



AUSTRALIA–JAPAN FOUNDATION ANNUAL REPORT 2003–2004

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This report is available from the Foundation's secretariat offices in Canberra and Tokyo. The report also appears at <www.ajf.australia.or.jp/english/reports.htm>.

Comments

Comments about the report are welcome and should be addressed to:

The Director (Canberra)

Australia-Japan Foundation

PO Box 6040

Kingston ACT 2604 Australia

Telephone: 02 6261 3898

Facsimile: 02 6261 2143

Email: Foundation.AJFCanberra@dfat.gov.au

Other publications

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

Acknowledgement

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22 November 2004

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

Dear Mr Downer

In accordance with Section 25 of the *Australia-Japan Foundation Act 1976*, I submit the annual report on the operations of the Foundation, including audited financial statements, for the financial year 2003-04.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J.K. Ellis'.

J.K. ELLIS
Chairman

From the Chairman

PO Box 6040
Kingston ACT 2604 Australia
Tel: 02 6261 3898
Fax: 02 6261 2143
www.ajf.australia.org/english
0800 571 000 903 100

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CHAPTER 1—REVIEW BY THE CHAIRMAN

I am pleased to report on the Foundation's achievements for this year—a year of steady growth both in terms of the Foundation's reach and impact. This year marks the first year the Foundation reports to a single outcome. This makes the Foundation's mission clearer and reflects the value of its activities more fully. The Foundation continues to work to broaden perceptions of Australia in Japan and to facilitate new links between Australians and Japanese.

Some of the Foundation's initiatives have been based around the production and distribution of teaching materials about Australia for Japanese primary and junior high schools. The *Experience Australia* kit for primary schools has now been used by more than 567 000 students in all 47 prefectures of Japan since its release in July 2002. There is increasing demand for professional development workshops for teachers using the *Experience Australia* kits. I am pleased to report that prefectural boards of education and other educational organisations have been eager to work with the Foundation in this area. Programs have been conducted in Tokyo and a number of regional cities in the reporting year.

In addition, the Foundation this year released its first online teaching materials for Japanese junior high schools. The *Discovering Australia* website builds upon the success of the *Discovering Australia* video and text, originally distributed to 11 200 junior high schools in Japan. The site is written specifically for younger audiences and contains a wealth of information as well as fun and challenging interactive activities. The success of this website (over 73 000 hits in its first month), has reinforced the importance of digital delivery in achieving the Foundation's goals and influencing perceptions of Australia among future decision-makers. It has also highlighted the value of the expertise the Foundation has now built-up over time in education.

Fifteen Japanese educators, including one representative of the Japanese Ministry of Education, Science, Culture and Technology (MEXT), participated in the first pilot of the Foundation's Integrated Studies Train-the-Trainer (ISTTT) program in March 2004. ISTTT was featured on Nippon Hoso Kyoaki's top rating morning television program 'Ohayo Nippon', exposing Australian teacher-training expertise and the Foundation's activities to over 14.3 million viewers. The ISTTT program consolidated and expanded the range of influential educational stakeholders in the Australia-Japan relationship and has led to greater cooperation with MEXT, including its full support and endorsement for future ISTTT programs.

The Foundation also maintains a commitment to cultural exchange. As the provider of seed-funding and partner of the *Australia-Japan Art Exhibitions Program* it was very gratifying to see three major Australian art exhibitions held in Japan in the past year, and attracting over 45 000 visitors. Activities like these inform Japanese perceptions of contemporary Australia, and provide an important basis for developing future collaboration between cultural organisations.

The Foundation has responded to the qualified audit from the Australian National Audit Office of its financial statements for 2003–04, by implementing measures to improve and streamline its accounting processes. The Board has initiated a review of the Foundation to ensure outcomes and reporting accountabilities are met, while at the same time reducing administrative costs.

I continue to be impressed by the diversity of the Board and the range of experience and expertise its members bring to its work. The calibre of past and present members, including their combined Japan-specific experience, has assisted the Foundation to remain relevant, progressive and innovative. The Foundation welcomed Dr Geoff Raby to the Board during the year as the representative of the Department of Foreign Affairs and Trade. I would like also to thank Dr Robert Ian Mair and Mr Ian Williams for their contribution to the Foundation, following their resignations from the Board in 2003.

Finally, I congratulate and thank our Director, Leonie Boxtel in Tokyo, and our direct and seconded staff for their efforts leading to another outstanding year of achievement.

Jerry Ellis
Chairman



CHAPTER 2—AGENCY OVERVIEW

ROLE AND FUNCTIONS

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

- broadening perceptions of contemporary Australia as a dynamic, sophisticated and internationally competitive country through the creation and maintenance of a broad range of allies and stakeholders; and
- promoting public support for a balanced long-term relationship with Japan.

The Foundation strives to educate primary and junior high school-aged Japanese students about Australia, focusing on increasing their knowledge and influencing their perceptions of contemporary society and lifestyle; politics and government; arts, culture and sport; the natural environment; and environmental management.

STRUCTURE

The Foundation is a statutory body responsible to the Minister for Foreign Affairs. Under section 9 of the *Australia-Japan Foundation Act 1976*, the Minister appoints the Chairman, Deputy Chairman and members of the Foundation's Board. All serve on a part-time basis.

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



l to r – Dr David Carter, Professor Margaret Seares AO, Mr Jerry Ellis (Chairman), Mr Adam Wynn (Deputy Chairman), Mr Geoff Hiscock, Mr Mark Hollands, Dr Helen Nugent OAM, and Dr Geoff Raby. (Absent: Dr Robert Ian Mair and Mr Ian Williams) Photo: Mr M Jensen

BOARD MEMBERS AND TERMS OF OFFICE

CHAIRMAN AND CHIEF EXECUTIVE

Mr Jerry Ellis (*ex officio* member of the Audit Committee)

1 January 1999–31 December 2004

DEPUTY CHAIRMAN

Mr Adam Wynn (Chairman of the Audit Committee)

16 October 1998–1 October 2004

MEMBERS

Dr David Carnameter

16 October 1998–15 October 2004

Mr Geoffrey Hiscock

16 October 1998–15 October 2004

Mr Mark Hollands

(Audit Committee member)

23 August 2001–22 August 2004

Dr Helen Nugent AO

(Audit Committee member)

23 August 2001–22 August 2004

Dr Geoff Raby

3 November 2003–2 November 2006

Professor Margaret Seares AO

23 August 2001–22 August 2004

RESIGNATIONS

Mr Ian Williams

23 August 2001–18 September 2003

Dr Robert Ian Mair

16 October 1998–22 July 2003

FOUNDATION OFFICES

AUSTRALIA

RG Casey Building
John McEwen Crescent
Barton ACT 0221

Telephone: 02 6261 3898

Fax: 02 6261 2143

Postal Address:

PO Box 6040
Kingston ACT 2604

Email: Foundation.AJFCanberra@dfat.gov.au

Website: www.ajf.australia.or.jp/english

JAPAN

Australian Embassy
2-1-14 Mita
Minato-ku
Tokyo 108-8361

Telephone: +81 3 5232 4063

Fax: +81 3 5232 4064

Australian Resource Centre

Telephone: +81 3 5232 4005

Fax: +81 3 5232 4655

Email: ajfjapan@gol.com

Website: www.australia.or.jp/gounichi/

FOUNDATION SECRETARIATS

TOKYO OFFICE

Director
Assistant Director (AJF)
Assistant Director (Information)
Administrative Officer
Research Librarian

Program Contract Staff

Manager, *Experience Australia* Kit

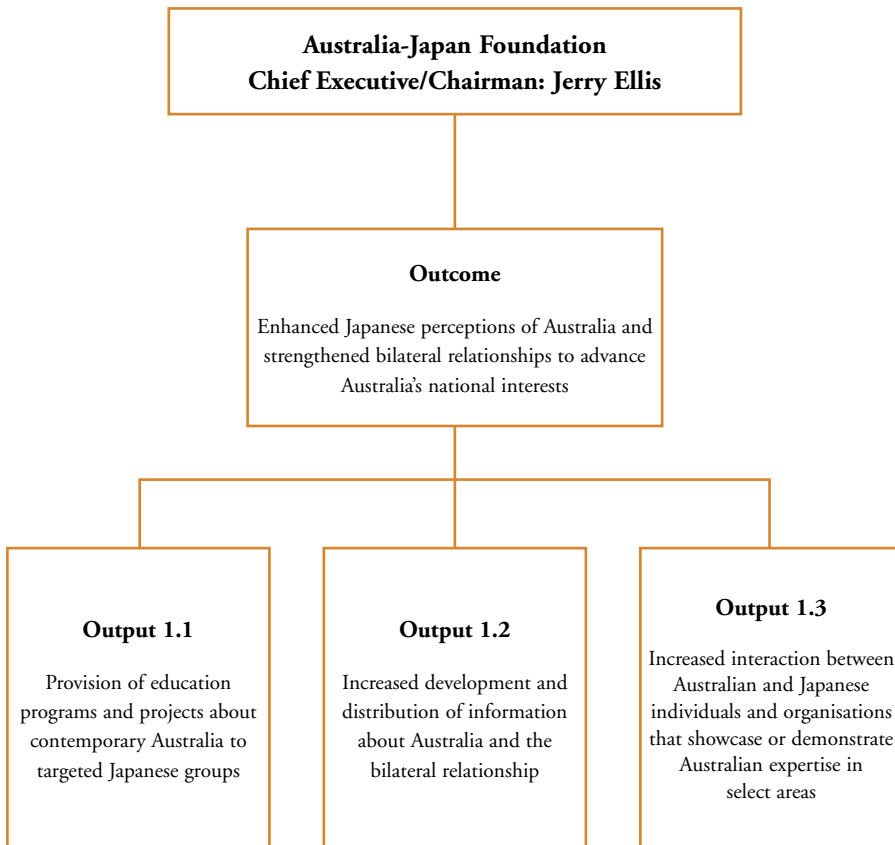
Manager, *AUS e-Study*

CANBERRA OFFICE

Director
Executive Officer
Contract Accountant

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

OUTCOMES AND OUTPUTS FRAMEWORK 2003–04



RESOURCES SUMMARY

The Foundation has revised its reporting structure for 2003–04 and is reporting against one outcome through three outputs.

Outcome: Enhanced Japanese perceptions of Australia and strengthened bilateral relationships to advance Australia’s national interests.

	Budget 2003–2004 ¹ (\$'000)	Actual 2003–2004 (\$'000)	Variation (actual less budget) (\$'000)	Budget 2004–2005 ² (\$'000)
Administered Expenses				
The Foundation has no administered expenses	0	0	0	0
Price of Departmental Outputs³				
Output 1.1 —Provision of education programs and projects about contemporary Australia to targeted Japanese groups.	1320	1620	300	1481
Output 1.2 —Increased development and distribution of information about Australia and the bilateral relationship.	1060	1012	(48)	921
Output 1.3 —Increased interaction between Australian and Japanese individuals and organisations that showcase or demonstrate Australian expertise in select areas.	474	742	268	611
Appropriation from Government for Departmental Outputs	2857	3374	517	3013
Revenue from other Sources	54	88	34	56
Total Price of Departmental Outputs	2908	3462	554	3069
Total Resourcing for Outcome (Price of Departmental Outputs)	2908	3462	554	3069

¹ Full-year budget, including additional estimates.

