



financial statements

For the 2000-2001 financial year

statement of financial position

for the year ended 30 June 2001

	Note	2001 \$
Current Assets		
Cash	9	406,971
Receivables	10	28,027
Total Current Assets		434,998
Non-Current assets		
Property, plant and equipment	11	112,655
Intangibles	12	9,376
Total Non-Current Assets		122,031
Total Assets		557,029
Current Liabilities		
Payables	13	63,836
Provisions	14	23,030
Total Current Liabilities		86,866
Total Liabilities		86,866
Net Assets		470,163
Equity		
Retained Surpluses	15	470,163
Total Equity		470,163

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

statement of financial performance

for the year ended 30 June 2001

	Note	2001 \$
Revenue from ordinary activities		
User charges and fees	3	34,500
Government contributions		1,059,000
Other	4	24,551
Total revenue from ordinary activities		1,118,051
Expenses from ordinary activities		
Employee expenses	5	332,713
Supplies and services	6	175,024
Depreciation expenses	7	28,383
Other expenses	8	111,768
Total expenses from ordinary activities		647,888
Net surplus/Total change in equity		470,163

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

statement of cash flows

for the year ended 30 June 2001

	Note	2001 \$
Cash flows from operating activities		
<i>Inflows:</i>		
User charges and fees		34,500
Interest received		-
GST collected on sales		-
GST input tax credits received		36,849
<i>Cashflows from government:</i>		
Government contributions		1,059,000
<i>Outflows:</i>		
Employee costs		263,697
Supplies and services		160,515
GST paid on purchases		39,802
GST remitted to ATO		-
Other		108,950
Net cash provided by operating activities	16	557,385
Cash flows from investing activities		
<i>Outflows:</i>		
Payments for property, plant and equipment		150,414
Net cash (used in) investing activities		(150,414)
Net increase/(decrease) in cash held		406,971
Cash at beginning of financial year		-
Cash at end of financial year	9	406,971

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

notes to and forming part of the financial statements

for the year ended 30 June 2001

1. Funding of the Authority

The Prostitution Licensing Authority was established as a statutory body from 1 July 2000 under the *Prostitution Act 1999*. Under the Act, the objectives of the Authority are to establish an efficient and effective brothel licensing regime, to ensure that licenced brothels operate in accordance with the legislation and that the objectives of the legislation are achieved.

During 2000-01, the Authority was substantially funded through non-reciprocal government contributions. In future years, it is expected that the Authority will become substantially self funding from revenues generated from licence fees and certificate fees.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements are general purpose financial statements and have been prepared in accordance with the Financial Administration and Audit Act 1977, the Financial Management Standard 1997, Statements of Accounting Concepts, Australian Accounting Standards and Urgent Issues Group Abstracts and other prescribed requirements.

Except where stated, the financial statements have been prepared in accordance with the historical cost convention.

The accrual basis of accounting has been adopted.

The following new or revised Australian Accounting Standards have been applied during the 2000-01 year and have been adopted where relevant:

- AAS 1 Statement of Financial Performance;
- AAS 36 Statement of Financial Position; and
- AAS 37 Financial Report Presentation and Disclosures.

(b) The Reporting Entity

The financial statements include all assets, liabilities, revenues, expenses and equities of the Prostitution Licensing Authority. The Authority controls no other entities.

Trust Transactions and Balances

The Authority administers transactions and balances in a trust or fiduciary capacity on behalf of applicants for licences and certificates. As the Authority performs only a custodial role in respect of these balances until, and unless, licences or certificates are granted, they are not recognised as revenues, expenses, assets or liabilities, but are identified separately in Note 20.

(c) User Charges and Fees

Application fees for licences and certificates and fees for licences and certificates granted are recognised as revenues of the Authority.

(d) Cash

For financial reporting purposes, cash includes cash on hand and at bank that is used in the day-to-day cash management function of the Authority.

(e) Receivables

Receivables are recognised at the amount due at the time of sale or service delivery. The collectability of receivables is assessed periodically with provision being made for doubtful debts. All known bad debts have been written off. Settlement on trade debtors is generally required within 30 days.

notes to and forming part of the financial statements for the year ended 30 June 2001

(f) Acquisition of Assets

Cost is used for the initial recording of all acquisitions of assets owned by the Authority. Assets acquired at no cost, or for nominal consideration, are recognised at their fair value at the date of acquisition. Cost is determined as the value given as consideration plus costs incidental to the acquisition and all other costs incurred in preparing the assets ready for use.

