | (33,832)                 | (39,152)      |
| <b>Total as at 30 June 2016</b>                                       | <b>1,956</b> | <b>1,744</b>        | <b>21,311</b>            | <b>25,011</b> |

1. The carrying amount of intangibles included \$1,000 (2015: \$4,000) purchased software and \$21,310,000 (2015: \$27,675,000) internally generated software.

An impairment loss of \$454,508 (2015: \$3,461,829) was recognised for intangibles no longer required due to the abolishment of the carbon pricing mechanism.

No property, plant and equipment or 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 in Note 3.2. On 30 June 2014 an independent valuer conducted a revaluation of property, plant and equipment. Advice received from an independent valuer on 29 February 2016 deemed the net fair value of property, plant and equipment not to be materially different from the carrying amount.

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

|   | Buildings | Plant and equipment | Intangibles | Total    |
|---|-----------|---------------------|-------------|----------|
|   | \$'000    | \$'000              | \$'000      | \$'000   |
| As at 1 July 2014   |           |                     |             |          |
| Gross book value  | 6,658     | 870                 | 67,554      | 75,082   |
| Accumulated depreciation, amortisation and impairment                 | (449)     | -                   | (29,822)    | (30,271) |
| Total as at 1 July 2014   | 6,209     | 870                 | 37,732      | 44,811   |
| Additions   |           |                     |             |          |
| Purchase  | -         | 413                 | -           | 413      |
| Internally developed  | -         | -                   | 3,644       | 3,644    |
| Assets found at stocktake   | -         | 43                  | -           | 43       |
| Revaluations and impairments recognised in other comprehensive income | -         | -                   | -           | -        |
| Impairments recognised in net cost of services                        | -         | -                   | (3,462)     | (3,462)  |
| Depreciation and amortisation   | (2,126)   | (324)               | (10,222)    | (12,672) |
| Disposals   |           |                     |             |          |
| Other   | -         | 20                  | (13)        | 7        |
| Total as at 30 June 2015  | 4,083     | 1,022               | 27,679      | 32,784   |
| Total as at 30 June 2015 represented by                               |           |                     |             |          |
| Gross book value  | 6,658     | 1,347               | 63,386      | 71,391   |
| Accumulated depreciation, amortisation and impairment                 | (2,575)   | (325)               | (35,707)    | (38,607) |
| Total as at 30 June 2015  | 4,083     | 1,022               | 27,679      | 32,784   |

### 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 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 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).

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

#### Revaluations

Following initial recognition at cost, property, plant and equipment are carried at fair value. 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 depended upon the volatility of movements in market values for the relevant assets.

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.

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.

#### Depreciation

Depreciable property, plant and equipment 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.

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

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

|                        | 2016         | 2015         |
|------------------------|--------------|--------------|
| Leasehold improvements | lease term   | lease term   |
| Plant and equipment    | 2 to 9 years | 2 to 9 years |

#### Impairment

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.

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.

#### Derecognition

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

#### Intangibles

The CER's intangibles comprise internally developed software and purchased software for internal use. 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 CER's software are 2 to 5 years (2015: 2 to 5 years).

All software assets were assessed for indications of impairment as at 30 June 2016.

|  | 2016         | 2015         |
|--|--------------|--------------|
|  | \$'000       | \$'000       |
| <b>3.2B: Other non-financial assets</b>                    |              |              |
| Prepayments  | 1,130        | 1,097        |
| <b>Total other non-financial assets</b>                    | <b>1,130</b> | <b>1,097</b> |
| <b>Other non-financial assets expected to be recovered</b> |              |              |
| No more than 12 months                                     | 1,104        | 1,081        |
| More than 12 months  | 26           | 16           |
| <b>Total other non-financial assets</b>                    | <b>1,130</b> | <b>1,097</b> |

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

### 3.3 Payables

|  | 2016   | 2015   |
|--|--------|--------|
|  | \$'000 | \$'000 |

#### 3.3A: Suppliers

|                              |              |              |
|------------------------------|--------------|--------------|
| Trade creditors and accruals | 4,944        | 6,687        |
| <b>Total suppliers</b>       | <b>4,944</b> | <b>6,687</b> |

#### Suppliers expected to be settled

|                        |              |              |
|------------------------|--------------|--------------|
| No more than 12 months | 4,944        | 6,687        |
| <b>Total suppliers</b> | <b>4,944</b> | <b>6,687</b> |

Settlement is usually made within 30 days.

#### 3.3B: Other payables

|                             |            |              |
|-----------------------------|------------|--------------|
| Salaries and wages          | 205        | 1,106        |
| Superannuation              | 24         | 200          |
| Lease liability             | 229        | 346          |
| <b>Total other payables</b> | <b>458</b> | <b>1,652</b> |

#### Other payables to be settled

|                             |            |              |
|-----------------------------|------------|--------------|
| No more than 12 months      | 458        | 1,306        |
| More than 12 months         | -          | 346          |
| <b>Total other payables</b> | <b>458</b> | <b>1,652</b> |

#### Accounting Policy

##### *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'.

##### *Other financial liabilities*

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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).