² Budget prior to additional estimates.

³ Includes resources received free of charge from the Department of Foreign Affairs and Trade.

AVERAGE STAFFING LEVEL

	2003–2004 Budget	2003–2004 Actual	2004–2005 Estimate
Average staffing level (number) ¹	6	6	6

¹ Includes overseas locally engaged staff (some staff are part-time).



CHAPTER 3—REPORT ON PERFORMANCE

As outlined in Chapter 2, the Foundation measures its achievements against one outcome and three outputs. These are stated in the Department of Foreign Affairs and Trade's *Portfolio Budget Statements 2003–04*.

OUTCOME

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

OUTPUTS

OUTPUT 1.1: Provision of education programs and projects about contemporary Australia to targeted Japanese groups.

EDUCATION

The Foundation continued to place emphasis on education as a means of achieving outcomes. A range of programs serve to increase Japanese knowledge of Australia and thereby influence perceptions of Australia in Japan.

EXPERIENCE AUSTRALIA KIT

The *Experience Australia* kit, launched in July 2002, is a teacher resource for use in Japanese primary classrooms. The kit is designed to enable children to explore Australian lifestyles, environment, geography, society and culture through a range of stimulating hands-on activities. Accompanying teaching notes are all based on Australian integrated curriculum methodology. The Foundation loans these resources to schools. The Foundation also operates training workshops for teachers to encourage them to learn more about Australia and to use the kit in schools

Quality:

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

The Foundation launched 50 kits in 2002. Because of high demand the Foundation increased the number of kits to 250 in 2003. Usage rates remain close to 100 per cent and regional Japanese boards of education actively support the distribution and use of kits in schools. The *Experience Australia* kit has received widespread support and been used in schools in all 47 prefectures in Japan.

The Foundation seeks feedback from all users of the kits to monitor learning outcomes. The kits encourage study across a variety of disciplines and teachers report that they use many items in the kit in each session. Comments from both students and teachers confirm that perceptions of Australia have broadened through its use. *Experience Australia's* design, incorporating Australian integrated studies methodology and lesson planning, has also created a very positive perception of Australian education among Japanese teachers.

Quantity:

- Number of Japanese people involved in the Foundation's education activities

Over 567 000 Japanese school children had used *Experience Australia* kits by the end of the 2003–04 financial year. In addition, 2100 Japanese teachers attended training workshops in Tokyo and many prefectures throughout Japan.



*Experience Australia workshop for Japanese teachers to learn how integrated studies curriculum is applied in Australian schools.
Photo: Ms S Mita.*

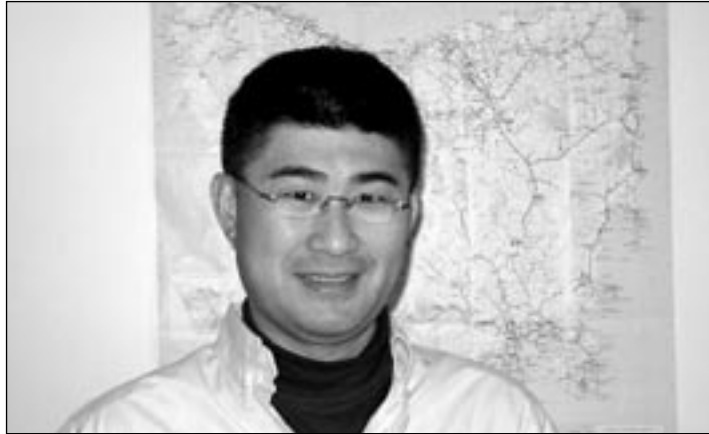
SIR NEIL CURRIE AWARDS

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

Quality:

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

Since the launch of the awards in 2001, the number of applications has continued to rise. The awards have expanded academic activity in Australia-related studies across many disciplines, including literature, politics, international relations, history, film studies, environmental studies, development studies, law, science and marine studies (for the first time in 2004). The curriculum development support category attracts applications from academics interested in Australia and committed to developing new mechanisms for teaching Australian studies.



Sir Neil Currie awardee for post-graduate support 2004, Mr Kazutaka Yanase, Faculty of Marine Science, Tokyo University of Marine Science and Technology. Photo: Mr K Yanase.

The program attracts high quality applications, including from established Japanese academics. Reports outlining recipients research results indicate that their understanding of Australia is significantly enhanced through opportunities to visit Australia and/or invite Australians to Japan. In addition, the publications support program serves to expand the volume of materials about Australia available in Japanese. This in turn serves to expand understandings of Australia among broader audiences. 2003 publications support awardee, Dr Mie Oba, Tokyo University of Science, had her book, *The Invention of the Asia Pacific Region: A History of the Search for Self-Inclusive Regions by Australian and Japanese Policy-Makers and Scholars*, published in 2004.

Quantity:

- Number of Japanese people involved in the Foundation's education activities

There were 35 applications for the Sir Neil Currie Awards this year. Recipients for the awards in 2003–04 were:

POST GRADUATE SUPPORT

Ms Sayoko Iiasa, PhD candidate, Graduate School of Social Sciences, Hitotsubashi University and senior researcher for the National Institute for Research Advancement.

Mr Kazutaka Yanase, PhD candidate, Faculty of Marine Science, Tokyo University of Marine Science and Technology.

PUBLICATION SUPPORT

Professor Takao Ishida, Faculty of Economics, Obirin University.

CURRICULUM DEVELOPMENT SUPPORT

Dr Takayuki Nagano, Faculty of Foreign Languages, Dokkyo University.

INTEGRATED STUDIES TRAIN-THE-TRAINER PROGRAM

The Foundation conducted the first Integrated Studies Train-the-Trainer (ISTTT) pilot program at Monash University in March 2004. This program aimed at providing Japanese teachers with a reference model for teaching integrated studies and enhancing their understanding of Australia by exposing them to aspects of Australian society and culture, curriculum development and student evaluation. Teachers were encouraged to impart inquiry-learning and problem-solving skills to students, and to build networks to assist further professional development and possible exchange.



Mr Jerry Ellis, AJF Chairman, welcoming Train-the-Trainer participants at Monash University in March 2004. Photo: Ms J Sato.

Quality:

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

The program attracted interest from teacher-trainers as well as teachers leading the development of integrated studies teaching in Japan. Many participants have conducted classes and training sessions since their return to Japan using skills and knowledge gained on the program. The Japanese Ministry of Education, Science, Culture and Technology (MEXT) has strongly supported the program throughout its development. One MEXT curriculum advisor participated in the first pilot program.

Feedback from the Japanese participants and Monash University confirmed that the program had a positive impact on participant knowledge and perceptions of Australia. Many commented that formal lectures and living with a host family significantly increased their understanding of Australia. Participants' comments also highlighted similarities and differences between approaches to integrated studies in Australia and Japan.

Quantity:

- Number of Japanese people involved in the Foundation's education activities

Fifteen teachers participated in the first pilot program of ISTTT. Fifty applications were received for the second pilot program held in August 2004.

TEACH AUSTRALIA

Teach Australia is a professional development workshop that aims to update Japanese educators' knowledge of Australian society and culture. It is targeted at tertiary and high school educators to provide advice on ways to teach about Australia in Japanese settings. The second *Teach Australia* workshop was held in June 2004 and was hosted by Otemon Gakuin University in Osaka. Prominent Australian and Japanese academics explored ways of understanding and teaching about the Australian economy and Australian society through film.

Quality:

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

The workshop was held in Osaka to make the event more accessible to educators from western Japan. It was well attended and attracted academics and teachers from around Japan, particularly the Kansai region.

Presentations by Japanese academics were of a high standard and reflected a solid knowledge of the themes discussed. Feedback from participants indicated that the workshop was of major benefit to them professionally and personally, and confirmed that new content introduced in the sessions increased their knowledge of contemporary Australia, and their confidence to teach it.

Quantity:

- Number of Japanese people involved in the Foundation's education activities

Over 160 people participated in the *Teach Australia* workshop.

Total Price of Output 1.1:

\$1.584 million (48 per cent of total expenses).

OUTPUT 1.2: Increased development and distribution of information about Australia and the bilateral relationship.

INFORMATION

The Foundation distributed information about Australia digitally through the Australian Resource Centre and the website to enhance the bilateral relationship and to promote a better understanding of both countries.

AUSTRALIAN RESOURCE CENTRE

The Foundation operates the largest library in Japan that specialises in Australian materials. With over 14 000 books in the collection and more than 70 serials, the Resource Centre stocks both Japanese and English language material, including videos and CDs. Use of the library is free and open to the general public. It also serves as a key contact point for Australian studies research, scholarships and activity in Japan.

The Resource Centre operates a full online lending service available throughout Japan. It also houses an online database of over 2000 academic papers about Australia in Japanese. The Centre runs a salon seminar series, a popular school visits program, and provides materials on Australia to schools.

Quality:

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

The number of items borrowed from the Australian Resource Centre over the last 12 months increased by 24 per cent. The number of digital inquiries and use of the online catalogue also continued to increase. Users of the online digital theses collection increased by 35 per cent. Bookings for school visits remained constant. While use of digital services continued to increase, visitors to the library decreased slightly.

The Resource Centre stocks a range of materials, including biographies, monographs, essays, official government publications, CDs and videos, community publications and newsletters. The Centre's database of over 2000 Japanese language theses focusing on Australia is a major contributor to scholarship on Australia-Japan relations.

Quantity:

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

The Resource Centre responded to over 8000 inquiries in 2003–04, hosted over 1200 school visits and loaned over 3000 items to users. Outreach activities included a week-long exhibition on Tasmania's wilderness that attracted 2000 visitors. There were 160 attendees at a salon seminar hosted by the Centre.

AUS E-STUDY (ONLINE NEWSLETTER)

AUS e-Study is a monthly Japanese language online newsletter designed as an information source on study in and about Australia. It aims to provide Japanese researchers and students with up-to-date information on leading Australian academics, books and journals, scholarships and conferences specific to Australia with a view to developing Japanese academic research, expertise, collaboration and study about Australia.



The Accelerated Learning Centre's Guide to Studying in Australia and New Zealand 2004, cited AUS e-Study (online Japanese language newsletter), in first issue, p.355

Quality:

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

AUS e-Study's audience has continued to grow since its inception, and the bulletin maintains a strong following among Japanese academics and post-graduate students. The *AUS e-Study* website continues to have high hit rates on archived issues, which indicates that information remains relevant and useful well beyond publication date. Many students use the content to assist their own research. User feedback indicates that the bulletin has enabled readers to contact Australian academics, inform them about conferences, source funding for study in Australia, and determine appropriate courses of study in Australia in specific disciplines.

AUS e-Study focuses on providing information about Australian scholarly activity. Each issue features a specific theme and discipline outlining Australia's policy and progress in the particular area. The publication supports other AJF programs and there is evidence of links between the increase in the use of ARC tertiary materials, AJF scholarship applications and attendance at Australian seminars and conferences as a result of accessing *AUS e-Study*.

Quantity:

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

The Foundation has produced twelve issues of *AUS e-Study* and distributes these to 5000 registered subscribers. Content is also forwarded on to an additional 9000 readers. Topics covered in 2003–04 include: Australian studies, developmental studies, economics, film studies, environmental education, Japanese studies and aged care. All issues are archived and the internet site receives 3000 to 4000 file hits per month.