(g) Property, Plant and Equipment

All items of property, plant and equipment with a cost or other value greater than \$1,000, are recognised in the year of acquisition. All items with a lesser value are expensed.

(h) Depreciation and Amortisation of Property, Plant and Equipment

Depreciation and amortisation of property, plant and equipment is calculated on a straight line basis so as to write off the value of each depreciable asset, less its estimated residual value, progressively over its estimated useful life.

For each class of depreciable asset the following depreciation rates were used:

Class	Depreciation/Amortisation Rate
	%
Computer Equipment (Hardware)	33.3
Network Computer Equipment (Hardware)	20.0
Office Equipment - Photocopier	20.0
Office Equipment (Facsimile, Shredders, E/Whiteboards)	10.0
Plant and Equipment	14.3
Leasehold Improvements	20.0
Motor Vehicles	16.7
Intangibles - Internal use software	20.0

(i) Revaluations of Non-Current Physical Assets

In December 1999, the Australian Accounting Standards Board issued two new accounting standards, AAS 38 – Revaluation of Non-Current Assets and AAS 10 – Recoverable Amount of Non-Current Assets. These standards introduce the concept of valuing non-current assets at “fair value”. All non-current physical assets are valued at cost or fair value in accordance with these standards and with the Financial Management Standard and Queensland Treasury's guidelines "Non-Current Asset Accounting Guidelines".

(j) Leases

A distinction is made in the financial statements between finance leases, that effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership, and operating leases under which the lessor retains all the risks and benefits.

When a non-current physical asset is acquired by means of a finance lease, the asset is recognised at an amount equal to the present value of the minimum lease payments. The liability is recognised at the same amount. Lease payments are allocated between the principal component and the interest expense.

The Authority held no finance leases at 30 June.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly, are charged to the Statement of Financial Performance in the periods in which they are incurred.

(k) Intangibles

All intangible assets with a cost or other value greater than \$1,000 are recognised in the year of acquisition. All items with a lesser value are expensed.

notes to and forming part of the financial statements

for the year ended 30 June 2001

(l) Payables

Creditors are recognised at the amount expected to be paid for the goods and services received.

(m) Employee Entitlements

Wages, Salaries and Annual Leave

Liabilities for wages, salaries and annual leave are recognised as the amount unpaid at reporting date in respect of employees' services and related on-costs.

Long Service Leave

The Authority participates in the public sector long service leave scheme whereby a levy is made on the agency to cover this expense and amounts paid to employees for long service leave are claimed from the scheme as a reimbursement. Accordingly, a provision for long service leave is not recognised.

Superannuation

Employer contributions for superannuation expense are determined by the State Actuary. No liability is recognised for accruing superannuation benefits as the liability is held by the Queensland Government.

(n) Taxation

The Authority's activities are exempt from Commonwealth taxation except for Fringe Benefits Tax and Goods and Services Tax (GST). As such, input tax credits receivable and GST payable from/to the Australian Tax Office are recognised and accrued.

(o) Insurance

In accordance with Government policy, assets are not insured.

(p) Rounding

Amounts included in the financial statements have been rounded to the nearest whole dollar, or where that amount is less than 50 cents, to zero.

(q) Resources Received Free of Charge or for Nominal Value

Resources received free of charge or for nominal value that can be reliably measured are recognised as revenues and assets as appropriate.

2001
\$

3. User Charges and Fees

Fee for licence granted	15,000
Fees for licence and certificate applications	19,500
	34,500

4. Other Revenue

Interest income	24,551
	24,551

notes to and forming part of the financial statements

for the year ended 30 June 2001

2001

\$

5. Employee Expenses

Wages and salaries	269,030
Employer superannuation contributions	32,686
Long service leave levy	3,970
Other related expenses	27,027
	332,713

6. Supplies and Services

Consultants and contractors	50,121
Travel	20,921
Materials	34,568
Repairs and Maintenance	21,056
Communications	14,577
Queensland Police Service corporate service charges	20,000
Other	13,781
	175,024

7. Depreciation and Amortisation Expense

Depreciation and amortisation incurred in respect of:	
Leasehold improvements	7,779
Office equipment	2,544
Plant and equipment	75
Motor vehicles	3,273
Computer equipment	13,937
Furniture and fittings	616
Intangibles - own use software	159
	28,383

notes to and forming part of the financial statements

for the year ended 30 June 2001

2001

\$

8. Other Expenses

External audit fees	1,200
Rental of premises	33,305
Prostitution Licensing Authority - chair and members' fees	50,653
Prostitution Advisory Council - chair and members' fees	26,534
Other	76
	111,768

9. Cash

Imprest account	1,000
Cash at bank	405,971
	406,971

10. Receivables

<i>Current</i>	
GST input tax credits receivable	3,476
Interest receivable	24,551
	28,027

11. Property, Plant and Equipment

<i>Non-Current</i>	
Leasehold improvements at cost	
Additions	38,893
Amortisation expense	7,779
	31,114
Office equipment	
Additions	17,308
Depreciation expense	2,544
	14,764

notes to and forming part of the financial statements

for the year ended 30 June 2001

	2001 \$
Plant and equipment	
Additions	9,000
Depreciation expense	75
Carrying amount at 30 June 2001	8,925
Motor vehicles	
Additions	19,639
Depreciation expense	3,273
Carrying amount at 30 June 2001	16,366
Computer equipment	
Additions	49,879
Depreciation expense	13,937
Carrying amount at 30 June 2001	35,942
Furniture and fittings	
Additions	6,160
Depreciation expense	616
Carrying amount at 30 June 2001	5,544
Total property, plant and equipment	
Additions	140,879
Depreciation and amortisation expense	28,224
Total property, plant and equipment - carrying amount at 30 June 2001	112,655

12. Intangibles

<i>Non-Current</i>	
Internal use software	
Additions	9,535
Amortisation expense	159
Total - carrying amount at 30 June 2001	9,376

13. Payables

<i>Current</i>	
Trade Creditors	63,836
	63,836

notes to and forming part of the financial statements

for the year ended 30 June 2001

2001

\$

14. Provisions

Current

Annual leave	23,030
	23,030

15. Changes in Equity

Retained Surpluses	
Opening balance	-
Net surplus	470,163
Closing balance	470,163

16. Reconciliation of Net Surplus to Net Cash provided by Operating Activities

Net surplus	470,163
Non-cash items:	
Depreciation and amortisation expense	28,383
Change in assets and liabilities	
(Increase)/decrease in GST receivable	(2,951)
(Increase)/decrease in other receivables	(24,551)
Increase/(decrease) in other payables	51,191
Increase (decrease) in accruals	12,120
Increase (decrease) in employee provisions	23,030
Net cash provided by operating activities	557,385

17. Non-Cancellable Operating Lease Commitments

Commitments under operating leases at reporting date are inclusive of anticipated GST and are payable as follows:

Not later than one year	80,368
Later than one year and not later than five years	236,481
Total commitments	316,849
Input tax credits anticipated	28,804

Operating leases are entered into as a means of acquiring access to office accommodation. Rental payments are generally fixed, but with escalation clauses on which contingent rentals are determined. No renewal or purchase options exist in relation to operating leases and no operating lease contains any restrictions on financing or other leasing activities.

notes to and forming part of the financial statements for the year ended 30 June 2001

18. Capital expenditure Commitments

The Authority had no capital expenditure commitments at 30 June.

19. Contingency

(a) Guarantees and Undertakings

The Prostitution Licensing Authority had provided no guarantees or undertakings at 30 June 2001.

(b) Litigation in Progress

Legal advice has been sought regarding possible litigation in regard to the refusal of a brothel licence application. An estimate of costs is not yet available. The risk of possible liability for the Authority in this matter cannot be determined at this time.

There are no other contingent assets or liabilities of a significant nature at 30 June.

20. Trust Transactions and Balances

The amount represents fees for applications awaiting Authority approval. As the Authority performs only a custodial role in respect of these transactions and balances, they are not recognised in the financial statements, but are disclosed here for information purposes.