**3.4 Other Provisions****3.4A: Other provisions**

|  | Provision for<br>restoration<br>\$'000 |
|--|--|
| <b>As at 1 July 2015</b>                         | <b>1,789</b>                           |
| Amounts reversed                                 | (12)                                   |
| Unwinding of discount or change in discount rate | 59                                     |
| <b>Total as at 30 June 2016</b>                  | <b>1,836</b>                           |

|  | 2016<br>\$'000 | 2015<br>\$'000 |
|--|----------------|----------------|
| <b>Other provisions expected to be settled</b> |                |                |
| No more than 12 months                         | 1,836          | -              |
| More than 12 months                            | -              | 1,789          |
| <b>Total other provisions</b>                  | <b>1,836</b>   | <b>1,789</b>   |

The CER currently has one (2015: 1) agreement for the leasing of premises which has a provision requiring the CER to restore the premises to its original condition at the end of the lease. The CER has made a provision to reflect the present value of this obligation.

## Assets and Liabilities Administered on Behalf of the Government

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

| <b>4.1 Administered - Financial Assets</b>             |                 |                 |
|--|-----------------|-----------------|
|  | 2016            | 2015            |
|  | \$'000          | \$'000          |
| <b>4.1A: Cash and cash equivalents</b>                 |                 |                 |
| Cash in special accounts                               | 85,386          | 354             |
| Cash on hand or on deposit                             | 30              | 62              |
| <b>Total cash and cash equivalents</b>                 | <b>85,416</b>   | <b>416</b>      |
| <b>4.1B: Taxation receivables</b>                      |                 |                 |
| <b>Other tax</b>                                       |                 |                 |
| Carbon price revenue - shortfall charges and penalties | 46,691          | 46,219          |
| Renewable energy - shortfall charges and interest      | 1,026           | 208             |
| <b>Total taxation receivables (gross)</b>              | <b>47,717</b>   | <b>46,427</b>   |
| Less: Impairment allowance                             | (46,904)        | (46,214)        |
| <b>Total taxation receivables (net)</b>                | <b>813</b>      | <b>213</b>      |
| <b>Taxation receivables (gross) aged as follows</b>    |                 |                 |
| Not overdue  | 477             | 202             |
| Overdue by   |                 |                 |
| 0 to 30 days   | 3               | -               |
| 31 to 60 days  | 2               | -               |
| 61 to 90 days  | 3               | -               |
| More than 90 days                                      | 47,232          | 46,225          |
| <b>Total taxation receivables (gross)</b>              | <b>47,717</b>   | <b>46,427</b>   |
| <b>Impairment allowance aged as follows</b>            |                 |                 |
| More than 90 days                                      | (46,904)        | (46,214)        |
| <b>Total impairment allowance</b>                      | <b>(46,904)</b> | <b>(46,214)</b> |

|  | 2016                    | 2015                 |               |
|--|-------------------------|----------------------|---------------|
|  | \$'000                  | \$'000               |               |
| <b>4.1C: Trade and other receivables</b>   |                         |                      |               |
| <b>Other receivables</b>   |                         |                      |               |
| Fines  | 383                     | 383                  |               |
| Statutory receivables  | 4,232                   | 77                   |               |
| <b>Total trade and other receivables (gross)</b>   | <b>4,615</b>            | <b>460</b>           |               |
| Less: impairment allowance   | (383)                   | (383)                |               |
| <b>Total trade and other receivables (net)</b>   | <b>4,232</b>            | <b>77</b>            |               |
| <b>Trade and other receivables (net) expected to be recovered</b>  |                         |                      |               |
| No more than 12 months   | 4,232                   | 77                   |               |
| <b>Total trade and other receivables (net)</b>   | <b>4,232</b>            | <b>77</b>            |               |
| <b>Trade and other receivables (gross) aged as follows</b>   |                         |                      |               |
| Not overdue  | 4,232                   | 77                   |               |
| Overdue by   |                         |                      |               |
| More than 90 days  | 383                     | 383                  |               |
| <b>Total trade and other receivables (net)</b>   | <b>4,615</b>            | <b>460</b>           |               |
| <b>Impairment allowance aged as follows</b>  |                         |                      |               |
| More than 90 days  | (383)                   | (383)                |               |
| <b>Total impairment allowance</b>  | <b>(383)</b>            | <b>(383)</b>         |               |
| Credit terms for goods and services were within 30 days (2015: 30 days).   |                         |                      |               |
| <b>Reconciliation of the impairment allowance</b>  |                         |                      |               |
| <b>Movements in relation to 2016</b>   |                         |                      |               |
|  | Taxation<br>receivables | Other<br>receivables | Total         |
|  | \$'000                  | \$'000               | \$'000        |
| <b>As at 1 July 2015</b>   | <b>46,214</b>           | <b>383</b>           | <b>46,597</b> |
| Increase recognised in net cost of services  | 690                     | -                    | 690           |
| <b>Total as at 30 June 2016</b>  | <b>46,904</b>           | <b>383</b>           | <b>47,287</b> |
| <b>Movements in relation to 2015</b>   |                         |                      |               |
|  | Taxation<br>receivables | Other<br>receivables | Total         |
|  | \$'000                  | \$'000               | \$'000        |
| <b>As at 1 July 2014</b>   | <b>43,166</b>           | <b>209</b>           | <b>43,375</b> |
| Amounts recovered and reversed   | -                       | (4)                  | (4)           |
| Increase recognised in net cost of services  | 3,048                   | 178                  | 3,226         |
| <b>Total as at 30 June 2015</b>  | <b>46,214</b>           | <b>383</b>           | <b>46,597</b> |
| <b>Accounting Policy</b>   |                         |                      |               |
| <i>Receivables</i>   |                         |                      |               |
| Where 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. |                         |                      |               |