INTERNET PRESENCE (DISCOVERING AUSTRALIA ONLINE)

The Foundation completed a major upgrade and expansion of its web presence during the reporting year and launched a new (bilingual) website in December 2003. In addition the *Discovering Australia* teaching materials for junior high schools were updated and released on the web, making these instantly accessible to a vastly expanded audience. This comprehensive resource about Australia is set to become the cornerstone of the Foundation's digital information dissemination to young Japanese in the future.

Quality:

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

The Foundation's new website contains more information than the previous site. Content is arranged in sections with material aimed at primary, secondary and tertiary students, new teacher resources, and a scholarship database, archived issues of *AUS e-Study*, application forms (online) for various Foundation programs, and listings of organisations engaged in bilateral exchange activities. The content is updated weekly and use of the site continues to grow strongly.

Demand for digital information for students has grown substantially, reflecting the rapidly increasing use of the internet in Japanese schools. Predicting this trend, the *Discovering Australia* website noted above was launched in May 2004.

The Foundation's website contains information and links to like-minded organisations interested in promoting the bilateral relationship. This includes official government agencies, people-to-people exchanges, such as sister cities, school exchanges, friendship societies, releases about Australia-Japan relations and occasional papers on issues of bilateral interest. The *Discovering Australia* website contains a section on bilateral relations written specifically for younger Japanese audiences.

Quantity:

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

Visits to the Foundation's website increased over the course of the year. In 2003–04 the site registered over 720 819 page-views and recorded 4 518 847 file-hits (up from 600 000 in 2002–03). This includes the *Discovering Australia* website which recorded over 73 000 hits in its first month.

PROMOTION AND ADVOCACY

The Foundation publishes materials in Japanese and conducts various outreach activities to continue to encourage further engagement between Australia and Japan, and increase understanding of contemporary Australia.

Quality:

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

The Foundation received many requests for materials on Australia. A Japanese version of *Australia In Brief*, a pocket sized introduction to Australia produced by the Department of Foreign Affairs and Trade was distributed to Japanese schools, organisations and individuals to meet this need.

In addition the Director and Foundation staff responded to many invitations to present lectures and to address audiences around Japan. The Foundation also facilitated the development of networks and implemented targeted marketing strategies to encourage Japanese media coverage of Foundation programs.

Quantity:

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

More than 6000 copies of *Australia in Brief* were distributed in 2003–04. The Tokyo office provided more than 20 presentations and briefs to audiences of over 1500 people. Five of the Foundation's programs received media coverage in major Japanese daily newspapers as well as specialist publications. The ISTTT program was featured on Nippon Hoso Kyoaki's morning television program 'Ohayo Nippon', viewed by over 14.3 million viewers.

Total Price of Output 1.2:

\$1.011 million (30 per cent of total expenses).

OUTPUT 1.3: Increased interaction between Australian and Japanese individuals and organisations that showcase or demonstrate Australian expertise in select areas.

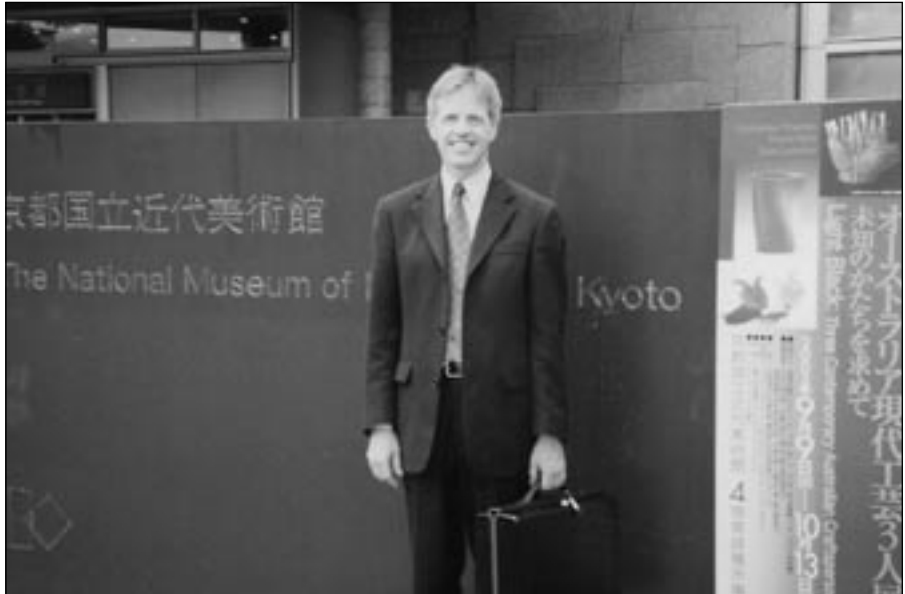
STRATEGIC ALLIANCES

The Foundation relies on a well-established network of allies in Australia and Japan to facilitate project implementation and further the aims of the Foundation. At the same time it develops links in new areas to continue to forge new ground for the bilateral relationship.

AUSTRALIA-JAPAN ART EXHIBITIONS PROGRAM

The Foundation provided seed-funding to Asialink in 2001 to develop and manage a series of exhibitions of Australian contemporary art and craft in Japan. The project aimed to strengthen institutional and individual arts linkages, and to lead to new partnerships in Japan, and to promote Australia's image as a sophisticated country with a dynamic and exciting arts practice.

Three major exhibitions were launched in 2003–04. *Spirit Country*, a major contemporary Aboriginal arts exhibition, was launched at the Echigo Tsumari Triennial Niigata Prefecture at the Museum of Natural Science, Matsunoyama in July 2003, and then held at Tokyo's Hillside Forum, and the Kushiro City Museum, in Hokkaido in October 2003. Patricia Piccinini's exhibition entitled *We Are Family* premiered in Japan at the Hara Museum in Tokyo. *Living Together is Easy*, an exhibition of works of six Australian and six Japanese artists, opened at Art Tower Mito in January 2004. All three exhibitions were included in a major AICC funded Australian cultural promotion held in 2004 entitled *Ancient Future*, which resulted in widespread publicity and coverage by the media in Japan.



Art Exhibitions Program. Director (Canberra), Don Smith, at the 'Light Black' exhibition, The National Museum of Modern Art, Kyoto. Photo: Ms A Hisamatsu.

Quality:

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

The Exhibitions program has contributed to the recognition of Australia's vibrant and talented arts industry in Japan and assisted in building strong relationships to support and sustain future activity. Exhibitions shown in Japan included works by internationally renowned artists such as Ginger Riley Munduwalawala, Tracey Moffat and Patricia Piccinini and covered a range of art forms.

The Exhibitions program has built a wide range of stakeholders for bilateral cultural exchange. Asialink successfully engaged a range of Australian organisations including the Australia Council for the Arts, and has raised more than double the total funding received from the Foundation in Australia. The program to date has involved more than twenty organisations in Australia and Japan as well as countless individuals. A number of major Japanese galleries are now engaged with Australia and Australian counterparts and are keen to continue to exhibit Australian works. Visits to Japan by Australian curators, as well as the co-convening of workshops and floor talks in Japan have also nurtured many relationships at a working level. The exhibitions also served as a platform for discussion with the Japanese Government cultural representatives.

Quantity:

- Number of events/formal interactions facilitated

The Exhibitions program developed and held three exhibitions in six different locations in 2003–04. Events around each exhibition included the opening celebration and a media-focused event. Some exhibitions also ran guided talks and artist workshops, attracting audiences of young Japanese artists, curators and arts administrators. Over 60 media articles were generated in Japanese press and over 45 000 people attended the three exhibitions.

AUSTRALIA-JAPAN DEBATERS EXCHANGE PROGRAM

The Australia-Japan Debaters Exchange program is aimed at building networks among talented young people from both countries who wish to play an active role in the international arena. It has developed organisational linkages among key Australian and Japanese debating bodies as well as assisted in raising debating skills among young Japanese and in so doing, encouraged greater participation by young Japanese in international forums.

The Foundation provides funding to the Japan Parliamentary Debating Union (JPDU) to develop and run debating workshops in Japan and dispatch outstanding Japanese debaters to compete at Australian Interschool Debating Tournaments. Three Australian world champion debaters gave presentations at the JPDU three-day workshop in Tokyo in March 2004. The Australian Embassy also held a model debate performed by mixed teams of Australian and Japanese debaters.

Seven Japanese debaters participated in the Australian Interschool Debating Tournament at Wollongong University in April 2004. Japan was the first foreign team to attend the tournament and this activity fostered many relationships between debaters, as well as strong links between the JPDU and Australian university level debate organisations. Both Australian and Japanese organisations are keen to continue interaction and exchange in the future.

Quality:

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

Australia has a long history of storytelling and is one of the strongest debating nations. It has won the world debating championships six times since 1981. Australians wrote and produced the Australasian Debaters Handbook, which is now used in the Asia-Pacific region.

The Debaters Exchange program showcases Australia's debating talent and ability to communicate complex issues effectively to non-native English-speaking audiences. The program continued to cultivate relationships and networks between young people involved in debating in both countries. Australia's reputation as an educated, sophisticated and open democracy has been strongly reinforced through the program.

This event attracted over 280 debaters from 37 Japanese universities in 2003–04. Participants in the program increased by 30 per cent and the number of participating universities increased by 80 per cent.

Quantity:

- Number of events/formal interactions facilitated

The program supported a three-day debating workshop, attracting over 280 young Japanese debaters. Seven Japanese debaters from the JPDU participated in the Australian Interschool Debating Tournament.

FRIENDSHIP SOCIETIES AND ASSOCIATIONS

The Foundation has had a long association with friendship groups and associations in Australia and Japan. It continues to assist the expansion of grassroots exchange, and to support and encourage organisations that are active in promoting Australia's interests.

Quality:

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

In 2003–04 the Foundation provided support for six representatives to visit Australia and participate in the Inaugural Conference of the National Federation of Australia Japan Societies Conference held in Adelaide in September 2003. In addition, the Foundation provided support for the annual Japan Australia Societies Secretariat Conference (43 Societies) held at the Australian Embassy in Tokyo in November 2003. The Conference established a national body known as the Federation of Japan Australia Societies. All 43 Japan Australia Societies are working to expand their membership base.

The Foundation provided support for the Australian Sister Cities Association National Conference held in Orange in November 2003. A special program was developed to celebrate the 40th Anniversary of the first Australia-Japan Sister City Agreement between Lismore (NSW) and Yamato-Takada in Nara Prefecture.

Quantity:

- Number of events/formal interactions facilitated

Over 700 people participated in the Inaugural Conference of the National Federation of Australia Japan Societies and the annual Japan Australia Societies Secretariat Conference. More than 230 attended the Australian Sister Cities Association National Conference, including 70 from Japan. Media coverage included a feature on Prime television.

Total Price of Output 1.3:

\$0.727 million (22 per cent of total expenses).



CHAPTER 4—MANAGEMENT AND ACCOUNTABILITY

The Foundation was established under the *Australia–Japan Foundation Act 1976* following recommendations to government by the Crawford Commission in 1974, under the chairmanship of Sir John Crawford AC CBE.