	2001
	\$
Trust Assets and Liabilities	
<i>Current assets</i>	
Cash	86,105
Total current assets	86,105

notes to and forming part of the financial statements

for the year ended 30 June 2001

21. Financial Instruments

(a) Terms, Conditions and Accounting Policies

The Authority's accounting policies, including the terms and conditions of each class of financial asset and financial liability at balance date are as follows:

Financial assets

Financial Instrument	Accounting Policy	Terms and Conditions
Cash	Cash includes cash on hand, cash at bank and imprest account totals.	Cash deposited with the bank earns interest calculated on daily balances (currently 5%). Overdraft balances attract interest charge (currently 9%).
Receivables	All receivables are carried at nominal amounts, refer Note 2(e)	Terms are 30 days net.

Financial Liabilities

Financial Instrument	Accounting Policy	Terms and Conditions
Payables	Recognition - upon receipt of goods or services irrespective of whether the invoice has been received. Measurement - based on agreed purchase/contract price.	Other than payables to Government, amounts are unsecured and are usually settled on 30-day terms.

(b) Interest Rate Risk Exposure

The Authority is exposed to interest rate risk and the effective interest rates of financial assets and financial liabilities are shown in the following table. All assets and liabilities are shown by maturity and at nominal amounts.

	Maturity Date			Weighted Average Rate
	1 year or Less	Non-Interest Bearing	Total	
	\$	\$	\$	%
Financial Assets				
Cash	405,971	1,000	406,971	4.97
Receivables	-	28,027	28,027	
Total	405,971	29,027	434,998	
Financial Liabilities				
Payables	-	63,836	63,836	
Total	-	63,836	63,836	

(c) Credit Risk Exposures

Credit risk exposure represents the extent of credit related losses that the Authority may be subject to on amounts to be exchanged under accounts receivable from financial assets.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets net of any provisions for doubtful debts as indicated in the Statement of Financial Position.

(d) Net Fair Values

The net fair value of cash, receivables and payables approximates their carrying value.

Certificate of the Prostitution Licensing Authority

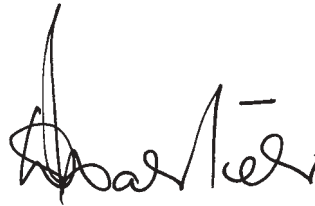
The foregoing Financial Statements have been prepared pursuant to the provisions of the *Financial Administration and Audit Act 1977* and other prescribed requirements.

We certify that the foregoing financial statements and notes to and forming part thereof are in agreement with the accounts and records of the Prostitution Licensing Authority; and in our opinion

- (a) the prescribed requirements for the establishment and keeping of the accounts have been complied with in all material respects; and
- (b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Prostitution Licensing Authority for the financial year ended 30 June 2001 and of the financial position as at the end of that year.



Margaret W Isaac
REGISTRAR
14 AUGUST 2001



William J Carter
CHAIRPERSON
14 AUGUST 2001

Independent Audit Report

To the Prostitution Licensing Authority

Scope

I have audited the general purpose financial statements of the Prostitution Licensing Authority prepared by the Authority for the year ended 30 June 2001 in terms of section 46F of the *Financial Administration and Audit Act 1977*. The financial statements comprise the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, Notes to and forming part of the financial statements and certificates given by the Chairperson and Registrar.

The Authority is responsible for the preparation and the form of presentation of the financial statements and the information they contain. I have audited the financial statements in order to express an opinion on them.

The audit has been conducted in accordance with *QAO Auditing Standards*, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included the examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with prescribed requirements which include Australian Accounting Standards so as to present a view which is consistent with my understanding of the entity's financial position and the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In accordance with section 46G of the Financial Administration and Audit Act, I certify that I have received all the information and explanations I have required and, in my opinion -

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards and other prescribed requirements of the transactions of the Prostitution Licensing Authority for the financial year 1 July 2000 to 30 June 2001 and of the financial position as at the end of that year.



O C Clare
ACTING DIRECTOR OF AUDIT
(DELEGATE OF THE AUDITOR-GENERAL OF QUEENSLAND)

QUEENSLAND AUDIT OFFICE
BRISBANE