| <b>4.2 Administered - Payables</b>                                       |               |               |
|--|---------------|---------------|
|  | 2016          | 2015          |
|  | \$'000        | \$'000        |
| <b>4.2A: Suppliers</b>   |               |               |
| Trade creditors and accruals   | 3,050         | 434           |
| <b>Total suppliers</b>   | <b>3,050</b>  | <b>434</b>    |
| <b>Suppliers expected to be settled</b>                                  |               |               |
| No more than 12 months   | 3,050         | 434           |
| <b>Total suppliers</b>   | <b>3,050</b>  | <b>434</b>    |
| Settlement is usually made within 30 days.                               |               |               |
| <b>4.2B: Purchase of Australian Carbon Credit Units</b>                  |               |               |
| Purchase of Australian Carbon Credit Units                               | 35,625        | -             |
| <b>Total purchase of Australian Carbon Credit Units</b>                  | <b>35,625</b> | <b>-</b>      |
| <b>Purchase of Australian Carbon Credit Units expected to be settled</b> |               |               |
| No more than 12 months   | 35,625        | -             |
| <b>Total purchase of Australian Carbon Credit Units</b>                  | <b>35,625</b> | <b>-</b>      |
| <b>4.2C: Other payables</b>  |               |               |
| Refund of carbon price shortfall charges                                 | -             | 2,130         |
| Small-scale technology clearing house                                    | 75,913        | -             |
| Other  | -             | 11,675        |
| <b>Total other payables</b>  | <b>75,913</b> | <b>13,805</b> |
| <b>Other payables expected to be settled</b>                             |               |               |
| No more than 12 months   | 75,913        | 13,805        |
| <b>Total other payables</b>  | <b>75,913</b> | <b>13,805</b> |

## Funding

This section identifies the CER'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 <sup>2</sup> \$'000 |
|-----------------------------|--|--|----------------------------|-----------------------------|----------------------------|--|------------------------------|
|                             | Annual Appropriation <sup>1</sup> \$'000 | Advance to the Finance Minister \$'000 | Section 74 Receipts \$'000 | Section 75 Transfers \$'000 | Total appropriation \$'000 |  |                              |
| <b>Departmental</b>         |  |  |                            |                             |                            |  |                              |
| Ordinary annual services    | 73,412                                   | -                                      | 967                        | -                           | 74,379                     | 73,548   | 831                          |
| Capital budget <sup>3</sup> | 1,185                                    | -                                      | -                          | -                           | 1,185                      | 866  | 319                          |
| Other services              | -  | -                                      | -                          | -                           | -                          | -  | -                            |
| Equity injections           | -  | -                                      | -                          | -                           | -                          | 5,000  | (5,000)                      |
| <b>Total departmental</b>   | <b>74,597</b>                            | <b>-</b>                               | <b>967</b>                 | <b>-</b>                    | <b>75,564</b>              | <b>79,414</b>  | <b>(3,850)</b>               |
| <b>Administered</b>         |  |  |                            |                             |                            |  |                              |
| Ordinary annual services    | 304,678                                  | -                                      | -                          | -                           | 304,678                    | 117,593  | 187,085                      |
| Administered items          | 304,678                                  | -                                      | -                          | -                           | 304,678                    | 117,593  | 187,085                      |
| <b>Total administered</b>   |  |  |                            |                             |                            |  |                              |

1. In accordance with the budget offsets for the National Wind Farm Commissioner, the CER permanently lost control of \$438,000 under section 5.1 of the PGPA Act.
2. The variance is due to the passage for the Emissions Reduction Fund legislation occurring later than estimated and the subsequent deferral of project expenditure to the 2015-16 financial year. The administered variance is due to changes in the profile of contracted payments under the Emissions Reduction Fund.
3. 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 Appropriations for 2015