It operates under the *Financial Management and Accountability Act 1997*. Regulation 5 of the Financial Management and Accountability Regulations appoints the Chairman of the Foundation as its Chief Executive. The Foundation is responsible to the Minister for Foreign Affairs.

CORPORATE GOVERNANCE

The Foundation has a framework in place to ensure it is fulfilling its corporate governance responsibilities. The Board makes decisions as a whole except in relation to matters in the purview of its Audit Committee.

BOARD MEMBERS

Under section 9 of the *Australia–Japan Foundation Act 1976*, the Foundation shall consist of not less than five nor more than 15 members. The Chairman, Deputy-Chairman and eight members comprise the Board.

The Board meets three times a year to review the progress of activities, review the unaudited financial statements and approve new initiatives. In addition, the Foundation holds special review meetings every 18 months to consider the broader issues and longer-term strategic direction.

AUDIT COMMITTEE

The Audit Committee meets three times a year and comprises the Chairman as an *ex officio* member, and three other members. The Audit Committee is involved in discussions with accountants and auditors and is consulted by the secretariat in relation to financial management issues.

FRAUD MEASURES

The Foundation has a fraud control plan in place. The Foundation's small size means that transactions are relatively transparent and closely scrutinised and there are potentially fewer opportunities for fraudulent activity. Any case of suspected fraud would be evaluated in accordance with the terms of the Australian Government's Fraud Control Guidelines (2002). The Foundation has a specific arrangement with the Department of Foreign Affairs and Trade for occasions when a fraud investigation may be warranted. As employees of the Department, the Foundation's two staff in Canberra are also subject to that organisation's code of conduct, and ethical policies and procedures. They are also required to complete the Department's mandatory fraud and ethics course every three years.

EXTERNAL SCRUTINY

REPORT BY THE AUSTRALIAN NATIONAL AUDIT OFFICE

FINANCIAL RESULTS

The Foundation reported an increase in its operating surplus from the 2002–03 financial year. This was due to an increase in purchasing power as a result of the strengthening Australian dollar against the Japanese yen.

There was a decrease in the Government's equity investment in the Foundation which was due to a decrease in the carrying value of infrastructure, plant and equipment (IPE) following the fair-value revaluation during the reporting year. The recognition of a dividend payable to the Department of Finance and Administration has also contributed to the decrease.

AUDIT RESULTS

The Foundation received a qualified audit from the Australian National Audit Office of its financial statements for 2003–04, which related to cash management, appropriations and depreciation.

The Foundation has responded by implementing measures to more effectively manage its appropriations and cash flow. Also, following the revaluation of the IPE which resulted in an understatement of the Foundation's expenses and an overstatement of its operating surplus, the Foundation has taken measures to have DFAT's SAP Financial Management Information System's depreciation settings adjusted, to ensure depreciation expense will be correctly stated next financial year.

MANAGEMENT OF HUMAN RESOURCES

SECRETARIAT STAFFING

The Board decided in 1994 to focus the Foundation's activities in Japan and has regarded the Tokyo office as the head office and the Director in Tokyo as the Chief Operations Officer. The three-year term of the Director in Tokyo concluded at the end of June 2004. A competitive selection process to fill the position commenced in December 2003. Based on merit, the Foundation made an offer to the current Director to renew her contract.

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

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

The Foundation currently employs three ongoing full-time staff in Tokyo: the Assistant Director (AJF); the Assistant Director (Information), who manages all the programs administered by the Australian Resource Centre; and an Administrative Officer. The Assistant Director (Information) is assisted by a research librarian, provided by the Australian Embassy. The Foundation contracts one full-time staff member and one part-time staff member to work on specific programs; and a part-time Accountant in Canberra.

SALARIES AND PERFORMANCE PAY

The Director in Tokyo is employed under an Australian Workplace Agreement. The Department of Foreign Affairs and Trade manages workplace agreements for locally engaged staff. A performance-based pay structure was introduced in the Tokyo office in January 2002. Tokyo staff received a combined total of \$15 960 in performance pay in 2003–04.

The two Canberra-based staff are provided free of charge by the Department of Foreign Affairs and Trade. They are covered under the provisions of the Department's Certified Agreement and management policies.

REMUNERATION OF THE BOARD

The Minister for Foreign Affairs appoints Board members on a part-time basis. They are paid in accordance with Determination 2004/12—Remuneration and Allowances for Holders of Part-time Public Office, Category 2 of the Remuneration Tribunal Act 1973.

PURCHASING

ASSETS MANAGEMENT

The Foundation improved its asset management by better forecasting future asset-acquisition proposals. In 2003–04 the Foundation revalued its assets to comply with new international accounting standards in 2005–06 to conform to the requirements of the current accounting standards. All asset acquisitions and disposals are recorded on DFAT's SAP Financial Management and Information System.

COMPETITIVE TENDERING AND CONTRACTING

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

Two new contracts for outsourced services exceeding \$100 000 include:

- a contract from March to October 2004 for the provision of educational training signed with Australia Asia Centre for Education Exchange for developing and managing pilots one and two of the Foundation's Integrated Studies Train-the-Trainer program at a cost of \$126 475; and
- a 12 month contract from June 2004 for the development and production of multi-media educational materials as Part III of the Foundation's *Discovering Australia* series. The contract was signed with Curriculum Corporation at a cost of \$275 731.

The other major new contract for outsourced services signed during the year was for a one-year contract from May 2004 for the provision of accountancy services signed with the Green and Green Group Pty Ltd at a cost of approximately \$75 000. This contract is on a fee-for-service basis.

The Foundation obtained the Minister's approval prior to entering into the contracts exceeding \$50 000 in accordance with section 23(1) of the *Australia-Japan Foundation Act 1976*.



CHAPTER 5—OTHER MANDATORY INFORMATION

FUNCTIONS AND POWERS

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

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

MINISTER'S POWER OF DIRECTION

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

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

The Foundation shall not, without the approval of the Minister:

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

FREEDOM OF INFORMATION

The Foundation is a prescribed agency for the purposes of the *Freedom of Information Act 1982*. This year, the Foundation did not receive any requests in this area.

ARRANGEMENTS FOR OUTSIDE PARTICIPATION

The Foundation can invite persons outside the Government administration to participate in its policy formulation, administration and/or schemes.

CATEGORIES OF DOCUMENTS

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

INITIAL CONTACT POINTS

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

CONSULTANCIES, ADVERTISING AND MARKET RESEARCH

The Foundation engaged Blue Bamboo Pty Ltd to conduct a web-based advertising campaign and monitor responses for the *Discovering Australia* program. The total consultancy amounted to \$5033.13.

The Foundation invested \$4899 in advertising in the annual publication *Australia-New Zealand Ryougaku* promoting the ARC and *AUS e-Study* programs.

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

OTHER INFORMATION

DFAT handles the following matters on behalf of the Foundation:

- workplace diversity;
- industrial democracy;
- occupational health and safety;
- social justice and equity;
- ecologically sustainable development;
- Commonwealth disability strategy;
- privacy commissioner; and
- ombudsman.



CHAPTER 6—FINANCIAL STATEMENTS



INDEPENDENT AUDIT REPORT

To the Minister for Foreign Affairs

Scope

The financial statements comprise:

- Statement by the Chairman and the Chief Finance Officer;
- Statements of Financial Performance, Financial Position and Cash Flows;
- Schedules of Commitments and Contingencies; and
- Notes to and forming part of the Financial Statements

of the Australia-Japan Foundation for the year ended 30 June 2004.

The members of the Australia-Japan Foundation and the Chief Finance Officer are responsible for the preparation and true and fair presentation of the financial statements in accordance with the Finance Minister's Orders. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

Audit approach

I have conducted an independent audit of the financial statements in order to express an opinion on them to you. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive, rather than conclusive, evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

While the effectiveness of management's internal controls over financial reporting was considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

GPO Box 707 CANBERRA ACT 2601
Centenary House 19 National Circuit
BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

I performed procedures to assess whether, in all material respects, the financial statements present fairly, in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Australia-Japan Foundation's financial position, and of its performance as represented by the statements of financial performance and cash flows.

The audit opinion is formed on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements; and
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the Australia-Japan Foundation's members.

Independence

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate Australian professional ethical pronouncements.

Qualification

Note 16A of the Australia-Japan Foundation's financial statements outlines the conditions under which payments totalling \$94,342 in excess of the Australia-Japan Foundation's legally available departmental appropriation, were made in breach of section 83 of the Constitution, which states that no money shall be drawn from the Treasury of the Commonwealth except under appropriation made by law. A contravention of section 48 of the *FMA Act 1997* has also occurred in that the Australia-Japan Foundation's accounts and records have not been kept in a way that ensures that moneys were only expended within the limit of the appropriation.

Qualified Audit Opinion

In my opinion,

(a) the financial statements:

- (i) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997* and applicable Accounting Standards; and
- (ii) give a true and fair view, of the matters required by applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and the Finance Minister's Orders, of the financial position of Australia-Japan

Foundation as at 30 June 2004, and of its performance and cash flows for the year then ended.

(b) there has been a breach of the Constitution as described in the qualification paragraph.

Australian National Audit Office



Mashelle Parrett
Executive Director

Delegate of the Auditor-General

Canberra
29 September 2004




STATEMENT BY THE CHAIRMAN AND THE CHIEF FINANCE OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2004, are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the Financial Management and Accountability Act 1997.

Signed 

JK Ellis
Chairman

29 September 2004

Signed 

DE Smith
Chief Finance Officer

29 September 2004

PO Box 6040
Kingston ACT 2604 Australia
Tel 02 6261 3898
Fax 02 6261 2143
www.ajf.australia.or.jp/english
ABN 51 038 353 197

**AUSTRALIA-JAPAN FOUNDATION
STATEMENT OF FINANCIAL PERFORMANCE**

for the year ended 30 June 2004

	Notes	2004 \$	2003 \$
Revenues from ordinary activities			
Revenues from Government	4A	3,373,903	3,277,926
Goods and services	4B	23,454	-
Interest	4C	47,445	55,526
Net foreign exchange gains	5D	-	76,275
Assets first recognised	4D	16,949	-
Other revenues	4E	112	8,451
Revenues from ordinary activities		3,461,863	3,418,178
Expenses from ordinary activities (excluding borrowing costs expense)			
Employees	5A	1,382,271	1,146,926
Suppliers	5B	1,859,786	2,157,784
Depreciation and amortisation	5C	60,480	108,063
Foreign exchange loss	5D	20,226	-
Write-down of assets	5E	-	320
Expenses from ordinary activities (excluding borrowing costs expense)		3,322,763	3,413,093
Net surplus		139,100	5,085
Net (debit) to asset revaluation reserve	10	(217,974)	-
Total revenues, expenses and valuation adjustments recognised directly in equity		(217,974)	-
Total changes in equity other than those resulting from transactions with the Australian Government as owner		(78,874)	5,085

