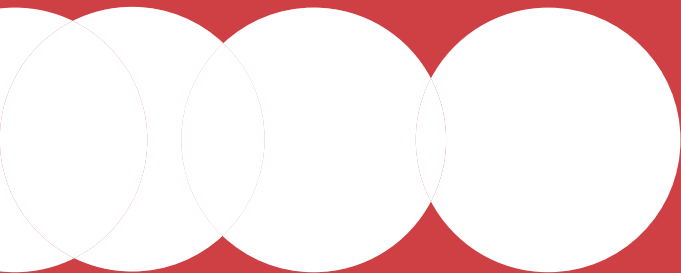


 financial **statements**



prostitution licensing authority statement of financial performance

for the year ended 30 June 2004

	Notes	2004 \$	2003 \$
Revenue from ordinary activities			
User charges and fees	1(c),2(a)	281,272	205,425
Government contributions	1(c),2(a)	653,000	755,000
Other	1(c),2(a)	45,001	40,275
Total revenue from ordinary activities		979,273	1,000,700
Expenses from ordinary activities			
Employee expenses	2(b)	597,823	491,288
Supplies and services	2(c)	228,837	333,397
Depreciation and amortisation	1(e),2(d)	44,473	42,667
Other	2(e)	203,577	147,833
Total expenses from ordinary activities		1,074,710	1,015,185
Net result for the reporting period		(95,437)	(14,486)

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

prostitution licensing authority statement of financial position

As at 30 June 2004

	Notes	2004 \$	2003 \$
Assets			
Current assets			
Cash assets	1(f),3	618,979	650,800
Receivables	1(g),4	21,037	16,362
Other	5	–	2,970
Total current assets		640,016	670,132
Non-current assets			
Property, plant and equipment	1(d),6	234,560	288,859
Intangibles	1(d),7	8,295	11,825
Total non-current assets		242,855	300,684
Total assets		882,871	970,816
Liabilities			
Current liabilities			
Payables	1(h),8	260,009	251,482
Provisions	1(i),9	14,159	14,473
Total current liabilities		274,168	265,955
Non-current liabilities			
Provisions	1(i),9	38,409	39,130
Total non-current liabilities		38,409	39,130
Total liabilities		312,577	305,085
Net assets		570,294	665,731
Equity			
Contributed capital	10	665,731	680,217
Accumulated deficit	10	(95,437)	(14,486)
Total equity		570,294	665,731

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

prostitution licensing authority statement of cash flows

for the year ended 30 June 2004

	Notes	2004 \$	2003 \$
Cash flows from operating activities			
<i>Receipts</i>			
Government contributions		653,000	755,000
User charges and fees		298,398	325,500
GST collected from customers		7,955	3,630
GST input tax credits from ATO		30,775	53,394
Interest receipts		37,208	34,930
<i>Payments</i>			
Employee expenses		(597,358)	(484,608)
Supplies and services		(477,365)	(445,651)
Insurance premiums		(3,100)	(2,566)
GST paid to suppliers		(1,181)	–
GST remitted to ATO		–	(50,286)
Net cash (used in)/provided by operating activities	11	(51,668)	189,343
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		79,545	36,108
Payments for property, plant and equipment		(59,698)	(123,187)
Net cash (used in)/provided by investing activities		19,847	(87,079)
Net movement in cash		(31,821)	102,264
Cash at beginning of financial year		650,800	548,535
Cash at end of financial year	3	618,979	650,800

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

prostitution licensing authority notes to and forming part of the financial statements 2004

note 1 significant accounting policies

prostitution licensing 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 licensed brothels operate in accordance with the legislation and that the objectives of the legislation are achieved.

During 2003–04, the Authority continued to be substantially funded through non-reciprocal government contributions.

(a) basis of accounting

General

These financial statements are a general purpose financial report and have been prepared in accordance with the *Financial Administration and Audit Act 1977*, *Financial Management Standard 1997*, applicable Australian Accounting Standards, Urgent Issues Group Abstracts and Statements of Accounting Concepts.

The financial report has been prepared on an accrual and going concern basis.

The financial report has also been prepared under the historical cost convention except where specifically stated.

Accounting policies

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year.

Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next twelve months, being the Authority's operational cycle.

Rounding and comparatives

Amounts included in the financial statements have been rounded to the nearest whole dollar, or where that amount is less than \$0.50, to zero.