|                             | Appropriation Act                           |   | PGPA Act                      |                                | Appropriation applied in 2015 |   | Variance <sup>2</sup><br>\$'000 |
|-----------------------------|---|---|-------------------------------|--------------------------------|-------------------------------|---|---------------------------------|
|                             | Annual Appropriation <sup>1</sup><br>\$'000 | Advance to the Finance Minister<br>\$'000 | Section 74 Receipts<br>\$'000 | Section 75 Transfers<br>\$'000 | Total appropriation<br>\$'000 | Appropriation applied in 2015 (current and prior years)<br>\$'000 |                                 |
| <b>Departmental</b>         |   |   |                               |                                |                               |   |                                 |
| Ordinary annual services    | 76,697                                      | -   | 770                           | -                              | 77,467                        | 74,270  | 3,197                           |
| Capital budget <sup>3</sup> | 1,199                                       | -   | -                             | -                              | 1,199                         | -   | 1,199                           |
| Other services              | 4,406                                       | -   | -                             | -                              | 4,406                         | 3,395   | 1,011                           |
| Equity Injections           |   |   |                               |                                |                               |   |                                 |
| <b>Total departmental</b>   | <b>82,302</b>                               | <b>-</b>                                  | <b>770</b>                    | <b>-</b>                       | <b>83,072</b>                 | <b>77,665</b>   | <b>5,407</b>                    |
| <b>Administered</b>         |   |   |                               |                                |                               |   |                                 |
| Ordinary annual services    | 79,269                                      | -   | -                             | -                              | 79,269                        | 6,250   | 73,019                          |
| Administered items          |   |   |                               |                                |                               |   |                                 |
| <b>Total administered</b>   | <b>79,269</b>                               | <b>-</b>                                  | <b>-</b>                      | <b>-</b>                       | <b>79,269</b>                 | <b>6,250</b>  | <b>73,019</b>                   |

1. In accordance with the Communications and Public Affairs Functions savings measure, the CER permanently lost control of \$49,000 under section 51 of the PGPA Act.

2. The variance is due to the finalisation of the carbon pricing mechanism and the passage for the Emissions Reduction Fund legislation occurring later than estimated during budget development.

3. 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.

**5.1B: Unspent annual appropriations (recoverable GST exclusive)**

|                                       | 2016<br>\$'000 | 2015<br>\$'000 |
|---------------------------------------|----------------|----------------|
| <b>Departmental</b>                   |                |                |
| Appropriation Act (No. 2) 2012-13     | 5,098          | 5,098          |
| Appropriation Act (No. 4) 2013-14     | 1,011          | 1,605          |
| Appropriation Act (No. 1) 2014-15     | 382            | 17,655         |
| Appropriation Act (No. 2) 2014-15     | -              | 4,406          |
| Appropriation Act (No. 1) 2015-16     | 18,472         | -              |
| <b>Total departmental<sup>1</sup></b> | <b>24,963</b>  | <b>28,764</b>  |
| <b>Administered</b>                   |                |                |
| Appropriation Act (No. 1) 2014-15     | 62,555         | 73,370         |
| Appropriation Act (No. 1) 2015-16     | 197,901        | -              |
| <b>Total administered<sup>2</sup></b> | <b>260,456</b> | <b>73,370</b>  |

1. Unspent departmental annual appropriations includes \$487,000 withheld under section 51 of the PGPA Act and \$6,109,000 administratively quarantined by the Department of Finance.

**5.1C: Special appropriations (recoverable GST exclusive)**

| Authority  | Purpose  | 2016<br>\$'000 | 2015<br>\$'000 |
|--|--|----------------|----------------|
| <b>Renewable Energy (Electricity) Act 2000</b> , section 157,<br>Administered, Unlimited amount        | To enable payments in respect of:<br>a) section 50 refunds of overpaid amounts<br>b) section 98 refund of charge where certificates are surrendered<br>c) section 121 compensation from damage to electronic equipment.                                      | -              | 5              |
| <b>Public Governance, Performance and Accountability Act</b><br>2013, section 77, Administered, Refund | To provide an appropriation where an Act or other law requires or permits the repayment of an amount received by the Commonwealth and the Finance Minister is satisfied that, apart from this section, there is no specific appropriation for the repayment. | 4,618          | 9,047          |
| <b>Clean Energy Act 2011</b> , section 116, Administered,<br>Unlimited amount                          | To provide an appropriation for the buy-back of certain free carbon units specified by section 116 of the <i>Clean Energy Act 2011</i> .   | -              | 308,128        |
| <b>Clean Energy Act 2011</b> , section 132, Administered,<br>Unlimited amount                          | To provide an appropriation for the refund of surplus surrender specified by section 132 of the <i>Clean Energy Act 2011</i> .   | 3,962          | 10,026         |
| <b>Total special appropriations applied</b>  |  | <b>8,580</b>   | <b>327,206</b> |

| <b>5.2 Special Accounts</b>                                 |  |               |
|---|--|---------------|
|   | <b>Renewable Energy Special Account<sup>1</sup> (Administered)</b> |               |
|   | <b>2016</b>  | <b>2015</b>   |
| <b>(‘Recoverable GST exclusive’)</b>                        | <b>\$’000</b>  | <b>\$’000</b> |
| <b>Balance brought forward from previous period</b>         | <b>354</b>   | <b>1</b>      |
| <b>Increases</b>  |  |               |
| Receipts from buyers  | 490,221  | 63,759        |
| <b>Available for payments</b>                               | <b>490,575</b>   | <b>63,760</b> |
| <b>Decreases</b>  |  |               |
| Payments to sellers   | (413,187)  | (63,406)      |
| <b>Total balance carried to the next period<sup>2</sup></b> | <b>77,388</b>  | <b>354</b>    |

