



## Financial Statements





**Prostitution Licensing Authority Financial Report 2006-07**

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**General Information**

This financial report covers the Prostitution Licensing Authority (PLA).

The PLA is a Queensland Government Statutory Authority established under the *Prostitution Act 1999*.

The PLA is controlled by the State of Queensland which is the ultimate parent.

The head office and principal place of business of the PLA is:

Level 3  
5 Gardner Close  
MILTON QLD 4034

A description of the nature of the PLA's operations and its principal activities is included in the notes to the financial statements.

For information in relation to the PLA's financial report please call 3858 9500, email [pladmin@iprens.com.au](mailto:pladmin@iprens.com.au) or visit the PLA's Internet site [www.pla.qld.gov.au](http://www.pla.qld.gov.au).

**PROSTITUTION LICENSING AUTHORITY**  
**INCOME STATEMENT**

for the year ended 30 June 2007

	Notes	2007 \$	2006 \$
<b>Income</b>			
<b>Revenue</b>			
User charges and fees	2	502,743	380,733
Grants and other contributions	3	574,000	376,000
Other revenue	4	61,060	45,865
<b>Gains</b>			
Gain on sale of property, plant and equipment	5	-	1,500
<b>Total Income</b>		<b>1,137,793</b>	<b>804,098</b>
<b>Expenses</b>			
Employee expenses	6	649,593	610,314
Supplies and services	7	170,867	228,881
Rental expenses		144,338	138,646
Depreciation	8	28,714	28,837
Other expenses	9	58,931	63,800
<b>Total Expenses</b>		<b>1,050,443</b>	<b>1,070,538</b>
<b>Operating Surplus/(Deficit)</b>		<b>87,350</b>	<b>(266,440)</b>

**PROSTITUTION LICENSING AUTHORITY**  
**BALANCE SHEET**  
as at 30 June 2007

	Notes	2007 \$	2006 \$
<b>Current Assets</b>			
Cash and cash equivalents	10	894,011	531,945
Receivables	11	11,449	12,161
Other current assets	12	1,824	1,689
<b>Total Current Assets</b>		<b>907,284</b>	<b>545,795</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	13	169,045	149,608
<b>Total Non-Current Assets</b>		<b>169,045</b>	<b>149,608</b>
<b>Total Assets</b>		<b>1,076,329</b>	<b>695,403</b>
<b>Current Liabilities</b>			
Payables	14	33,009	26,008
Accrued employee benefits	15	113,298	58,492
Other current liabilities	16	385,959	145,132
<b>Total Current Liabilities</b>		<b>532,266</b>	<b>229,632</b>
<b>Non-Current Liabilities</b>			
Accrued employee benefits	15	18,597	27,652
<b>Total Non-Current Liabilities</b>		<b>18,597</b>	<b>27,652</b>
<b>Total Liabilities</b>		<b>550,863</b>	<b>257,284</b>
<b>Net Assets</b>		<b>525,466</b>	<b>438,119</b>
<b>Equity</b>			
Retained surpluses		525,466	438,119
<b>Total Equity</b>		<b>525,466</b>	<b>438,119</b>

**PROSTITUTION LICENSING AUTHORITY**  
**STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 30 June 2007**

	Notes	2007 \$	2006 \$
<b>Balance 1 July</b>		438,119	704,559
Operating Surplus/(Deficit)		67,350	(266,440)
<b>Balance 30 June</b>		<u>505,469</u>	<u>438,119</u>