Comparative information and figures have been restated where necessary to be consistent with disclosures in the current reporting period.

(b) the reporting entity

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

(c) revenue recognition

Revenue is recognised when goods or service are delivered.

User Charges and Fees

Application fees for licences and certificates and fees for licences and certificates granted are recognised as revenues of the Authority. Other user charges are recognised as revenues when invoices for the related services are issued.

Government contributions

Government grants and contributions are recognised as operating revenue on receipt or when an entitlement is established whichever is the sooner, and disclosed in the Statement of Financial Performance as *Government contributions*.

Sale of assets

The profit or loss on sale of an asset is determined when control has passed to the buyer. In accounting for the sale of non-current assets, gross proceeds from the sales are included as other revenue and the written down value of the assets sold is disclosed as an operating expense.

prostitution licensing authority notes to and forming part of the financial statements 2004

Services acquired for no cost

Contributions of services are recognised only if the services would have been purchased if they had not been donated and their fair value can be measured reliably. Where this is the case, an equal amount is recognised as revenue and as an expense.

(d) recognition and measurement of intangibles, property, plant and equipment

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of the assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition.

Actual cost is used for the initial recording of all acquisitions of assets controlled by the Authority.

Assets acquired at no cost or for nominal considerations, are recognised at their fair value at date of acquisition.

Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use, including architects' fees and engineering design fees.

All intangible assets and all items of property, plant and equipment with a cost or other value in excess of \$1,000 are recognised for financial reporting purposes in the year of acquisition. All other items of intangibles, property, plant and equipment are expensed on acquisition.

Revaluation

Land, buildings, infrastructure and heritage and cultural assets are measured at fair value. All other assets are measured at cost. This is in accordance with the Queensland Treasury's *Non-Current Asset Accounting Guidelines for the Queensland Public Sector*.

All non-current physical assets of the Authority are valued at cost in accordance with these guidelines and as such no revaluations are required.

Repairs and maintenance

Routine maintenance, repair costs and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The Authority did not replace any asset components and as such no costs were capitalised and depreciated.

Finance leases

Leases of property, plant and equipment where substantially all the risks and benefits incidental to ownership of the asset are assumed by the Authority are classified as finance leases.

The Authority held no finance leases at 30 June 2004.

Operating leases

Lease payments for operating leases are recognised as an expense in the years in which they are incurred and this reflects the pattern of benefits derived by the Authority.

Operating leases are used by the Authority.

Leasehold improvements

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

(e) amortisation and depreciation of intangibles, property, plant and equipment

Amortisation and depreciation of intangibles, property, plant and equipment is calculated on a straight line basis so as to write-off the net cost of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the Authority.

The depreciable amount of leasehold improvements is allocated progressively over the estimated useful life of the improvements to the Authority or the unexpired period of the lease on the premises, whichever is the shorter. The unexpired period of the lease includes option periods where exercise of the option is probable.

prostitution licensing authority notes to and forming part of the financial statements 2004

It is the intention of the Authority to sell motor vehicles on an annual basis therefore no depreciation is applied.

Major depreciation periods used are listed below and are consistent with the prior year unless otherwise stated:

Class	Periods
Intangibles (internal use software)	5 years
Computer equipment (hardware)	3-5 years
Office equipment (photocopier)	5 years
Office equipment (telephone, facsimile, shredders, e/whiteboards)	7-10 years
Office equipment (safes)	40 years
Plant and equipment	7-10 years
Leasehold improvements	8-10 years

(f) cash assets

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets includes all cash and cheques received but not banked at 30 June as well as deposits at call with financial institutions.

(g) receivables

Trade debtors are recognised at the nominal amounts due at the time of sale or service delivery, with settlement generally required within 30 days from the invoice date.

The collectability of receivables is assessed periodically with provision being made for doubtful debts if required. The Authority did not have any bad debts at 30 June 2004.

(h) payables

Payables are recognised for amounts payable in the future for goods and services received, whether or not billed to the Authority. Creditors are generally unsecured, not subject to interest charges and are normally settled within 30 days of invoice receipt.

(i) employee benefits

Annual leave and sick leave

Annual leave benefits are accrued on a pro rata basis in respect of services provided by employees up to balance date, having regard to expected future rates of pay and on-costs.

Sick leave is expensed as incurred.