1. Appropriation: *Public Governance, Performance and Accountability Act 2013 section 80.*

2. The balance carried to the next period will be used to purchase small-scale technology certificates from householders and registered agents through the STC clearing house.

| <b>5.3 Regulatory Charging Summary</b> |               |               |
|--|---------------|---------------|
|  | <b>2016</b>   | <b>2015</b>   |
|  | <b>\$’000</b> | <b>\$’000</b> |
| <b>External Revenue</b>                |               |               |
| Administered                           | 9,888         | 12,431        |
| <b>Total external revenue</b>          | <b>9,888</b>  | <b>12,431</b> |

**Regulatory charging activities:**

Registration, application, accreditation and renewable energy certificate fees.

**5.4 Cash Flow Reconciliation****5.4A: Cash flow reconciliation**

|   | 2016        | 2015       |
|---|-------------|------------|
|   | \$'000      | \$'000     |
| <b>Reconciliation of cash and cash equivalents as per statement of financial position and cash flow statement</b> |             |            |
| <b>Reconciliation of net cost of services to net cash from/(used by) operating activities</b>                     |             |            |
| Net cost of services  | (85,193)    | (91,455)   |
| Revenue from Government   | 72,974      | 76,648     |
| <b>Adjustments for non-cash items</b>   |             |            |
| Depreciation/amortisation   | 13,036      | 12,672     |
| Net write down of non-financial assets  | 482         | 3,455      |
| Finance costs   | 54          | 65         |
| Other gains   | (4)         | (43)       |
| <b>Movement in assets and liabilities</b>   |             |            |
| <b>Assets</b>   |             |            |
| (Increase)/Decrease in net receivables  | (561)       | (2,909)    |
| (Increase)/Decrease in other financial assets   | 51          | (51)       |
| (Increase)/Decrease in prepayments  | (34)        | (458)      |
| <b>Liabilities</b>  |             |            |
| Increase/(Decrease) in employee provisions  | 1,980       | (168)      |
| Increase/(Decrease) in suppliers payables   | (1,617)     | 2,341      |
| Increase/(Decrease) in other payables   | (1,194)     | 160        |
| <b>Net cash from/(used by) operating activities</b>   | <b>(26)</b> | <b>257</b> |

**5.4B: Administered - cash flow reconciliation**

|   | 2016            | 2015             |
|---|-----------------|------------------|
|   | \$'000          | \$'000           |
| <b>Reconciliation of cash and cash equivalents as per statement of financial position and cash flow statement</b> |                 |                  |
| <b>Reconciliation of net cost of services to net cash from/(used by) operating activities</b>                     |                 |                  |
| Net cost of services  | (129,750)       | (104,987)        |
| <b>Adjustments for non-cash items</b>   |                 |                  |
| Net write down of non-financial assets  | -               | -                |
| <b>Movement in assets and liabilities</b>   |                 |                  |
| <b>Assets</b>   |                 |                  |
| (Increase)/Decrease in net taxation receivables   | (600)           | 1,721,420        |
| (Increase)/Decrease in net trade receivables  | (4,155)         | (14)             |
| <b>Liabilities</b>  |                 |                  |
| Increase/(Decrease) in suppliers payables   | 2,616           | 83               |
| Increase/(Decrease) in purchase of Australian Carbon Credit Units   | 35,625          | -                |
| Increase/(Decrease) in other payables   | 62,108          | 13,805           |
| Increase/(Decrease) in other provisions   | -               | (292,410)        |
| <b>Net cash from/(used by) operating activities</b>   | <b>(34,156)</b> | <b>1,337,897</b> |

## 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.

| 6.1 Employee Provisions                           |               |              |
|---|---------------|--------------|
|   | 2016          | 2015         |
|   | \$'000        | \$'000       |
| <b>6.1A: Employee provisions</b>                  |               |              |
| Leave   | 11,364        | 9,384        |
| <b>Total employee provisions</b>                  | <b>11,364</b> | <b>9,384</b> |
| <b>Employee provisions expected to be settled</b> |               |              |
| No more than 12 months                            | 4,850         | 4,133        |
| More than 12 months                               | 6,514         | 5,251        |
| <b>Total employee provisions</b>                  | <b>11,364</b> | <b>9,384</b> |

### Accounting policy

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

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

#### Leave

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

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the 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 has been determined using the shorthand method as prescribed in the FRR. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

#### Superannuation

The CER's employees are members of 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 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 CER 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 entity 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

Employee leave provisions were calculated at year end using the shorthand method which includes discounting amounts to present value using the Commonwealth Government bond rate.