**PROSTITUTION LICENSING AUTHORITY**  
**CASH FLOW STATEMENT**  
for the year ended 30 June 2007

	Notes	2007 \$	2006 \$
<b>Cash flows from operating activities</b>			
<i>Inflows:</i>			
User charges and fees		573,692	370,028
Grants and other contributions		744,000	375,000
GST input tax credits from ATO		33,772	42,486
GST collected from customers		2,490	5,200
Interest receipts		64,264	41,138
Other		-	1,444
<i>Outflows:</i>			
Employee expenses		(603,719)	(634,119)
Supplies and services		(287,369)	(224,784)
GST paid to suppliers		(30,264)	(44,225)
GST remitted to ATO		(2,486)	(5,200)
Other		(78,560)	(212,858)
<b>Net cash provided by (used in) operating activities</b>	17	<b>409,820</b>	<b>(284,890)</b>
<b>Cash flows from investing activities</b>			
<i>Inflows:</i>			
Sales of property, plant and equipment		24,771	50,863
<i>Outflows:</i>			
Payments for property, plant and equipment		(72,525)	(67,398)
<b>Net cash provided by (used in) investing activities</b>		<b>(47,754)</b>	<b>(16,535)</b>
Net increase (decrease) in cash held		362,066	(301,424)
Cash at beginning of financial year		531,945	833,369
<b>Cash at end of financial year</b>	10	<b>894,011</b>	<b>531,945</b>

**PROSTITUTION LICENSING AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2006-07**

**Objectives of the Prostitution Licensing Authority**

The Prostitution Licensing Authority (PLA) was established as a statutory body from 1 July 2000 under the *Prostitution Act 1999*. Under the Act, the objectives of the PLA 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 2006-07, the PLA continued to be substantially funded through non-reciprocal government contributions.

**1. Summary of Significant Accounting Policies**

**(a) Basis of Accounting**

The financial statements have been prepared in accordance with Australian Equivalents to International Reporting Standards (AEIFRS).

The financial report is a general purpose financial report.

In particular, the financial statements comply with *AAS 29 Financial Reporting by Government Departments*, as well as the Treasurer's Minimum Reporting Requirements for the year ending 30 June 2007, and other authoritative pronouncements.

The Treasurer has mandated the early adoption of *AASB 7 Financial Instruments: Disclosures* (August 2006).

Except where stated, the historical cost convention is used.

**(b) The Reporting Entity**

The financial statements include the value of all revenues, expenses, assets, liabilities and equity of the PLA. The PLA controls no other entities.

**(c) User Charges and Fees**

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



**PROSTITUTION LICENSING AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2006-07**

**(d) Grants and Contributions**

Government grants, donations and gifts that are non-reciprocal in nature are recognised as revenue in the year in which the PLA obtains control over them. Where grants are received that are reciprocal in nature, revenue is accrued over the term of the funding arrangements.

Contributed assets are recognised at their fair value. Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

**(e) Cash and Cash Equivalents**

For the purposes of the Balance Sheet and the Cash Flow Statement, cash assets include all cash and cheques received but not banked at 30 June as well as deposits at call with financial institutions.

**(f) Receivables**

Trade debtors are recognised at the nominal amounts due at the time of sale or service delivery. Settlement on these amounts is generally required within 30 days from invoice date.

The collectability of receivables is assessed periodically with provision being made for impairment. The PLA did not have any bad debts at 30 June 2007.

**(g) Acquisition of Assets**

Actual cost is used for the initial recording of all non-current physical asset acquisitions. 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. However, any training costs are expensed as incurred.

Where assets are received free of charge from another Queensland department (whether as a result of a machinery-of-Government or other involuntary transfer), the acquisition cost is recognised as the gross carrying amount in the books of the transferor immediately prior to the transfer together with any accumulated depreciation.

Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from another Queensland department are recognised at their fair value at date of acquisition in accordance with AASB 116 *Property, Plant and Equipment*.

**PROSTITUTION LICENSING AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2006-07**

**(h) Property, Plant and Equipment**

Items of property, plant and equipment with a cost or other value equal to or in excess of the following threshold is recognised for financial reporting purposes in the year of acquisition:

Plant and equipment	\$5,000
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Plant and equipment, including leasehold improvements, is measured at cost. The carrying amounts for plant and equipment at cost should not materially differ from their fair value.

All PLA non-current assets are valued at cost, in accordance with Queensland Treasury's *Non-Current Asset Policies for the Queensland Public Sector* and as such no revaluations are required.

Items with a lesser value are expensed in the year of acquisition.

**(i) Depreciation of Property, Plant and Equipment**

Property, plant and equipment is depreciated on a straight line basis so as to allocate the net cost or revalued amount of each asset, less its estimated residual value, progressively over its estimated useful life to the PLA.

Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to the PLA.

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

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

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

Class	Rate %
Plant and equipment	10-33.3%



**PROSTITUTION LICENSING AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2006-07**

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**(j) Impairment of Non-Current Assets**

All non-current physical assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the PLA determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

An impairment loss is recognised immediately in the Income Statement, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation reserve of the relevant class to the extent available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**(k) Leases**

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

Operating lease payments are representative of the pattern of benefits derived from the leased assets and are expensed in the periods in which they are incurred.

The PLA held no finance leases at 30 June 2007.

**(l) Payables**

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

**PROSTITUTION LICENSING AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2006-07**

**(m) Employee Benefits**

*Wages, Salaries, Annual Leave and Sick Leave*

Wages, salaries and annual leave due but unpaid at reporting date are recognised in the Balance Sheet at the remuneration rates expected to apply at the time of settlement. Workers' compensation insurance is a consequence of employing employees, but is not counted in an employee's total remuneration package. It is not an employee benefit and is recognised separately as employee related expenses. Employer superannuation contributions and long service leave levies are regarded as employee benefits.

For unpaid entitlements expected to be paid within 12 months, the liabilities are recognised at their undiscounted values. For those entitlements not expected to be paid within 12 months, the liabilities are classified as non-current liabilities and recognised at their present value, calculated using yields on Fixed Rate Commonwealth Government bonds of similar maturity.

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to recur in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised.

As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

*Long Service Leave*

Under the State Government's long service leave scheme, a levy is made on the PLA to cover this cost. Levies are expensed in the period in which they are paid or payable. 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 Finance report prepared pursuant to AAS 31 *Financial Reporting by Governments*.

*Superannuation*

Employer superannuation contributions are paid to QSuper, the superannuation plan for Queensland Government employees, at rates determined by the State Actuary. Contributions are expensed in the period in which they are paid or payable. The PLA's obligation is limited to its contribution to QSuper.

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

**PROSTITUTION LICENSING AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2006-07**

**(n) Insurance**

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

**(o) Services Received Free of Charge or for Nominal Value**

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 expense.

**(p) Contributed Equity**

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of machinery-of-Government changes are adjusted to 'Contributed Equity' in accordance with UIG Abstract 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*. Appropriations for equity adjustments are similarly designated.

**(q) Taxation**

The PLA is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax and Goods and Services Tax (GST). As such, GST credits receivable from/payable to the Australia Taxation Office are recognised and accrued.

**(r) Issuance of Financial Statements**

The financial statements are authorised for issue by the Chairman of the Board and the Executive Director at the date of signing the Management Certificate.

**(s) Judgements and Assumptions**

The PLA has made no judgements or assessments which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

**(t) Rounding and Comparatives**

Amounts included in the financial statements have been rounded to the nearest \$1 or, where that amount is \$0.50 or less, to zero.

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

**PROSTITUTION LICENSING AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2006-07**

**(u) New and Revised Accounting Standards**

Disclosure is required when initial application of an Australian Accounting Standard has an effect on the current period or any prior period, would have such an effect, except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods.

In the current year, the PLA had adopted all of the new and revised Standards and Interpretations that are relevant to its operations and effective for 2006-07 reporting period. The adoption of these new and revised Standards and Interpretations has resulted in no change to the PLA's accounting policies.

Disclosure is required when a new Australian Accounting Standard which has been issued but is not yet effective has not been applied.

The PLA cannot early adopt a new accounting standard ahead of the specified commencement date unless approval is obtained from Treasury. The Treasurer mandated the early adoption of AASB 7 *Financial Instruments: Disclosures* in the 2005-06 financial year. No additional standards have been early adopted in 2006-07. Consequently, the PLA has not applied the other Australian Accounting Standards and AASB and UIG Interpretations that have been issued but are not yet effective. These will be applied from their operative date.

At the date of authorisation of the financial report, the following Standards and Interpretations had been issued/revised but were not yet effective:

Title	Operative for reporting periods beginning on/after
AASB 1: <i>First-time Adoption of Australian Equivalents to International Financial Reporting Standards</i>	1 January 2006
AASB 2: <i>Share-based Payment</i>	1 March 2007
AASB 4: <i>Insurance Contracts</i>	1 January 2007
AASB 8: <i>Operating Segments</i>	1 January 2009
AASB 101: <i>Presentation of Financial Statements</i>	1 January 2007
AASB 114: <i>Segment Reporting</i>	1 January 2007
AASB 117: <i>Leases</i>	28 February 2007
AASB 118: <i>Revenue</i>	28 February 2007
AASB 120: <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	28 February 2007
AASB 121: <i>The Effects of Changes in Foreign Exchange Rates</i>	28 February 2007
AASB 127: <i>Consolidated and Separate Financial</i>	28 February 2007
AASB 131: <i>Interests in Joint Ventures</i>	28 February 2007
AASB 132: <i>Financial Instruments: Presentation</i>	1 January 2007
AASB 133: <i>Earnings per Share</i>	1 January 2007

**PROSTITUTION LICENSING AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2006-07**

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AASB 139: <i>Financial Instruments: Recognition and Measurement</i>	28 February 2007
AASB 1023: <i>General Insurance Contracts</i>	1 January 2007
AASB 1038: <i>Life Insurance Contracts</i>	1 January 2007
AASB 1048: <i>Interpretation and Application of Standards</i>	31 March 2007
AASB 1049: <i>Financial Reporting of General Government sectors by Governments</i>	1 July 2008
AASB 2007-1: <i>Amendments to Australian Accounting Standards arising from AASB Interpretation 11 (AASB2)</i>	1 March 2007
AASB 2007-2: <i>Amendments to Australian Accounting Standards arising from AASB Interpretation 12 (AASB), AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 &amp; AASB 139</i>	28 February 2007 1 January 2008
AASB 2007-3: <i>Amendments to Australian Accounting Standards arising from AASB8 (AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 131, AASB 136, AASB 1023 &amp; AASB 1038)</i>	1 January 2009
AASB 2007-4: <i>Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments (AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 &amp; 1038)</i>	1 July 2007
AASB 2007-5: <i>Amendments to Australian Accounting Standards arising from AASB 123 (AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 &amp; AASB 138 and interpretations 1 &amp; 12)</i>	1 January 2009
AASB 2007-7: <i>Amendments to Australian Accounting Standards (AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 &amp; AASB 128)</i>	1 July 2007
Interpretation 4: <i>Determining whether an Arrangement contains a Lease (revised)</i>	1 January 2009
Interpretation 10: <i>Interim Financial Reporting and Impairment</i>	1 November 2006
Interpretation 11: <i>AASB 2 - Group and Treasury Share Transactions</i>	1 March 2007
Interpretation 12: <i>Service Concession Arrangements</i>	1 January 2008
Interpretation 129: <i>Service Concession Arrangements (revised)</i>	1 January 2008

**PROSTITUTION LICENSING AUTHORITY**  
***NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2006-07***

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It is anticipated that the above Standards and Interpretations are either not applicable to the PLA or adoption of them in future periods will have no material financial impact on the PLA financial statements.

**PROSTITUTION LICENSING AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2006-07**

	2007	2006
	\$	\$
<b>2. User charges and fees</b>		
Fees for licences granted	370,847	277,869
Fees for licence applications	74,207	51,738
Fees for certificates granted	2,118	2,073
Fees for certificate applications	54,464	47,571
Other fees	1,107	1,482
<b>Total</b>	<u>502,743</u>	<u>380,733</u>
<b>3. Grants and Other Contributions</b>		
Government operating grant	574,000	376,000
	<u>574,000</u>	<u>376,000</u>
<b>4. Other Revenue</b>		
Interest	61,050	39,919
Sale of equipment	-	1,016
Other	-	4,930
<b>Total</b>	<u>61,050</u>	<u>45,865</u>
<b>5. Gains</b>		
Gain on Sale of Property, Plant and Equipment	-	-
Plant and equipment	-	1,500
<b>Total</b>	<u>-</u>	<u>1,500</u>

**PROSTITUTION LICENSING AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2006-07**

**6. Employee Expenses**

<b>Employee Benefits</b>		
Wages and salaries	560,323	521,620
Employer superannuation contributions*	65,893	61,184
Long service leave levy*	9,606	8,968
Other	12,317	17,107
<b>Total</b>	<b>648,139</b>	<b>608,879</b>
<b>Employee Related Expenses</b>		
Workers' compensation premium *	1,454	1,435
<b>Total Employee Expenses</b>	<b>649,593</b>	<b>610,314</b>

\* Costs of workers' compensation insurance are a consequence of employing employees, but are not counted in employees' total remuneration package. They are not employee benefits, but rather employee related expenses. Employer superannuation contributions and the long service leave levy are regarded as employee benefits.

The number of employees including both full-time employees and part-time employees measured on a full-time equivalent basis is:

Number of Employees:	8	8
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**7. Supplies and Services**

Contractors	26,761	39,319
Materials	30,004	58,181
Travel	12,475	7,593
Repairs and maintenance	18,432	17,199
Communications	16,136	14,121
Department of Police corporate service charges	22,400	20,000
Public utilities	10,245	10,245
Professional development	823	2,971
Assets not capitalised	-	15,068
Other	33,553	44,186
<b>Total</b>	<b>170,867</b>	<b>220,881</b>

**PROSTITUTION LICENSING AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2006-07**

	2007 \$	2006 \$
<b>8. Depreciation</b>		
Depreciation was incurred in respect of Plant and equipment	26,714	28,837
<b>Total</b>	<b>26,714</b>	<b>28,837</b>
<b>9. Other Expenses</b>		
Insurance premiums - QGIF	1,568	1,560
Insurance premiums - Other	3,431	1,677
Auditor's remuneration - external audit services	9,100	10,000
Chairman and Members' fees	43,008	44,392
Losses from disposal of property, plant and equipment	1,603	5,437
Other	71	394
<b>Total</b>	<b>58,831</b>	<b>63,860</b>

Total external audit fees relating to the 2006-07 financial year are estimated to be \$9,100 (2006: \$10,000). There are no non-audit services included in this amount.

**10. Cash and Cash Equivalents**

Imprest account	300	300
Cash at bank	531,711	531,645
<b>Total</b>	<b>534,011</b>	<b>531,945</b>

The total for cash assets reconciles to cash at the end of the financial year as disclosed in the Cash Flow Statement.

Cash deposited in the Queensland Treasury Cash Management Incentive Regime from 1 July 2006 to 30 September 2006 earned interest at the rate of 4.96%. (2006: 4.59% to 4.66% - 1 July 2005 to 30 June 2005)

Cash deposited with the Commonwealth Bank of Australia from 1 August 2006 to 30 June 2007 earned interest at the rate of 5.10%.

**PROSTITUTION LICENSING AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2006-07**

	2007 \$	2008 \$
<b>11. Receivables</b>		
<b>Current</b>		
GST receivable	7,195	4,692
Interest receivable	4,254	7,469
<b>Total</b>	<u>11,449</u>	<u>12,161</u>
<b>12. Other Current Assets</b>		
Prepayments	1,824	1,689
<b>Total</b>	<u>1,824</u>	<u>1,689</u>
<b>13. Property, Plant and Equipment</b>		
Plant and equipment		
At cost:	314,815	288,665
Less: Accumulated depreciation	(145,770)	(119,057)
<b>Total</b>	<u>169,045</u>	<u>149,608</u>

**Asset Reconciliation**

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

	Plant and Equipment 2007 \$
Carrying amount at 1 July	149,608
Acquisitions	72,527
Disposals	(28,376)
Depreciation	(25,714)
Carrying amount at 30 June	<u>169,045</u>

The PLA has plant and equipment with an original cost of \$27,327 and a written down value of zero still being used in the provision of services. This asset is expected to be replaced in 2007-08.

**PROSTITUTION LICENSING AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2006-07**

	2007	2006
	\$	\$
<b>14. Payables</b>		
<b>Current</b>		
Trade creditors and accruals	33,006	25,821
Other	-	187
<b>Total</b>	<u>33,006</u>	<u>26,008</u>
<b>15. Accrued Employee Benefits</b>		
<b>Current</b>		
Recreation leave	63,465	43,030
Long service leave levy payable	717	181
Wages outstanding	40,890	10,325
Other	8,126	4,956
<b>Total</b>	<u>113,298</u>	<u>58,492</u>
<b>Non-Current</b>		
Recreation leave	18,597	27,652
<b>Total</b>	<u>18,597</u>	<u>27,652</u>

The discount rates used to calculate the present value of non-current annual leave are 6.4414% and 6.4464% (2006: 5.3412% and 5.3571%).

<b>16. Other Current Liabilities</b>		
<b>Fees received in advance*</b>		
Fees for licences received in advance	215,347	144,723
Fees for certificates received in advance	812	409
	<u>215,959</u>	<u>145,132</u>
<b>Unearned grant revenue<sup>†</sup></b>	170,000	-
<b>Total</b>	<u>385,959</u>	<u>145,132</u>

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

<sup>†</sup>Unearned grant revenue is for a research program that was due to commence during 2006-07 but will now commence in 2007-08.

**PROSTITUTION LICENSING AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2006-07**

	2007	2006
	\$	\$
<b>17. Reconciliation of Operating Surplus/(Deficit) to Net Cash Provided by (Used in) Operating Activities</b>		
Operating surplus/(deficit)	87,350	(266,440)
Depreciation	26,714	28,837
Loss on sale of property, plant and equipment	1,600	5,437
Gain on sale of property, plant and equipment	-	(1,500)
Property, plant and equipment written off	-	577
Change in operating assets and liabilities:		
(Increase)/decrease in GST input tax credits receivable	(2,503)	(1,867)
(Increase)/decrease in other receivables	3,215	1,848
(Increase)/decrease in prepayments	(135)	(129)
Increase/(decrease) in fees received in advance	70,827	(10,772)
Increase/(decrease) in payables	6,908	(16,957)
Increase/(decrease) in accrued employee benefits	45,752	(23,925)
Increase/(decrease) in unearned grant revenue	170,000	-
<b>Net cash provided by (used in) operating activities</b>	<b>409,820</b>	<b>(264,890)</b>
<b>18. Commitments for Expenditure</b>		
<b>Non-Cancellable Operating Lease</b>		
Commitments under operating leases at reporting date are inclusive of anticipated GST and are payable as follows:		
Not later than one year	154,050	158,824
Later than one year and not later than five years	-	154,050
Later than five years	-	-
<b>Total commitments</b>	<b>154,050</b>	<b>312,874</b>

The operating leases expired during the 2004-2005 financial year. The PLA has exercised the option to continue the tenancy for a further three years.

**PROSTITUTION LICENSING AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2006-07**

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**18. Commitments for Expenditure cont'd**

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.

**19. Contingencies**

**(a) Guarantees and undertakings**

The PLA had provided no guarantees or undertakings at 30 June 2007.

**(b) Litigation in progress**

There are no known contingent assets or liabilities of a significant nature at 30 June 2007.

**20. Events Occurring after Balance Date**

There are no events occurring after balance date that materially affect the financial statements at 30 June 2007.

**21. Financial Instruments**

The Authority has categorised the financial assets and financial liabilities held as:

<b>Financial Assets</b>	<b>Category</b>
Cash	
Receivables	Loans and receivables (at nominal value)
<b>Financial Liabilities</b>	
Payables	Financial liability not at fair value through the Profit and Loss (at nominal value)

Financial assets and financial liabilities are presented separately from each other, offsetting has not been applied.

**PROSTITUTION LICENSING AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2006-07**

**21. Financial Instruments cont'd**

*Financial Risk Management*

The PLA's activities expose it to a variety of financial risks – interest rate risk, credit risk and liquidity risk. There is no exposure to currency risk as the PLA operates nationally and does not trade in foreign currency.

Financial risk management is implemented pursuant to the PLA's policy, which seeks to minimise potential adverse effects on the financial performance of the PLA.

The PLA measures risk exposure using a variety of methods as follows -

Risk exposure	Measurement method
Interest rate risk	Modified Macaulay duration
Liquidity risk	Sensitivity analysis
Credit Risk	Ageing analysis, earnings at risk

*Cash Flow and Fair Value Interest Rate Risk*

The PLA is exposed to interest rate risk through deposits in the interest bearing account. Details are disclosed in liquidity risk.

The variable rate exposes the PLA to cash flow risk.

*Credit Risk*

Credit risk exposure refers to the situation where the PLA may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.

The PLA manages credit risk through the use of the Credit Management Strategy. This strategy aims to reduce the exposure to credit default by ensuring that the PLA invests in secure assets and monitors all funds owed on a timely basis, including that it has sufficient funds available to meet obligations at all times. Exposure to credit risk is monitored on a regular basis.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment.

No significant credit risks have been identified, as exposure is spread over a large number of counterparties and customers.

No collateral is held as security relating to the financial assets held by the PLA. No credit enhancements relate to the financial assets held by the PLA.

**PROSTITUTION LICENSING AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2006-07**

**21. Financial Instruments cont'd**

The following table represents the PLA's maximum exposure to credit risk:

	<b>Maximum Exposure to Credit Risk</b>	
	<b>2007</b>	<b>2006</b>
<b>Financial Assets</b>	<b>\$</b>	<b>\$</b>
Cash	894,011	531,945
Receivables	11,449	12,162
<b>Total</b>	<b>905,460</b>	<b>544,107</b>

*Past Due or Impaired*

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired.

All receivables are due within 30 days

Financial assets past due but not impaired are disclosed in the Credit, Liquidity and Interest Risk table at the end of this note.

*Impaired Financial Assets*

The PLA does not have any impaired financial assets.

*Liquidity Risk*

Liquidity risk refers to the situation where the PLA may encounter difficulty in meeting obligations associated with financial liabilities.

The PLA is exposed to liquidity risk through its trading in the normal course of business.

The PLA aims to reduce the exposure to liquidity risk by ensuring the PLA has sufficient funds available to meet employee liabilities, supplier liabilities and other obligations at all times. This is achieved by ensuring that appropriate levels of cash are held in our bank account so as to match the expected duration of the various employee liabilities, supplier liabilities and fees received in advance for brothel licences and managers' certificates.

**PROSTITUTION LICENSING AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2006-07**

**21. Financial Instruments cont'd**

The following table sets out the liquidity risk of financial liabilities held by the PLA

**Contractual maturity of financial liabilities**

	<1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total Financial Liabilities
	\$	\$	\$	\$	\$	\$	\$
2007	21,000	-	-	-	-	-	21,000
2006	20,000	-	-	-	-	-	20,000

**Fair Value**

The fair value of financial assets and liabilities is determined as follows:

- The fair value of cash assets, receivables and payables approximate their carrying amounts and are not disclosed separately.
- The fair value of prepayments is represented by the book value as the period of time to consumption is short and there are no rates involved in the calculation, therefore they are not disclosed separately.

The PLA does not have any financial assets that are available for sale nor does it offset any assets and liabilities

The following table sets out the credit, liquidity and interest risks of financial instruments held by the PLA in a format as set out below provided to management. The maturity amounts relate to the actual contractual payments before net present value calculation, with the associated adjustment back to book value disclosed.

**Credit, Liquidity and Interest Risk Tables**  
Maturity Date:

	Floating rate	Less than 1 month	1-3 months	3 months to 1 year	1 to 5 years	Greater than 5 years	Adjustment	Carrying amount	Weighted Average Rate:	%
<b>Financial Assets</b>										
Non-interest bearing		11,749	-	-	-	-	-	11,749	NA	
Variable interest rate	893,711	-	-	-	-	-	-	893,711	6.10%	
<b>Total</b>	<b>893,711</b>	<b>11,749</b>						<b>905,461</b>		
<b>Financial Liabilities</b>										
Non-interest bearing		33,008	-	-	-	-	-	33,008	NA	
<b>Total</b>		<b>33,008</b>						<b>33,008</b>		

**Credit, Liquidity and Interest Risk Tables**  
Maturity Date:

	Floating rate	Less than 1 month	1-3 months	3 months to 1 year	1 to 5 years	Greater than 5 years	Adjustment	Carrying amount	Weighted Average Rate:	%
<b>Financial Assets</b>										
Non-interest bearing		12,462	-	-	-	-	-	12,462	NA	
Variable interest rate	531,645	-	-	-	-	-	-	531,645	4.63%	
<b>Total</b>	<b>531,645</b>	<b>12,462</b>						<b>544,107</b>		
<b>Financial Liabilities</b>										
Non-interest bearing		26,008	-	-	-	-	-	26,008	NA	
<b>Total</b>		<b>26,008</b>						<b>26,008</b>		

**PROSTITUTION LICENSING AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2006-07**

**22. Remuneration of Board Members**

Remuneration received, or due and receivable by Board Members from the PLA in

	2007	2006
The number of responsible persons whose remuneration from the PLA was within the		
Nil	4	3
\$* - \$10,000	4	4
\$30,000* - \$40,000	1	1

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

	\$
Marus Boyce - Chairman	36,600
Mr L Pollard	1,998
Ms A Bennison	1,776
Ms L Palmer AM*	-
Ms A Murphy	1,776
Dr D Rowling	-
Ms W Edmond†	888
Assistant Commissioner G J McDonnell (QPS)	-
Mr J Callinan (Crime and Misconduct Commission)	-
<b>Total remuneration</b>	<b><u>43,038</u></b>

\* Ms L Palmer AM (retired PLA Member - August 2006)

† Ms W Edmond was appointed February 2007



#### **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 2007 and of the financial position of the Prostitution Licensing Authority at the end of that year.

**JAN JOHNS**  
Executive Director  
21 September 2007

**MANUS BOYCE**  
Chairman  
21 September 2007

## INDEPENDENT AUDITOR'S REPORT

To the Board of the Prostitution Licensing Authority

### Matters Relating to the Electronic Presentation of the Audited Financial Report

The audit report relates to the financial report of Prostitution Licensing Authority for the financial year ended 30 June 2007 included on Prostitution Licensing Authority web site. The Prostitution Licensing Authority is responsible for the integrity of the Prostitution Licensing Authority web site. We have not been engaged to report on the integrity of the Prostitution Licensing Authority web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from Prostitution Licensing Authority, to confirm the information included in the audited financial report presented on this web site.

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

### Report on the Financial Report

I have audited the accompanying financial report of Prostitution Licensing Authority which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and certificates given by the Chairman and the Executive Director of the Prostitution Licensing Authority for the year ended 30 June 2007.

#### *The Authority's Responsibility for the Financial Report*

The Authority is responsible for the preparation and fair presentation of the financial report in accordance with prescribed accounting requirements identified in the *Financial Administration and Audit Act 1977* and the *Financial Management Standard 1997*, including compliance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with *Auditor-General of Queensland Auditing Standards*, which incorporate the *Australian Auditing Standards*. These Auditing Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by the Prostitution Licensing Authority, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### *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 Queensland 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 audit 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.

#### *Auditor's Opinion*

In accordance with s 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 financial report has 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 2006 to 30 June 2007 and of the financial position as at the end of that year.



M Reardon CPA  
as Delegate of the Auditor-General of Queensland



Queensland Audit Office  
Brisbane