Long Service Leave

Under the State Government's long service leave scheme a levy is made on the Authority to cover this expense. Amounts paid to employees for long service leave are claimed from the scheme as and when leave is taken.

No provision for long service leave is recognised in the financial statements, the liability being held on a whole-of-Government basis and reported in the financial report prepared pursuant to AAS 31 – *Financial Reporting by Governments*.

Superannuation

Employees of the Prostitution Licensing Authority are members of QSuper. Contributions to employee superannuation plans are charged as expense as the contributions are paid or become payable.

For employees of QSuper, the Treasurer of Queensland, based on advice received from the State Actuary, determines employer contributions for superannuation expenses.

No liability is recognised for accruing superannuation benefits in these financial statements, the liability being held on a whole-of-Government basis and reported pursuant to AAS 31 – *Financial Reporting by Government*.

prostitution licensing authority notes to and forming part of the financial statements 2004

(j) insurance

With the exception of motor vehicles, which are insured through Suncorp, the Authority's non-current physical assets and other risks are insured through the Queensland Government Insurance Fund, premiums being paid on a risk assessment basis. In addition, the Authority pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

(k) taxation

The activities of the Board are exempt from Commonwealth taxation except for Fringe Benefits Tax (FBT) 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.

(l) adoption of international financial reporting standards

The Financial Reporting Council has determined that all entities preparing general purpose financial statements will apply the Australian Equivalents to International Financial Reporting Standards (IFRSs) for reporting periods beginning on or after 1 January 2005.

To assist in the implementation of the new reporting requirements the Authority has established a Work Group which receives advice from the Queensland Police Service. All Pending Australian Equivalents to IFRSs are being progressively reviewed for possible implications on policies, procedures, systems and financial impacts arising from such changes.

To date, the Authority has identified a number of areas which may be impacted including intangibles and non-current assets – impairment test.

prostitution licensing authority

notes to and forming part of the financial statements 2004

note 2 statement of financial performance – disclosures

(a) revenue

User charges and fees

	2004 \$	2003 \$
Fees for licences granted	213,000	150,740
Fees for licence applications	41,513	37,500
Fees for certificates granted	913	465
Fees for certificate applications	24,202	16,500
Other fees	1,644	220

281,272 **205,425**

Government contributions

Operating	653,000	755,000
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653,000 **755,000**

Other revenue

Interest	38,510	35,436
Net gain on disposal of motor vehicles	6,491	4,839

45,001 **40,275**

(b) employee expenses

Wages and salaries	512,381	422,437
Employer superannuation contributions	64,388	51,648
Long service leave levy	7,701	6,151
Other related expenses	13,353	11,052

597,823 **491,288**

Number of full time equivalent employees at 30 June 2004	8.5	8
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prostitution licensing authority notes to and forming part of the financial statements 2004

	2004 \$	2003 \$
(c) supplies and services		
Consultants and contractors	50,393	163,167
Materials	62,461	65,191
Travel	6,506	9,878
Repairs and maintenance	21,234	14,656
Communications	13,890	10,737
Queensland Police Service corporate service charges	20,000	20,000
Public utilities	12,957	10,831
Professional development	16,880	11,493
Other	24,516	27,444
	228,837	333,397
(d) depreciation and amortisation		
The deficit from ordinary activities includes the following specific expenses		
<i>Depreciation and amortisation</i>		
Leasehold improvements	17,264	7,623
Motor vehicles	–	4,607
Computer equipment	10,815	13,782
Office equipment	8,867	8,800
Plant and equipment	2,716	2,717
Furniture and fittings	1,281	1,608
Intangibles – own use software	3,530	3,530
	44,473	42,667
(e) other expenses		
Insurance	3,100	2,566
Auditor's remuneration – external audit services	9,100	8,700
Rental expense – operating lease	133,597	85,983
Prostitution Licensing Authority – chair and members' fees	50,791	50,508
Other	6,989	76
	203,577	147,833

prostitution licensing authority notes to and forming part of the financial statements 2004

	2004 \$	2003 \$
note 3 cash assets		
Imprest account	300	300
Cash at bank	618,679	650,500
	618,979	650,800
The total for cash assets reconciles to cash at the end of the financial year as disclosed in the Statement of Cash Flows.		
note 4 receivables		
<i>Current</i>		
GST receivable	11,801	8,429
Interest receivable	9,236	7,933
	21,037	16,362
note 5 other assets		
<i>Current</i>		
Prepayments	-	2,970
	-	2,970

prostitution licensing authority notes to and forming part of the financial statements 2004