| <b>6.2 Senior Management Personnel Remuneration</b> |               |        |
|---|---------------|--------|
|   | <b>2016</b>   | 2015   |
|   | <b>\$'000</b> | \$'000 |
| <b>Short-term employee benefits</b>                 |               |        |
| Salary  | 2,752         | 2,679  |
| Other allowances                                    | 30            | 33     |
| Non-monetary benefits                               | 49            | 59     |
| <b>Total short-term employee benefits</b>           | <b>2,831</b>  | 2,771  |
| <b>Post-employment benefits</b>                     |               |        |
| Superannuation                                      | 514           | 523    |
| <b>Total post-employment benefits</b>               | <b>514</b>    | 523    |
| <b>Other long-term employee benefits</b>            |               |        |
| Annual leave  | 233           | 243    |
| Long-service leave                                  | 75            | 74     |
| <b>Total other long-term employee benefits</b>      | <b>308</b>    | 317    |
| <b>Total senior executive remuneration expenses</b> | <b>3,653</b>  | 3,611  |

The total number of senior management personnel that are included in the above table are 13 (2015: 13).

## Managing uncertainties

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

### 7.1 Contingent Assets and Liabilities

|                                       | Claims for damages or costs |          |
|---------------------------------------|-----------------------------|----------|
|                                       | 2016                        | 2015     |
|                                       | \$'000                      | \$'000   |
| <b>Contingent liabilities</b>         |                             |          |
| Balance from previous period          | -                           | -        |
| New contingent liabilities recognised | (66)                        | -        |
| <b>Total contingent liabilities</b>   | <b>(66)</b>                 | <b>-</b> |

#### Quantifiable contingencies

The above table contains \$66,000 (2015: Nil) of contingent liabilities in respect of one request for an act of grace payment made to the Department of Finance relating to the carbon pricing mechanism. The estimate is based on the amount included in the act of grace payment request.

#### Unquantifiable contingencies

There were no unquantifiable contingent assets or liabilities as at 30 June 2016 (2015: 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 settlement is greater than remote.

### 7.1B: Administered - Contingent Assets and Liabilities

|  | Claims for damages or costs |              |
|--|-----------------------------|--------------|
|  | 2016                        | 2015         |
|  | \$'000                      | \$'000       |
| <b>Contingent assets</b>                   |                             |              |
| Balance from previous period               | -                           | -            |
| New contingent assets recognised           | 1,517                       | -            |
| <b>Total contingent assets</b>             | <b>1,517</b>                | <b>-</b>     |
| <b>Contingent liabilities</b>              |                             |              |
| Balance from previous period               | (552)                       | -            |
| New contingent liabilities recognised      | (4,450)                     | (552)        |
| Obligations expired                        | 66                          | -            |
| <b>Total contingent liabilities</b>        | <b>(4,936)</b>              | <b>(552)</b> |
| <b>Net contingent assets/(liabilities)</b> | <b>(3,419)</b>              | <b>(552)</b> |

#### Quantifiable administered contingencies

The above table contains \$1,517,000 (2015: \$Nil) of contingent assets in respect of one application made to the Administration Appeals Tribunal for the review of a liability assessment made under the *Renewable Energy (Electricity) Act 2000*. This estimate is based on the shortfall charge and associated interest charges which would have been incurred by the entity.

The above table contains \$4,936,000 (2015: \$552,000) of contingent liabilities in respect of large-scale generation shortfall charges incurred under the *Renewable Energy (Electricity) Act 2000* which may be refunded to entity's if they meet certain conditions and one act of grace payment request under the carbon pricing mechanism. The estimates are based on the amount the shortfall charges incurred and the amount included in the act of grace payment request.

#### Unquantifiable administered contingencies

There were no unquantifiable contingent assets or liabilities as at 30 June 2016 (2015: Nil).

## 7.2 Financial Instruments

|  | 2016   | 2015   |
|--|--------|--------|
|  | \$'000 | \$'000 |

### 7.2A: Categories of financial instruments

#### Financial assets

##### Receivables

|                                    |            |            |
|------------------------------------|------------|------------|
| Cash and cash equivalents          | 282        | 307        |
| Receivables for goods and services | 251        | 192        |
| <b>Total financial assets</b>      | <b>533</b> | <b>499</b> |

#### Financial liabilities

##### Financial liabilities measured at amortised cost

|                                    |              |              |
|------------------------------------|--------------|--------------|
| Supplier payables                  | 4,944        | 6,687        |
| <b>Total financial liabilities</b> | <b>4,944</b> | <b>6,687</b> |

The carrying amount of financial assets and financial liabilities is a reasonable approximation of their fair value.

### 7.2B: Net gains or losses on financial assets

There has been no income gained or expense incurred from financial assets (2015: Nil).

### 7.2C: Net gains or losses on financial liabilities

There has been no income gained or expense incurred from financial liabilities (2015: Nil).

### 7.2D: Credit risk

The CER was exposed to minimal credit risk as receivables represent cash and receivables for goods and services. The maximum exposure to credit risk was the risk that arises from potential default of a debtor. This amount was equal to the total amount of trade receivables of \$250,751 (2015: \$192,208).