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

**AUSTRALIA-JAPAN FOUNDATION
STATEMENT OF FINANCIAL POSITION**

for the year ended 30 June 2004

	Notes	2004 \$	2003 \$
ASSETS			
Financial assets			
Cash	6A	645,684	608,557
Receivables	6B	32,748	54,838
Total financial assets		678,432	663,395
Non-financial assets			
Infrastructure, plant and equipment	7A, C	625,897	820,706
Intangibles	7B, C	104,948	137,453
Other non-financial assets	7D	12,440	34,272
Total non-financial assets		743,285	992,431
Total Assets		1,421,717	1,655,826
LIABILITIES			
Provisions			
Capital use charge	8B	-	112,860
Employees	8A	464,233	423,393
Total provisions		464,233	536,253
Payables			
Suppliers	9A	60,773	143,988
Other Payables	9B	126,687	-
Total payables		187,460	143,988
Total Liabilities		651,693	680,241
NET ASSETS		770,024	975,585
EQUITY			
Reserves	10	148,047	366,021
Accumulated surpluses	10	621,977	609,564
TOTAL EQUITY		770,024	975,585
Current assets		690,872	697,667
Non-current assets		730,845	958,159
Current liabilities		220,284	290,456
Non-current liabilities		431,409	389,785

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

**AUSTRALIA-JAPAN FOUNDATION
STATEMENT OF CASH FLOWS**

for the year ended 30 June 2004

	Notes	2004 \$	2003 \$
OPERATING ACTIVITIES			
Cash received			
Appropriations		2,577,000	2,690,000
Interest		47,445	59,014
Net GST received from ATO		66,258	43,253
Goods and services		23,395	8,451
Total cash received		<u>2,714,098</u>	<u>2,800,718</u>
Cash used			
Employees		(973,505)	(850,670)
Suppliers		(1,556,414)	(1,913,317)
Total cash used		<u>(2,529,919)</u>	<u>(2,763,987)</u>
Net cash from/(used by) operating activities	11	<u>184,179</u>	36,731
INVESTING ACTIVITIES			
Cash used			
Purchase of plant and equipment and intangibles		(34,192)	(74,613)
Total cash used		<u>(34,192)</u>	<u>(74,613)</u>
Net cash from/(used by) investing activities		<u>(34,192)</u>	(74,613)
FINANCING ACTIVITIES			
Cash used			
Capital use charge paid		(112,860)	(16,000)
Dividends paid		-	(76,000)
Total cash used		<u>(112,860)</u>	<u>(92,000)</u>
Net cash from/(used by) financing activities		<u>(112,860)</u>	(92,000)
Net increase in cash held		37,127	(129,882)
Cash at the beginning of the reporting period		608,557	738,439
Cash at the end of the reporting period	6A	<u>645,684</u>	<u>608,557</u>

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

**AUSTRALIA-JAPAN FOUNDATION
SCHEDULE OF COMMITMENTS**

for the year ended 30 June 2004

	2004	2003
	\$	\$
BY TYPE		
Other Commitments		
Operating leases ¹	1,235,292	1,722,391
Other	457,487	55,000
<i>Total other commitments</i>	<u>1,692,779</u>	<u>1,777,391</u>
Commitments receivable	<u>(41,590)</u>	<u>(5,000)</u>
Net commitments	<u><u>1,651,189</u></u>	<u><u>1,772,391</u></u>
BY MATURITY		
Operating lease commitments		
One year or less	487,100	487,100
From one to five years	748,192	1,048,243
Over five years	-	187,048
<i>Total operating lease commitments by maturity</i>	<u>1,235,292</u>	<u>1,722,391</u>
Other commitments		
One year or less	321,001	38,500
From one to five years	136,486	16,500
Over five years	-	-
Total other commitments by maturity	<u>457,487</u>	<u>55,000</u>
Commitments receivable		
One year or less	(29,182)	(3,500)
From one to five years	(12,408)	(1,500)
Over five years	-	-
<i>Total commitments receivable by maturity</i>	<u>(41,590)</u>	<u>(5,000)</u>
Net commitments by maturity	<u><u>1,651,189</u></u>	<u><u>1,772,391</u></u>

NB: Commitments are GST inclusive where relevant.

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

**AUSTRALIA-JAPAN FOUNDATION
SCHEDULE OF COMMITMENTS**

for the year ended 30 June 2004

¹ Operating leases included are effectively non-cancellable and comprise:

<i>Nature of lease</i>	<i>General description of leasing arrangement</i>
Lease for storage space in Tokyo, Japan	Lease payments are subject to a 2% annual increase and are subject to review every 5 years.
Lease of residential apartment in Tokyo, Japan	Lease payments are subject to review when lease expires on 30 June 2005.

The Department of Foreign Affairs and Trade provides office accommodation and utilities for the Tokyo Office of the Foundation as a resource free of charge as per Note 4A.

**AUSTRALIA-JAPAN FOUNDATION
SCHEDULE OF CONTINGENCIES***for the year ended 30 June 2004*

	2004	2003
	\$	\$
Contingent liabilities		
Claims for damages/costs	-	-
Contingent assets		
Claims for damages/costs	-	-
Net contingent liabilities	-	-

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

**AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the year ended 30 June 2004

Note	Description
Note 1:	Summary of Significant Accounting Policies
Note 2:	Adoption of AASB Equivalents to International Financial Reporting Standards from 2005-2006
Note 3:	Events Occurring after Reporting Date
Note 4:	Operating Revenues
Note 5:	Operating Expenses
Note 6:	Financial Assets
Note 7:	Non-Financial Assets
Note 8:	Provisions
Note 9:	Payables
Note 10:	Equity
Note 11:	Cash Flow Reconciliation
Note 12:	Remuneration of Board Members
Note 13:	Remuneration of Auditors
Note 14:	Average Staffing Levels
Note 15:	Financial Instruments
Note 16:	Appropriations
Note 17:	Specific Payment Disclosures
Note 18:	Reporting of Outcomes

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note 1: Summary of Significant Accounting Policies

1.1 Objective of the Australia-Japan Foundation

The objective of the Australia-Japan Foundation is to deepen and strengthen relations between Japan and Australia by fostering greater mutual awareness and understanding through people-to-people contact, and by promoting study and other activities to elucidate the society, culture, language and outlook of the two peoples.

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

The Foundation's activities contributing toward these outcomes are classified as departmental. Departmental activities involve the use of assets, liabilities, revenue and expenses controlled or incurred by the Foundation in its own right.

1.2 Basis of Accounting

The financial statements are required by section 49 of the *Financial Management and Accountability Act 1997* and are a general purpose financial report.

The statements have been prepared in accordance with:

- Finance Minister's Orders (FMOs, being the *Financial Management and Accountability Orders (financial statements for reporting periods ending on or after 30 June 2004)*);
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board; and
- Consensus Views of the Urgent Issues Group.

The Statements of Financial Performance and Financial Position have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets, which, as noted, are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies.

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note 1: Summary of Significant Accounting Policies (continued)

1.2 Basis of Accounting (continued)

Revenues and expenses are recognised in the Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

1.3 Changes in Accounting Policy

The accounting policies used in the preparation of these financial statements are consistent with those used in 2002-03.

Property, plant and equipment assets are being revalued progressively as explained in Note 1.9. Revaluations up to 30 June 2002 were done on a 'deprival' basis; since that date, revaluations have been done on a fair value basis. Revaluation increments and decrements in each year of transition to fair value that would otherwise be accounted for as revenue or expenses, are taken directly to accumulated results in accordance with transitional provisions of AASB 1041 *Revaluation of Non-current Assets*.

In 2002-03, the Finance Minister's Orders introduced an impairment test for non-current assets which were carried at cost and not subject to AAS10 *Recoverable Amount of Non-current Assets*.

In 2003-04, the impairment test provisions of the FMOs have been extended to cover non-current assets carried at deprival values. There were no indications of impairment for these assets.

1.4 Revenue

Revenues from Government

Appropriations for outputs are recognised as revenue to the extent they have been received into the Foundation's bank account or are entitled to be received by the Foundation at year end. Appropriations receivable are recognised at their nominal amounts.

Resources Received Free of Charge

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

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note 1: Summary of Significant Accounting Policies (continued)

1.4 Revenue (continued)

The Department of Foreign Affairs and Trade (DFAT) provides office accommodation, a locally-engaged staff member and utilities for the Foundation's Tokyo office in the Australian Embassy chancery building.

The Secretariat in Canberra is located within DFAT. Rent, personnel, administration and utility charges are provided as resources received free of charge.

Other Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts or other agreements to provide services. The stage of completion is determined according to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the relevant asset.

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

1.5 Employee Benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for wages and salaries (including non-monetary benefits), annual leave and sick leave are measured at their nominal amounts. Other employee benefits expected to be settled within 12 months of the reporting date are also measured at their nominal amounts.

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

All other employee benefit liabilities are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

AUSTRALIA-JAPAN FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

Note 1: Summary of Significant Accounting Policies (continued)

1.5 Employee Benefits (continued)

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave for Australian-based employees, as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Foundation is estimated to be less than the annual entitlement for sick leave. In the case of locally engaged staff at overseas posts, where the entitlement is vested, a liability has been recognised.

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

The liability for long service leave has been determined by reference to the work of an actuary as at 30 June 2004. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Overseas Allowances

Overseas conditions of service entitlements for the officers during their posting are expensed as incurred. At reporting date, the Foundation did not recognise any liability for overseas allowances, except as part of year end salary accruals.

Superannuation

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

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

Retirement benefits entitlements accrued by locally engaged staff in Tokyo are brought to account as non-current provisions at their nominal value at 30 June 2004.

1.6 Cash

Cash means notes and coins held and any deposits held at call with a bank or financial institution. Cash is recognised at its nominal amount.

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note 1: Summary of Significant Accounting Policies (continued)

1.7 Other Financial Instruments

Trade Creditors

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

1.8 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

1.9 Property, Plant and Equipment

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).

Revaluations

Basis

Plant and equipment are carried at valuation. Revaluations undertaken up to 30 June 2002 were done on a deprival basis; revaluations since that date are at fair value. This change in accounting policy is required by Australian Accounting Standard AASB 1041 *Revaluation of Non-Current Assets*. Valuations undertaken in any year are as at 30 June.

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note 1: Summary of Significant Accounting Policies (continued)

1.9 Property, Plant and Equipment (continued)

Fair and deprival values for each class of asset are determined as shown below.

Asset class	Fair value measured at:	Deprival value measured at:
Plant and equipment	Market selling price	Depreciated replacement cost

Under both deprival and fair value, assets which are surplus to requirements are measured at their net realisable value. At 30 June 2004, the Foundation held no surplus assets.

The financial effect of this change in policy relates to those assets recognised at fair value for the first time in the current period, where the measurement basis for fair value is different to that previously used for deprival value. The financial effect of the change is given by the difference between the fair values obtained for these assets in the current period, and the deprival-based values recognised at the end of the previous period. The financial effect by class is as follows:

Asset class	Increment/(decrement) to asset class	Contra Account
Plant and equipment	2004: (\$217,974) 2003: \$ 0	Revaluation Reserve

Total financial effect was to decrease the carrying amount of property, plant and equipment by \$217,974 (2003: \$ 0), decrease revaluation reserves by \$ 217,974 (2003: \$ 0).

Frequency

Plant and equipment were revalued in 2003-04 as part of a progressive revaluation for 2002-05.

The Finance Minister’s Orders require that all property, plant and equipment assets be measured at up-to-date fair values from 30 June 2005 onwards. All the Foundation’s plant and equipment was revalued and measured at up-to-date fair values at 30 June 2004.

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note 1: Summary of Significant Accounting Policies (continued)

1.9 Property, Plant and Equipment (continued)

Conduct

All valuations are conducted by an independent qualified valuer.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Foundation using, in all cases, the straight-line method of depreciation. Leasehold improvements are depreciated on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation rates (useful lives) and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

The library collection in Tokyo is revalued on a three-yearly basis. Depreciation is provided on the acquisitions for the library.

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

	<u>2004</u>	<u>2003</u>
Plant and equipment	5 to 10 years	5 to 10 years
Resource Centre (library)	20 years	50 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 5C.

1.10 Impairment of Non-Current Assets

Non-current assets carried at up-to-date fair value at the reporting date are not subject to impairment testing.

1.11 Intangibles

The Foundation's intangibles comprise internally developed software for internal use. These assets are carried at cost.

AUSTRALIA-JAPAN FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

Note 1: Summary of Significant Accounting Policies (continued)

Intangibles (continued)

Software is amortised on a straight-line basis over its anticipated useful life. The useful life of the Foundation's software is 5 years (2002-03: 5 years).

All software assets were assessed for impairment as at 30 June 2004. None were found to be impaired.

1.12 Taxation

The Foundation is exempt from all forms of taxation except fringe benefits tax and the goods and services tax (GST).

Revenues, expenses and assets are recognised net of GST:

- . except where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- . except for receivables and payables.

1.13 Foreign Currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at balance date. Associated currency gains and losses are recognised in the Statement of Financial Performance.

1.14 Insurance

The Foundation has insured for risks through the Government's insurable risk managed fund, 'Comcover'. Workers' compensation is insured through the Government's 'Comcare' Australia.

AUSTRALIA-JAPAN FOUNDATION**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS***for the year ended 30 June 2004***Note 2: Adoption of AASB Equivalents to International Financial Reporting Standards from 2005-06**

The Australian Accounting Standards Board (AASB) has issued replacement Australian Accounting Standards to apply from 2005-06. The new standards are the AASB Equivalents to International Financial Reporting Standards (IFRSs) which are issued by the International Accounting Standards Board. The new standards cannot be adopted early. The standards being replaced are to be withdrawn with effect from 2005-06, but continue to apply in the meantime.

The purpose of issuing AASB Equivalents to IFRSs is to enable Australian entities reporting under the *Corporations Act 2001* to be able to more readily access overseas capital markets by preparing their financial reports according to accounting standards more widely used overseas.

For-profit entities complying fully with the AASB Equivalents will be able to make an explicit and unreserved statement of compliance with IFRSs as well as with the AASB Equivalents.

It is expected that the Finance Minister will continue to require compliance with the Accounting Standards issued by the AASB, including the AASB Equivalents to IFRSs, in his Orders for the Preparation of Agency financial statements for 2005-06 and beyond.

The AASB Equivalents contain certain additional provisions which will apply to not-for-profit entities, including Australian Government agencies. Some of these provisions are in conflict with the IFRSs. Therefore the Australia-Japan Foundation will only be able to assert compliance with the AASB Equivalents to the IFRSs.

Existing AASB standards that have no IFRS equivalent will continue to apply, including in particular AAS 29 *Financial Reporting by Government Departments*.

Accounting Standard AASB 1047 *Disclosing the impact of Adopting Australian Equivalents to IFRSs* requires that the financial statements for 2003-04 disclose:

- an explanation of how the transition to the AASB Equivalents is being managed; and
- a narrative explanation of the key differences in accounting policies arising from the transition.

The purpose of this Note is to make these disclosures.

AUSTRALIA-JAPAN FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

Note 2: Adoption of AASB Equivalents to International Financial Reporting Standards from 2005-06 (continued)

Management of the Transition to AASB Equivalents to IFRSs

The Foundation is taking the following steps towards the implementation of AASB Equivalents:

- the Foundation’s Audit Committee will be tasked with oversight of the transition to, and implementation of, the AASB Equivalents to IFRSs;
- a plan will be developed and will address the risks to successful achievement of these objectives and include strategies to keep implementation on track to meet the deadlines;
- the proposed plan will be considered by the newly appointed Audit Committee for endorsement at its first meeting on 30 November 2004;
- the Chief Finance Officer will be formally responsible for the project and will report regularly to the Audit Committee on progress against the formal plan approved by the Committee;
- the Foundation will work closely with the Department of Foreign Affairs and Trade to determine any changes required in the shared information systems to enable the capture of data under both sets of rules for 2004-05;
- the Foundation will prepare a transitional balance sheet as at 1 July 2004, under AASB Equivalents, in the second quarter of the 2005 financial year;
- the Foundation will prepare an AASB Equivalent balance sheet at the same time as the 30 June 2005 statements are prepared; and
- meet reporting deadlines set by Finance for 2005-06 balance sheets under AASB Equivalent Standards.

The Foundation’s Chief Finance Officer will use the resources and expertise held within the Department of Foreign Affairs and Trade and engage consultants as necessary to assist with each of the above steps.

The Foundation’s key financial management staff will be trained in AASB Equivalent Standards and all financial management staff will receive relevant training on the changes resulting from the introduction of AASB Equivalent Standards.

Major Changes in Accounting Policy

Changes in accounting policies under AASB Equivalents are applied retrospectively i.e., as if the new policy had always applied. This rule means that a balance sheet prepared under the AASB Equivalents must be made as at 1 July 2004, except as permitted in particular circumstances by AASB 1 *First-time Adoption of Australian*

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note 2: Adoption of AASB Equivalents to International Financial Reporting Standards from 2005-06 (continued)

Equivalents to International Financial Reporting Standards. This will enable the 2005-06 financial statements to report comparatives under the AASB Equivalents also.

Changes to major accounting policies are discussed in the following paragraphs.

Property Plant and Equipment

It is expected that the Finance Minister's Orders will require property, plant and equipment assets carried at valuation in 2003-04, to be measured at up-to-date fair value from 2005-06. This differs from the accounting policies currently in place for these assets which, up to and including 2003-04, have been revalued progressively over a 3-year cycle and which currently include assets at cost (for purchases since the commencement of a cycle) and at deprival value (which will differ from their fair value to the extent that they have been measured at depreciated replacement cost when a relevant market selling price is available).

However, it is important to note that the Finance Minister requires these assets to be measured at up-to-date fair values as at 30 June 2005.

All the Foundation's plant and equipment was revalued and measured at up-to-date fair values at 30 June 2004.

Intangible Assets

The Australia-Japan Foundation currently recognises internally-developed software assets on the cost basis. The AASB Equivalent on Intangibles does not permit intangibles to be measured at valuation unless there is an active market for the intangible. The Foundation's internally-developed software is specific to the needs of the Foundation and is not traded. Accordingly, the Foundation will derecognise any valuation component of the carrying amount of these assets on adoption of the AASB Equivalent.

Impairment of Non-Current Assets

The Foundation's policy on impairment of non-current assets is at Note 1.10.

Under the new AASB Equivalent Standard, these assets will be subject to assessment for impairment and, if there are indications of impairment, measurement of any impairment. (Impairment measurement must also be done, irrespective of any indications of impairment, for intangible assets not yet available for use.) The impairment test is that the carrying amount of an asset must not exceed the greater of (a), its fair value less costs to sell, and (b), its value-in-use. 'Value-in-use' is the net

AUSTRALIA-JAPAN FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

Note 2: Adoption of AASB Equivalents to International Financial Reporting Standards from 2005-06 (continued)

present value of net cash inflows for for-profit assets of the Foundation and depreciated replacement cost for other assets which would be replaced if the Foundation were deprived of them.

Employee Benefits

The provision for long service leave is measured at the present value of estimated future cash outflows using market yields as at the reporting date on national government bonds.

Under the new AASB Equivalent Standard, the same discount rate will be used unless there is a deep market in high quality corporate bonds, in which case, the market yield on such bonds must be used.

Note 3: Events Occurring after Reporting Date

There have been no events after 30 June 2004 which will affect the financial position of the Foundation at the reporting date.

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

	2004	2003
	\$	\$
Note 4: Operating Revenues		
<u>Note 4A: Revenues from Government</u>		
Appropriations for outputs	2,573,000	2,725,000
Resources received free of charge	800,903	552,926
Total revenues from Government	3,373,903	3,277,926
 <u>Note 4B: Goods and Services</u>		
Services	23,454	-
 <u>Note 4C: Interest Revenue</u>		
Interest on deposits	47,445	55,526
 <u>Note 4D: Reversals of Previous Asset Write-Downs</u>		
Non-financial assets		
Assets previously expensed and found at stocktake	16,949	-
 <u>Note 4E: Other Revenue</u>		
Other Revenue	112	8,451

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

	2004	2003
	\$	\$
Note 5: Operating Expenses		
<u>Note 5A: Employee Expenses</u>		
Wages and Salaries	853,071	752,561
Superannuation	13,846	11,081
Leave and other entitlements	11,478	18,361
Resources provided free of charge	388,152	277,895
Total employee benefits expense	1,266,547	1,059,898
Workers' compensation premiums	115,724	87,028
Total employee expenses	1,382,271	1,146,926

Note 5B: Supplier Expenses

Goods from external entities	399,119	673,653
Services from related entities	412,751	362,059
Services from external entities	548,385	622,275
Operating lease rentals ¹	499,531	499,797
Total supplier expenses	1,859,786	2,157,784

¹ These comprise minimum lease payments only.

Note 5C: Depreciation and Amortisation

(i) Depreciation

Other infrastructure, plant and equipment	16,629	58,736
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(ii) Amortisation

Intangibles — computer software	43,851	49,327
Total depreciation and amortisation	60,480	108,063

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

Infrastructure, plant and equipment	16,629	58,736
Internally developed software — in use	43,851	49,327
Total depreciation and amortisation	60,480	108,063

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

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

	2004	2003
	\$	\$
Note 5: Operating Expenses (continued)		
<u>Note 5D: Net Foreign Exchange (Gain)/Loss</u>		
Non-speculative	20,226	(76,275)
 <u>Note 5E: Write-Down of Assets</u>		
Non-financial assets		
Infrastructure, plant & equipment — revaluation	-	320
Total write-down of assets	<u>-</u>	<u>320</u>
 Note 6: Financial Assets		
<u>Note 6A: Cash</u>		
Special Account	772,603	223,268
Departmental (other than special accounts)	(126,919)	385,289
Total cash	<u>645,684</u>	<u>608,557</u>
 <u>Note 6B: Receivables</u>		
GST receivable from the Australian Taxation Office	1,577	19,838
Appropriations receivable		
— for additional outputs	31,000	35,000
Other Debtors	171	-
Total receivables (net)	<u>32,748</u>	<u>54,838</u>
 Receivables are represented by:		
Current	32,748	54,838
Total receivables (net)	<u>32,748</u>	<u>54,838</u>

All receivables are with entities related to the Commonwealth and are non-interest bearing. Credit terms are net 30 days (2003: 30 days).

Appropriations receivable undrawn are appropriations controlled by the Foundation but held in the Official Public Account under the Government's just-in-time drawdown arrangements.