	2004 \$	2003 \$
note 6 property, plant and equipment		
<i>Leasehold improvements</i>		
At cost	151,615	149,936
Less: Accumulated amortisation	(48,120)	(30,856)
	103,495	119,080
<i>Office equipment</i>		
At cost	60,561	54,943
Less: Accumulated depreciation	(24,431)	(15,565)
	36,130	39,378
<i>Plant and equipment</i>		
At cost	21,717	21,717
Less: Accumulated depreciation	(6,962)	(4,246)
	14,755	17,471
<i>Motor vehicles</i>		
At cost	51,102	75,136
Less: Accumulated depreciation	–	(2,081)
	51,102	73,055
<i>Computer equipment</i>		
At cost	53,857	52,558
Less: Accumulated depreciation	(33,420)	(22,605)
	20,437	29,953
<i>Fixtures and fittings</i>		
At cost	13,445	13,445
Less: Accumulated depreciation	(4,804)	(3,523)
	8,641	9,922
Total	234,560	288,859

prostitution licensing authority notes to and forming part of the financial statements 2004

note 6 property, plant and equipment (continued)

reconciliation

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current reporting period.

	Leasehold improvements 2004	Office equipment 2004	Plant & equipment 2004	Motor vehicles 2004	Computer equipment 2004	Fixtures & fittings 2004	Total 2004
Carrying amount at 1 July 2003	119,080	39,378	17,471	73,055	29,953	9,922	288,859
Acquisitions	1,679	5,619	–	51,102	1,299	–	59,699
Transfer between classes	–	–	–	–	–	–	–
Disposals	–	–	–	(75,136)	–	–	(75,136)
Depreciation/ amortisation	(17,264)	(8,867)	(2,716)	2,081	(10,815)	(1,281)	(38,862)
Carrying amount at 30 June 2004	103,495	36,130	14,755	51,102	20,437	8,641	234,560

note 7 intangibles

Internal use software

At cost	17,649	17,649
Less: Accumulated amortisation	(9,354)	(5,824)
	8,295	11,825

note 8 payables

Current

Fees for licences received in advance ^a	228,750	225,000
Fees for certificates received in advance ^a	290	315
Other	30,969	26,167
	260,009	251,482

^a Fees for licences and certificates received in advance are monies held by the Authority pending a decision whether or not to approve the application.

prostitution licensing authority notes to and forming part of the financial statements 2004

	2004 \$	2003 \$
note 9 provisions		
<i>Current</i>		
Annual leave	14,159	14,473
	14,159	14,473
<i>Non-current</i>		
Annual leave	38,409	39,130
	38,409	39,130
note 10 contributed capital		
Balance at the beginning of the reporting period	665,731	680,217
Net deficit	(95,437)	(14,486)
Balance at end of reporting period	570,294	665,731
note 11 reconciliation of net result to net cash (used in) /provided by operating activities		
Net result for the period	(95,437)	(14,486)
Depreciation and amortisation	44,473	42,667
Gain on sale of property, plant and equipment	(6,491)	(4,839)
<i>Change in operating assets and liabilities:</i>		
(Increase)/decrease in GST receivable	(3,372)	6,738
(Increase)/decrease in other receivables	(1,303)	46,742
(Increase)/decrease in prepayments	2,971	(1,472)
Increase/(decrease) in fees paid in advance	3,725	120,075
Increase/(decrease) in other payables	–	(13,959)
Increase/(decrease) in other LSL payable	19	–
Increase/(decrease) in accruals	4,783	4,877
Increase/(decrease) in employee provisions	(1,036)	3,000
Net cash from operating activities	(51,668)	189,343

prostitution licensing authority notes to and forming part of the financial statements 2004

note 12 financial instruments

(a) interest rate risk

The Authority's exposure to interest rate risk and the effective interest rates of financial assets and financial liabilities are shown in the following table.

	Maturity date 1 year or less \$	Non-interest bearing \$	Total \$	Weighted average rate %
<i>Financial assets</i>				
Cash assets	618,679	300	618,979	4.15
Receivables	–	21,037	21,037	
Total financial assets	618,679	21,337	640,016	
<i>Financial liabilities</i>				
Payables	–	260,009	260,009	
Total financial liabilities	–	260,009	260,009	

(b) net fair values

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

(c) credit risk

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.