The CER has assessed the risk of the default on payment and decided not to allocate an impairment allowance account. The CER manages its credit risk by ensuring that it has policies and procedures in relation to debt management.

The CER held no collateral to mitigate against credit risk.

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

|                                    | Not past due<br>nor impaired | Not past due<br>nor impaired | Past due or<br>impaired | Past due or<br>impaired |
|------------------------------------|------------------------------|------------------------------|-------------------------|-------------------------|
|                                    | 2016                         | 2015                         | 2016                    | 2015                    |
|                                    | \$'000                       | \$'000                       | \$'000                  | \$'000                  |
| Cash and cash equivalents          | 282                          | 307                          | -                       | -                       |
| Receivables for goods and services | 150                          | 45                           | 101                     | 147                     |
| <b>Total</b>                       | <b>432</b>                   | <b>352</b>                   | <b>101</b>              | <b>147</b>              |

### 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 | 62           | 9             | 29            | 1        | 101        |
| <b>Total</b>                       | <b>62</b>    | <b>9</b>      | <b>29</b>     | <b>1</b> | <b>101</b> |

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

|                                    | 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 | 14           | -             | -             | 133        | 147        |
| <b>Total</b>                       | <b>14</b>    | <b>-</b>      | <b>-</b>      | <b>133</b> | <b>147</b> |

## 7.2 Financial Instruments

### 7.2E. Liquidity risk

The CER's financial liabilities are supplier payables. The exposure to liquidity risk was based on the notion that the CER will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely as the CER is appropriated funding from the Australian Government and the CER manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. The CER manages its liquidity risk by ensuring that it has policies in place to ensure timely payments are made when due and has no past experience of default.

#### Maturities for non-derivative financial liabilities in 2016

|                   | On demand | Within 1 year | Between 1 to 2 years | Between 2 to 5 years | More than 5 years | Total        |
|-------------------|-----------|---------------|----------------------|----------------------|-------------------|--------------|
|                   | \$'000    | \$'000        | \$'000               | \$'000               | \$'000            | \$'000       |
| Suppliers payable | -         | 4,944         | -                    | -                    | -                 | 4,944        |
| <b>Total</b>      | -         | <b>4,944</b>  | -                    | -                    | -                 | <b>4,944</b> |

#### Maturities for non-derivative financial liabilities in 2015

|                   | On demand | Within 1 year | Between 1 to 2 years | Between 2 to 5 years | More than 5 years | Total        |
|-------------------|-----------|---------------|----------------------|----------------------|-------------------|--------------|
|                   | \$'000    | \$'000        | \$'000               | \$'000               | \$'000            | \$'000       |
| Suppliers payable | -         | 6,687         | -                    | -                    | -                 | 6,687        |
| <b>Total</b>      | -         | <b>6,687</b>  | -                    | -                    | -                 | <b>6,687</b> |

### 7.2F. Market risk

The CER held basic financial instruments that do not expose it to certain market risks, such as 'currency risk', 'interest rate risk' or 'other price risk'.

## 7.2 Financial Instruments

### Accounting Policy

#### **Financial assets**

The CER classifies its financial assets as 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.

#### **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 receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

#### **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'.

#### **Other financial liabilities**

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

| <b>7.3 Administered - Financial Instruments</b> |        |        |
|---|--------|--------|
|   | 2016   | 2015   |
|   | \$'000 | \$'000 |

**7.3A: Categories of financial instruments**

| <b>Financial Assets</b>       |               |            |
|-------------------------------|---------------|------------|
| <b>Receivables</b>            |               |            |
| Cash and cash equivalents     | 85,416        | 416        |
| <b>Total financial assets</b> | <b>85,416</b> | <b>416</b> |

| <b>Financial Liabilities</b>                            |               |               |
|---|---------------|---------------|
| <b>Financial liabilities measured at amortised cost</b> |               |               |
| Suppliers payables                                      | 3,050         | 434           |
| Purchase of Australian Carbon Credit Units              | 35,625        | -             |
| Other payables  | -             | 10,599        |
| <b>Total financial liabilities</b>                      | <b>38,675</b> | <b>11,033</b> |

The carrying amount of financial assets and financial liabilities is a reasonable approximation of their fair value.

**7.3B: Net gains or losses on financial assets**

There were no gains or losses on financial assets (2015: Nil).

**7.3C: Net gains or losses on financial liabilities**

There were no gains or losses on financial liabilities (2015: Nil).

**7.3D: Credit risk**

The CER is exposed to minimal credit risk as receivables are cash and cash equivalents.

The CER held no collateral to mitigate against credit risk.

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

|                           | Not past due<br>not impaired | Not past due<br>not impaired | Past due or<br>impaired | Past due or<br>impaired |
|---------------------------|------------------------------|------------------------------|-------------------------|-------------------------|
|                           | 2016                         | 2015                         | 2016                    | 2015                    |
|                           | \$'000                       | \$'000                       | \$'000                  | \$'000                  |
| Cash and cash equivalents | 85,416                       | 416                          | -                       | -                       |
| <b>Total</b>              | <b>85,416</b>                | <b>416</b>                   | <b>-</b>                | <b>-</b>                |

The CER had no financial assets that were past due but not impaired (2015: Nil).

**7.3 Administered - Financial instruments****7.3E: Liquidity risk**

The CER's financial liabilities are suppliers, purchase of Australian Carbon Credit Units and other payables. The exposure to liquidity risk is based on the notion that the CER will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely as the CER is appropriated funding from the Australian Government and the CER manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. The CER manages its liquidity risk by ensuring that it has policies in place to ensure timely payments are made when due and has no past experience of default.

**Maturities for non-derivative financial liabilities in 2016**

|  | On demand | Within 1 year | Between 1 to 2 years | Between 2 to 5 years | More than 5 years | Total         |
|--|-----------|---------------|----------------------|----------------------|-------------------|---------------|
|  | \$'000    | \$'000        | \$'000               | \$'000               | \$'000            | \$'000        |
| Suppliers payables                         | -         | 3,050         | -                    | -                    | -                 | 3,050         |
| Purchase of Australian Carbon Credit Units | -         | 35,625        | -                    | -                    | -                 | 35,625        |
| <b>Total</b>                               | -         | <b>38,675</b> | -                    | -                    | -                 | <b>38,675</b> |

**Maturities for non-derivative financial liabilities in 2015**

|                    | On demand | Within 1 year | Between 1 to 2 years | Between 2 to 5 years | More than 5 years | Total         |
|--------------------|-----------|---------------|----------------------|----------------------|-------------------|---------------|
|                    | \$'000    | \$'000        | \$'000               | \$'000               | \$'000            | \$'000        |
| Suppliers payables | -         | 434           | -                    | -                    | -                 | 434           |
| Other payables     | -         | 10,599        | -                    | -                    | -                 | 10,599        |
| <b>Total</b>       | -         | <b>11,033</b> | -                    | -                    | -                 | <b>11,033</b> |

**7.3F: Market risk**

The CER held basic financial instruments that do not expose it to certain market risks, such as 'currency risk', 'interest rate risk' or 'other price risk'.

#### 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.

#### 7.4A: Fair value measurement

|   | Fair value measurements            |        |                                 | Valuation Technique(s) and Inputs Used <sup>2</sup> |
|---|------------------------------------|--------|---------------------------------|---|
|   | at the end of the reporting period |        |                                 |   |
|   | 2016                               | 2015   | (Level 1, 2 or 3 <sup>1</sup> ) |   |
|   | \$'000                             | \$'000 |                                 |   |
| <b>Non-financial assets<sup>3</sup></b> |                                    |        |                                 |   |
| Leasehold improvements                  | 1,956                              | 4,083  | Level 3                         | Depreciated replacement cost (DRC)                  |
| Property, plant and equipment           | 1,744                              | 1,022  | Level 3                         | Depreciated replacement cost (DRC)                  |

#### 1. Recurring and non-recurring Level 3 fair value measurements - valuation processes.

The CER has a policy to conduct valuations with sufficient frequency to ensure that the carrying amounts of assets do not materially differ from the assets' fair values as at reporting date. The regularity of independent valuations depend upon the volatility of movements in market values for the relevant assets. The agency procured valuation services from Preston Rowe Patterson (PRP). PRP provided written assurance to the CER that the valuation method is in compliance with AASB 13 Fair Value Measurement.

#### 2. No change in valuation technique occurred during the period.

#### 3. Fair value measurements.

The highest and best use of all non-financial assets are the same as their current use.

## 7.4B: Reconciliation for recurring level 3 fair value measurements

|  | Leasehold improvements |                | Non-financial assets<br>Property, plant and<br>equipment |                | Total          |                |
|--|------------------------|----------------|--|----------------|----------------|----------------|
|  | 2016<br>\$'000         | 2015<br>\$'000 | 2016<br>\$'000   | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| <b>As at 1 July</b>  | <b>4,083</b>           | <b>6,209</b>   | <b>1,022</b>   | <b>870</b>     | <b>5,105</b>   | <b>7,079</b>   |
| Total losses recognised in net cost of services <sup>1</sup>   | (2,127)                | (2,126)        | (311)  | (324)          | (2,438)        | (2,450)        |
| Purchases  | -                      | -              | 1,056  | 413            | 1,056          | 413            |
| Assets found at stocktake  | -                      | -              | 4  | 43             | 4              | 43             |
| Revaluations recognised in other comprehensive income  | -                      | -              | -  | -              | -              | -              |
| Write-offs and impairments   | -                      | -              | (27)   | 20             | (27)           | 20             |
| <b>Total as at 30 June</b>   | <b>1,956</b>           | <b>4,083</b>   | <b>1,744</b>   | <b>1,022</b>   | <b>3,700</b>   | <b>5,105</b>   |
| Changes in unrealised gains/(losses) recognised in net cost of services for assets held at the end of the reporting period | -                      | -              | -  | -              | -              | -              |

1. These losses are presented in the Statement of Comprehensive Income under depreciation and amortisation.