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

	2004	2003
	<u>\$</u>	<u>\$</u>
Note 6: Financial Assets (continued)		
<u>Note 6B: Receivables (continued)</u>		
Receivables (gross) are aged as follows:		
Not Overdue	<u>32,748</u>	54,838
<i>Total receivables (gross)</i>	<u><u>32,748</u></u>	<u><u>54,838</u></u>

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

	2004	2003
	\$	\$
Note 7: Non-Financial Assets		
<u>Note 7A: Infrastructure, Plant and Equipment</u>		
<i>Infrastructure, plant and equipment</i>		
at cost	39,235	80,325
– Accumulated depreciation	(277)	(3,207)
	<u>38,958</u>	<u>77,118</u>
– at 2001-03 valuation (deprival value)	92,767	652,588
– Accumulated depreciation	(92,767)	-
	<u>-</u>	<u>652,588</u>
– at 2002-04 valuation (deprival value)	-	247,900
– Accumulated depreciation	-	(156,900)
	<u>-</u>	<u>91,000</u>
– at 2003-04 valuation (fair value)	603,291	-
– Accumulated depreciation	(16,352)	-
	<u>586,939</u>	<u>-</u>
Total infrastructure, plant and equipment (non-current)	<u>625,897</u>	<u>820,706</u>

All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 1.9. In 2003-04, the revaluations were conducted by an independent valuer, the Australian Valuation Office.

Revaluation decrements of \$217,974 for infrastructure, plant and equipment (2003: decrements of 0) were made to the asset revaluation reserve.

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

	2004	2003
	<u>\$</u>	<u>\$</u>
Note 7: Non-Financial Assets (continued)		
<i>Note 7B: Intangibles</i>		
<i>Computer software</i>		
Purchased Software	106,012	144,029
Accumulated amortisation	(94,305)	(99,168)
	<u>11,707</u>	<u>44,861</u>
Internally developed — in use — at cost	208,651	158,730
Accumulated amortisation	(115,410)	(66,138)
	<u>93,241</u>	<u>92,592</u>
<i>Total computer software</i>	<u><u>104,948</u></u>	<u><u>137,453</u></u>

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note 7: Non-Financial Assets (continued)

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

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

Item	Plant and Equipment \$	Intangibles \$	TOTAL \$
As at 1 July 2003:			
Gross book value	980,813	302,759	1,283,572
Accumulated depreciation/amortisation	(160,107)	(165,306)	(325,413)
Net book value	820,706	137,453	958,159
Additions:			
By purchase – gross book value	22,846	11,347	34,191
Reversal of previous asset write-downs	16,949		16,948
Revaluation increment/(decrement)	(217,974)		(217,974)
Depreciation/amortisation expense	(16,629)	(43,851)	(60,480)
Disposals			
Other disposals	-	-	-
As at 30 June 2004			
Gross book value	735,293	314,663	1,049,955
Accumulated depreciation/amortisation	(109,396)	(209,714)	(319,110)
Net book value	625,897	104,948	730,845

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note 7: Non-Financial Assets (continued)

Note 7C: Analysis of Property, Plant and Equipment

TABLE B – Assets at valuation

Item	Plant and Equipment \$	TOTAL \$
As at 30 June 2004:		
Gross value	696,058	696,058
Accumulated depreciation/amortisation	(109,119)	(109,119)
<i>Net book value</i>	586,939	586,939
As at 30 June 2003:		
Gross value	900,488	900,488
Accumulated depreciation/amortisation	(156,900)	(156,900)
Net book value	743,588	743,588

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

	2004	2003
	\$	\$
Note 7: Non-Financial Assets (continued)		
<u>Note 7D: Other Non-Financial Assets</u>		
Prepayments	<u>12,440</u>	<u>34,272</u>
Total other non-financial assets are represented by:		
Current	12,440	34,272
Non-Current	-	-
Total other non-financial assets	<u><u>12,440</u></u>	<u><u>34,272</u></u>
Note 8: Provisions		
<u>Note 8A: Employee Provisions</u>		
Leave	32,824	33,608
Separations and redundancies	431,409	389,785
Aggregate employee entitlement liability	<u>464,233</u>	<u>423,393</u>
Aggregate employee benefit liability and related on-costs	<u><u>464,233</u></u>	<u><u>423,393</u></u>
Current	32,824	33,608
Non-current	431,409	389,785
<u>Note 8B: Other</u>		
Capital Use Charge	-	112,860
Balance owing 1 July 2003	112,860	21,000
Capital Use Charge provided for during the period	-	107,860
Capital Use Charge paid	112,860	-16,000
Balance owing 30 June 2004	-	112,860
Total other provisions	<u><u>-</u></u>	<u><u>112,860</u></u>

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

	2004	2003
	<u>\$</u>	<u>\$</u>
Note 9: Payables		
<u>Note 9A: Supplier Payables</u>		
Trade creditors	<u>60,773</u>	143,988
<i>Total supplier payables</i>	<u><u>60,773</u></u>	<u><u>143,988</u></u>

All supplier payables are current liabilities.
 Settlement is usually made net 30 days.

<u>Note 9B: Other Payables</u>		
Dividend payable	<u>126,687</u>	-
<i>Total other payables</i>	<u><u>126,687</u></u>	<u><u>-</u></u>

The dividend payable relates to foreign exchange gains. The amount of the dividend paid to the Department of Finance and Administration is the difference between the actual amount spent and what would have been spent using the original budget exchange rate.

All other payables are current liabilities.

**AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
for the year ended 30 June 2004

Note 10: Equity

Note 10: Analysis of Equity

Item	Accumulated Results		Asset Revaluation Reserves		TOTAL EQUITY	
	2004 \$	2003 \$	2004 \$	2003 \$	2004 \$	2003 \$
Opening balance as at 1 July	609,564	788,339	366,021	366,021	975,585	1,154,360
Net surplus/deficit	139,100	5,085	-	-	139,100	5,085
Net revaluation increment/(decrement)	-	-	(217,974)	-	(217,974)	-
Transactions with owner:						
Distributions to owner:						
Returns on Capital						
Dividends	(126,687)	(76,000)	-	-	(126,687)	(76,000)
Capital Use Charge	-	(107,860)	-	-	-	(107,860)
Transfers to/(from)/between reserves	-	-	-	-	-	-
Closing balance as at 30 June 2004	621,977	609,564	148,047	366,021	770,024	975,585

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

	2004	2003
	\$	\$
Note 11: Cash Flow Reconciliation		
Reconciliation of cash per Statement of Financial Position to Statement of Cash Flows		
Cash at year end per Statement of Cash Flows	645,684	608,557
Statement of Financial Position items comprising above cash: 'Financial Asset – Cash'	645,684	608,557
Reconciliation of net surplus to net cash from operating activities:		
Net surplus (deficit)	139,100	5,085
Depreciation /amortisation	60,480	108,063
Net loss on disposal of assets	-	320
Assets first recognised	(16,949)	-
(Increase) / decrease in net receivables	22,090	(45,016)
(Increase) / decrease in prepayments	21,832	(24,892)
Increase / (decrease) in employee provisions	40,840	(57,914)
Increase / (decrease) in supplier payables	(83,215)	51,085
<i>Net cash from / (used by) operating activities</i>	<u>184,179</u>	<u>36,731</u>

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

	2004	2003
	<u>\$</u>	<u>\$</u>
Note 12: Remuneration of Board Members		
The number of members who received remuneration during the 2003-04 financial year within the following bands is:		
\$0 to \$9,999	7	11
The aggregate amount of total remuneration of members shown above.	6,152	7,680
Note 13: Remuneration of Auditors		
Financial statement audit services are provided free of charge to the department.		
The fair value of the services provided was:	<u>24,600</u>	<u>20,000</u>
No other services were provided by the Auditor-General.		
Note 14: Average Staffing Levels		
The average staffing levels for the Foundation during the year were:	<u>6</u>	<u>5</u>

AUSTRALIA-JAPAN FOUNDATION
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2004

Note 15: Financial Instruments

Note 15A: Interest Rate Risk

Financial Instrument	Notes	Floating Interest Rate		Fixed Interest Rate						Non-Interest Bearing		Total		Weighted Average Effective Interest Rate			
		Rate		1 to 5 Years		> 5 Years		Interest Bearing				2003		2004			
		2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	%	%			
Financial Assets		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		\$	\$			
Cash at bank		-	608,557	-	-	-	-	-	-	-	-	-	-	645,684	608,557	5.20	3.26
Receivables for goods and services (gross)	6A	-	-	-	-	-	-	-	-	-	-	-	-	171	-	N/A	N/A
Appropriations receivable	6B	-	-	-	-	-	-	-	-	-	-	-	-	31,000	35,000	N/A	N/A
Total		-	608,557	-	-	-	-	-	-	-	-	-	-	676,855	643,557		
Total Assets														1,421,717	1,655,826		
Financial Liabilities																	
Capital Use Charge payable	9A	-	-	-	-	-	-	-	-	-	-	-	-	-	112,860	N/A	N/A
Trade creditors	8B	-	-	-	-	-	-	-	-	-	-	-	-	60,773	143,988	N/A	N/A
Total		-	-	-	-	-	-	-	-	-	-	-	-	60,773	256,848		
Total Liabilities														651,693	680,241		

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note 15: Financial Instruments (continued)

15B: Net Fair Values of Financial Assets and Liabilities

Financial Assets

The net fair values of cash and non-interest-bearing monetary financial assets approximate their carrying amounts. Other than for listed financial assets, none of the classes of financial assets are readily traded on organised markets in standardised forms.

Financial Liabilities

The net fair values for trade creditors, which are short-term in nature, approximate their carrying amounts. None of the classes of financial liabilities are readily traded on organised markets in standardised forms.

Note 15C: Credit Risk Exposures

The Department's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

The Department has no significant exposures to any concentrations of credit risk.

All figures for credit risk referred to do not take into account the value of any collateral or other security.

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note 16: Appropriations

Note 16A: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund (Appropriations) from Acts 1 and 3

Particulars	Departmental Outputs	Total
Year ended 30 June 2004	\$	\$
Balance carried from previous year	608,557	608,557
Less Opening Balance adjustment to Special Account	(223,268)	(223,268)
Appropriation Act (No.1) 2003-2004 — basic appropriation	2,577,000	2,577,000
Appropriation Act (No.3) 2003-2004 — basic appropriation	-	-
Departmental Adjustments by the Finance Minister	31,000	31,000
Advance to the Finance Minister	-	-
Refunds credited (FMAA s30)	-	-
Appropriations to take account of recoverable GST (FMAA s30A)	46,488	46,488
Annotations to 'net appropriations' (FMAA s31)	-	-
Adjustment of appropriations on change of entity function (FMAA s32)	-	-
Appropriation lapsed or reduced	n/a	n/a
Total Appropriations available for payments	3,039,777	3,039,777
Payments made (GST inclusive)	(1,688,119)	(1,688,119)
Appropriations credited to Special Accounts	(1,446,000)	(1,446,000)
Balance carried to next year	(94,342)	(94,342)
<i>Represented by:</i>		
Cash at bank and on hand	(126,919)	(126,919)
Add: Appropriations not drawn from OPA	31,000	31,000
Add: Receivables — Net GST receivable from ATO	1,577	1,577
Less: Payable — Suppliers — GST portion	-	-
Total	(94,342)	(94,342)
<i>Reconciliation for Appropriation Acts (Nos. 1 and 3)</i>		
Paid to the entity from the OPA	2,577,000	2,577,000
Add: Finance Minister reduction of Appropriations in current year	-	-
Add: Administered Appropriation lapsed in current year	-	-
Not drawn from the OPA	31,000	31,000
Total Appropriation Acts	2,608,000	2,608,000

AUSTRALIA–JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

During the financial year, the Foundation's appropriation for general administrative expenses was overspent by \$94,342. This occurred due to an accounting treatment whereby the AJF special and general administrative accounts were incorrectly treated as one appropriation when they should have been treated as two legally-separate appropriations. The combined balance of the two appropriations remained positive throughout 2003-04; at 30 June 2004 the combined balance was \$678,261.

At the commencement of the 2003-04 year the process for drawing down the general administrative appropriation had changed. The Board believes the AJF was inadequately briefed on the implications and hence an unintentional breach occurred.

The overspend of the Foundation's appropriation for general administrative expenses constitutes an unintentional breach of section 83 of the Constitution, which states that no money shall be drawn from the Treasury of the Commonwealth, except under appropriation by law. It also constitutes a contravention of section 48 of the FMA Act 1997, in that the AJF's accounts and records did not ensure money was expended within the limits of an appropriation.

The overspend in the Foundation's appropriation for general administrative expenses has been met from the 2004-05 appropriation at no additional cost to the Commonwealth.

AUSTRALIA-JAPAN FOUNDATION
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2004

Note 16: Appropriations (continued)

Note 16A (continued)

Particulars	Departmental Outputs	Total
Year ended 30 June 2003	\$	\$
Balance carried from previous year	738,439	738,439
Total annual appropriation – basic appropriations	2,690,000	2,690,000
GST credits (FMAA s 30A)	50,123	50,123
Adjustments and annotations to appropriations	63,977	63,977
Transfers to/from other agencies (FMAA s32)	-	-
Estimated Administered Appropriation to be lapsed	-	-
Available for payments	3,542,539	3,542,539
Payments made during the year	(2,933,982)	(2,933,982)
Appropriations credited to special accounts	-	-
Balance carried to the next year	608,557	608,557
<i>Represented by:</i>		
Cash	608,557	608,557
<i>Add:</i> Appropriations not drawn from the OPA	-	-
<i>Add:</i> Receivables – Goods and Services – GST receivable from customers	-	-
<i>Add:</i> Investment in term deposit	-	-
<i>Add:</i> Receivables – Net GST receivable from the ATO	-	-
<i>Less:</i> Payable – Suppliers – GST portion	-	-
Total	608,557	608,557

AUSTRALIA–JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note 16: Appropriations (continued)

Note 16B: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund—Special Appropriations
Financial Management and Accountability ACT 1997 section 39

	2004	2003
	\$	\$
Purpose: to make investments for the purpose of the Australia–Japan Reserve (AJF Special Account)		
All transactions under this Act are recognized as departmental items.		
Appropriations credited to Special Accounts on redemption of investments	1,300,000	1,360,000
Investments made under s39 of the FMA Act	1,300,000	930,000 ¹
Budget estimate	1,300,000	930,000 ²
Payments made	1,300,000	930,000

¹ An amount of \$430,000 was invested at 30 June 2002 and has not been included in the drawdown figure for the 2002–03 financial year.

² Budget Estimate did not exist for 2002–03.

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note 16: Appropriations (continued)

Note 16C: Special Accounts

	2004	2003
	\$	\$
Australia-Japan Reserve (Departmental)		
<i>Legal Authority: Australia-Japan Foundation Act 1976</i>		
Purpose: for expenditure on programs to enhance Japanese perceptions of Australia, and to strengthen bilateral relations to advance Australia's national interests.		
This account is interest bearing.		
Balance carried from previous year	223,268	48,394
Appropriation Act (No.1) 2003-2004	1,446,000	1,014,000
Cosis Recovered from non-government sector		
Goods — provision of goods to external entities		
Services — rendering of services to external entities	13,440	-
Other Receipts		
Goods — provision of goods to external entities		
Services — rendering of services to external entities	10,014	5,479
Interest	47,445	44,546
GST credits (FMAA s30A)	21,287	19,987
Available for payments	1,761,455	1,132,406
Payments made to suppliers	(988,852)	(1,339,138)
Investment debits from the Special Account (FMAA s39)	(1,300,000)	(930,000)
Amounts credited to Special Account on redemption of investment	1,300,000	1,360,000
Balance carried to the next year	772,603	223,268
<i>Represented by:</i>		
Cash — held by the entity	772,603	223,268
Add Receivables — Net GST Receivable from ATO		
Total	772,603	223,268

AUSTRALIA–JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note 16: Appropriations (continued)

Note 16C: Special Accounts (continued)

	2004	2003
	\$	\$
Other Trust Moneys (Departmental)		
<i>Legal Authority: Financial Management and Accountability ACT 1997, s20</i>		
Purpose: for the expenditure of moneys temporarily held in trust or otherwise for the benefit of a person other than the Commonwealth.		
Balance carried from previous year	-	-
Appropriation Act (No.1) 2003-2004		
Costs Recovered from non-government sector		
Goods — provision of goods to external entities	-	-
Services — rendering of services to external entities	-	-
Other Receipts		
Goods — provision of goods to external entities	-	-
Services — rendering of services to external entities	-	-
GST credits (FMAA s30A)	-	-
Available for payments	-	-
Payments made to suppliers	-	-
Balance carried to the next year	-	-
<i>Represented by:</i>		
Cash on call held in the OPA	-	-
Add Receivables — Net GST Receivable from ATO	-	-
Total	-	-

AUSTRALIA-JAPAN FOUNDATION
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2004

Note 16: Appropriations (continued)

Note 16C: Special Accounts (continued)

	2004	2003
	\$	\$
Services for Other Government and Non-Agency Bodies (Departmental)		
<i>Legal Authority: Financial Management and Accountability ACT 1997, s20</i>		
Purpose: for expenditure in connection with services performed on behalf of other governments and bodies that are not FMA agencies.		
Balance carried from previous year	-	-
Appropriation Act (No.1) 2003-2004	-	-
Costs Recovered from non-government sector	-	-
Goods — provision of goods to external entities	-	-
Services — rendering of services to external entities	-	-
Other Receipts	-	-
Goods — provision of goods to external entities	-	-
Services — rendering of services to external entities	-	-
GST credits (FMAA s30A)	-	-
Available for payments	-	-
Payments made to suppliers	-	-
Balance carried to the next year	-	-
<i>Represented by:</i>		
Cash on call held in the OPA	-	-
Add Receivables — Net GST Receivable from ATO	-	-
Total	-	-

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

	2004	2003
	\$	\$
Note 17: Specific Payment Disclosures		
<i>Departmental</i>		
No 'Act of Grace' payments were made during the reporting period (2003: No payments made).	<u>Nil</u>	<u>Nil</u>
No waivers of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> (2003: No waivers made).	<u>Nil</u>	<u>Nil</u>
No <i>ex-gratia</i> payments were made during the reporting period (2003: No payments made).	<u>Nil</u>	<u>Nil</u>
No payments were made under the 'Defective Administration Scheme' during the reporting period (2003: No payments made).	<u>Nil</u>	<u>Nil</u>
No payments were made under section 73 of the <i>Public Service Act 1999</i> during the reporting period (2003: No payments made).	<u>Nil</u>	<u>Nil</u>

AUSTRALIA-JAPAN FOUNDATION
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year 30 June 2004

Note 18: Reporting of Outcomes

The number of outcomes have been reduced to one for the 2003-04 Financial Year. The basis of attribution in the below table is consistent with the basis used for the 2003-04 Portfolio Budget Statements

18A Net Cost of Outcome Delivery

	Outcome 1		Total	
	2004	2003	2004	2003
	\$	\$	\$	\$
Departmental expenses	3,322,763	3,413,093	3,322,763	3,413,093
Total expenses	3,322,763	3,413,093	3,322,763	3,413,093
<i>Costs recovered from provision of goods and services to the non-government sector</i>				
Departmental	23,454	-	23,454	-
Total costs recovered	23,454	-	23,454	-
<i>Other external revenues</i>				
Departmental				
Interest on cash deposits	47,445	55,526	47,445	55,526
Assets first recognised	16,949	-	16,949	-
Other	112	8,451	112	8,451
Total Departmental	64,506	63,977	64,506	63,977
Total other external revenues	64,506	63,977	64,506	63,977
Net cost/(contribution) of outcome	3,234,803	3,349,116	3,234,803	3,349,116

AUSTRALIA-JAPAN FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ending 30 June 2004

Note 18: Reporting of Outcomes (continued)

18B: Major Classes of Departmental Revenues and Expenses by Output Groups and Outputs

Outcome 1	Output Group 1.1		Output Group 1.2		Output Group 1.3		Outcome 1 Total	
	2004	2003	2004	2003	2004	2003	2004	2003
	\$	\$	\$	\$	\$	\$	\$	\$
Departmental expenses								
Employees	718,781	837,256	331,745	289,026	331,745	20,645	1,382,271	1,146,927
Suppliers	855,502	1,575,183	613,729	543,761	390,555	38,840	1,859,786	2,157,784
Depreciation and amortisation	-	78,886	60,480	27,233	-	1,945	60,480	108,064
Other expenses	10,518	234	4,854	81	4,854	6	20,226	321
Total departmental expenses	1,584,801	2,491,559	1,010,808	860,101	727,154	61,436	3,322,763	3,413,096
Funded by:								
Revenues from government	1,619,473	2,392,885	1,012,171	826,038	742,259	59,003	3,373,903	3,277,926
Sale of goods and services	11,312	6,169	7,070	2,129	5,184	153	23,565	8,451
Other non-taxation revenues	30,909	96,215	19,318	33,213	14,167	2,373	64,394	131,801
Total departmental revenues	1,661,694	2,495,269	1,038,559	861,380	761,610	61,529	3,461,863	3,418,178

Outcome 1 is described in Note 1.1. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget outcome. Refer to Resourcing Table on page 7 of this Annual Report.



ABBREVIATIONS

AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
AICC	Australia International Cultural Council
AJF	Australia-Japan Foundation
AJF Act	<i>Australia-Japan Foundation Act 1976</i>
ALC	Accelerated Learning Centre
ANAO	Australian National Audit Office
ARC	Australian Resource Centre
ATO	Australian Taxation Office
CFO	Chief Finance Officer
DA	Discovering Australia
DFAT	Department of Foreign Affairs and Trade
DOFA	Department of Finance and Administration
EA	Experience Australia
FMA Act	<i>Financial Management and Accountability Act 1997</i>
FMAA Act	<i>Financial Management Legislation Amendment Act 1999</i>
FMIS	Financial Management Information System
FMOs	Finance Minister's Orders
GST	Goods and Services Tax
IASB	International Accounting Standards
IFRS	International Financial Reporting Standards
IPE	Infrastructure, Plant and Equipment
ISTTT	Integrated Studies Train-the-Trainer Program
JPDU	Japan Parliamentary Debating Union
MEXT	Japanese Ministry of Education, Science, Culture and Technology
NHK	Nippon Hoso Kyoaki
OPA	Official Public Account
PBS	Portfolio Budget Statements
SNC	Sir Neil Currie Awards



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