No significant credit risks have been identified.

prostitution licensing authority notes to and forming part of the financial statements 2004

note 13 commitments for expenditure

(a) operating lease commitments

At 30 June 2004 the Authority had the following operating lease commitments which are inclusive of GST:

	2004 \$	2003 \$
Not later than one year	143,494	148,167
Later than one year and not later than five years ^b	–	139,642
Total commitments	143,494	287,809

^b The operating leases expire during the 2004–2005 financial year. The Authority has the right to be granted further leases of the premises according to the terms of the contract.

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

(b) capital commitments

The Authority had no capital expenditure commitments at 30 June 2004.

prostitution licensing authority notes to and forming part of the financial statements 2004

note 14 remuneration of board members

Remuneration received, or due and receivable by Board Members from the Authority in connection with the management of the Authority. Remuneration includes, fees received by Members. There were no payments made to the Members for salaries, commissions and contributions to member's superannuation and other benefits.

The number of responsible persons whose remuneration from the Authority was within the following specified bands were:

	2004	2003
Nil	2	2
\$1—\$10,000	5	3
\$30,001—\$40,000	1	1

The total remuneration paid to each Board Member of the Authority is as follows:

W J Carter QC	34,434
Dr I Wilkey	5,715
Mr L Pollard	5,022
Cr A Bennison	4,764
Ms L Palmen AM (appointed May 2004)	428
Ms A Murphy (appointed May 2004)	428
Assistant Commissioner G J McDonnell (QPS)	—
Mr J Callanan (CMC)	—
Total remuneration	50,791

note 15 contingency

(a) guarantees and undertakings

The Prostitution Licensing Authority had provided no guarantees or undertakings at 30 June 2004.

(b) litigation in progress

Litigation is currently in process for an appeal lodged against the Authority by a brothel licence applicant. As the matter is not yet finalised the Authority is unable to estimate any possible costs.

prostitution licensing authority notes to and forming part of the financial statements 2004

certificate of the prostitution licensing authority

The general purpose financial report has been prepared pursuant to section 46F(1) of the *Financial Administration and Audit Act 1977* (the Act) and other prescribed requirements. In accordance with Section 46F(3) of the Act we certify that 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 2004 and of the financial position of the Authority at the end of that year.

Margaret W Isaac
Registrar
21 September 2004

William J Carter qc
Chairperson
21 September 2004

independent audit report

To the board of the prostitution licensing authority

Matters relating to the electronic presentation of the audited financial statements

The audit report relates to the financial statements of the Prostitution Licensing Authority for the financial year ended 30 June 2004 included on the Prostitution Licensing Authority's web site. The Authority is responsible for the integrity of the Prostitution Licensing Authority's web site. The audit report refers only to the financial statements identified below and does not include a review of the integrity of this web site or provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements, available from the Prostitution Licensing Authority to confirm the information included in the audited financial statements presented on this web site.

These matters also relate to the presentation of the audited financial statements in other electronic media including CD Rom.

scope

The financial statements

The financial statements of Prostitution Licensing Authority consist of 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 of the Prostitution Licensing Authority for the year ended 30 June 2004.

The Authority's responsibility

The Authority is responsible for the preparation and true and fair presentation of the financial statements, 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

As required by law, an independent audit was conducted in accordance with *QAO Auditing Standards* to enable me to provide an independent opinion whether in all material respects the financial statements present fairly, in accordance with the prescribed requirements, including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

Audit procedures included –

- examining information on a test/sample basis to provide evidence supporting the amounts and disclosures in the financial statements,
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Authority,

independent audit report (cont)

- obtaining written confirmation regarding the material representations made in conjunction with the audit, and
- reviewing the overall presentation of information in the financial statements.

independence

The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and QAO authorised auditors.

The Auditor-General is the auditor of all public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which powers are to be exercised.

The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

audit opinion

In accordance with section 46G of the *Financial Administration and Audit Act 1977* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the statements have been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards of the transactions of the Prostitution Licensing Authority for the financial year 1 July 2003 to 30 June 2004 and of the financial position as at the end of that year.

EA Muir, FCPA
Assistant Auditor-General
(Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane