

AUSTRALIAN RESEARCH COUNCIL

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AUSTRALIAN RESEARCH COUNCIL

Section 1: Overview

The Australian Research Council (ARC) was established under the *Australian Research Council Act 2001* on 1 July 2001.

The mission of the ARC is to:

“Advance Australia’s research excellence to be globally competitive and deliver benefits to the community”.

The role of the ARC is to advise the Government on research funding and policy and, through its management of the National Competitive Grants Programme, to promote the conduct of research and research training that is of the highest quality for the benefit of the Australian community.

1.1 SUMMARY OF AGENCY CONTRIBUTIONS TO OUTCOMES

The products and services delivered by the agency (outputs and administered policies, products and services) which contribute to achievement of outcomes for the ARC are summarised in Table 1.1.

Table 1.1: Contribution to outcomes

Outcome	Description	Output groups
Outcome 1		
Australian research that advances the global knowledge and skills base leading to economic, social, cultural and environmental benefits for the Australian community.	The Australian Government’s investment in research and research training that is administered by the ARC supports the Government’s commitment to three key elements of the process of innovation: strengthening Australia’s ability to generate ideas and undertake research; accelerating the commercial application of these ideas; and developing and retaining Australian skills.	Output Group 1.1- Competitive research schemes

Section 2: Resources for 2007-08

2.1 APPROPRIATIONS AND OTHER RESOURCES

Table 2.1 shows the total resources from all origins for 2007-08, including appropriations. The table summarises how resources will be applied by outcome, administered and departmental classification.

The total appropriation for the agency in the 2007-08 Budget is \$588.976 million.

Table 2.1: Appropriations and other resources 2007-08 ('000)

Outcome	Appropriations			Receipts	Total
	Bill No. 1 \$'000	Bill No. 2 \$'000	Special \$'000	(a)	\$'000
Outcome 1- Australian research that advances the global knowledge and skills base leading to economic, social, cultural and environmental benefits for the Australian community.					
Administered	-	-	571,800	1,925	573,725
Departmental	15,251	-	-	-	15,251
Total Outcome 1	15,251	-	571,800	1,925	588,976
Total	15,251	-	571,800	1,925	588,976

(a) Departmental and administered receipts from other sources (i.e. other than appropriation amounts) that are available to be used.

Notes:

1. Refer to Budgeted Income Statement for application of agency revenue.

2.2 2007-08 BUDGET MEASURES

The ARC has no new Budget measures in the 2007-08 Budget therefore Table 2.2 is not presented.

2.3 OTHER RESOURCES AVAILABLE TO BE USED

Table 2.3 provides details of resources obtained by the ARC for provision of goods or services. These resources are approved for use by the ARC, but not included in Table 2.1, because resources received free of charge in Table 2.3 is on an accrual basis only and no cash is received.

Table 2.3: Other resources available to be used¹

	Estimated receipts 2006-07 \$'000	Budget estimate 2007-08 \$'000
Departmental resources		
Resources received free of charge ²	86	86
Total departmental other resources available to be used	86	86

Notes:

¹ This table represents own source receipts available for spending on departmental purposes.

² Resources received free of charge represent the costs incurred by The Australian National Audit Office in undertaking the annual audit of the ARC's Financial Statements.

2.4 MOVEMENT OF ADMINISTERED FUNDS

The ARC did not apply for movement of administered funds from 2006-07 to 2007-08 therefore Table 2.4 is not presented.

2.5 SPECIAL APPROPRIATIONS

Table 2.5: Estimates of expenses from special appropriations

	Outcome	Note	Estimated expenses 2006-07 \$'000	Budget estimate 2007-08 \$'000
Estimated expenses				
Financial assistance for approved research Programmes - s57 ARC Act 2001 (A)	1	1	566,983	577,588
Repayments required or permitted by law (where no other appropriation for repayment exists) - s28 (2) FMA Act 1997 (D)	1		0	0
Total estimate expenses			566,983	577,588

D = Departmental A = Administered

1. The estimated expenses are higher than special appropriation figures in Table 3.1 due to the timing of the recognition of grant expenses and liabilities under the ARC's accounting policies. The accounting policy for grant expense and liability can be found in note 3 under section 5.3.

Acts Glossary:

ARC Act 2001 = *Australian Research Council Act 2001*

FMA Act 1997 = *Financial Management and Accountability Act 1997*

2.6 MOVEMENTS IN SPECIAL ACCOUNTS

Special accounts provide a means to set aside and record amounts used for specified purposes. Table 2.6 shows the expected additions (credits) and reductions (debits) for each account used by the ARC for 2007-08.

Table 2.6: Estimates of Special Account cash flows and balances

	Opening balance 2007-08 2006-07 \$'000	Credits 2007-08 2006-07 \$'000	Debits 2007-08 2006-07 \$'000	Adjustments 2007-08 2006-07 \$'000	Closing balance 2007-08 2006-07 \$'000
Outcome 1					
ARC Research Endowment Account - <i>Australian Research Council Act 2001 s62 (A)</i>	2,123 1,123	1,925 2,025	2,025 1,025	0 0	2,023 2,123
Total special accounts					
2007-08 Budget estimate	2,123	1,925	2,025	0	2,023
Total special accounts 2006-07 estimate actual	1,123	2,025	1,025	0	2,123

A= Administered

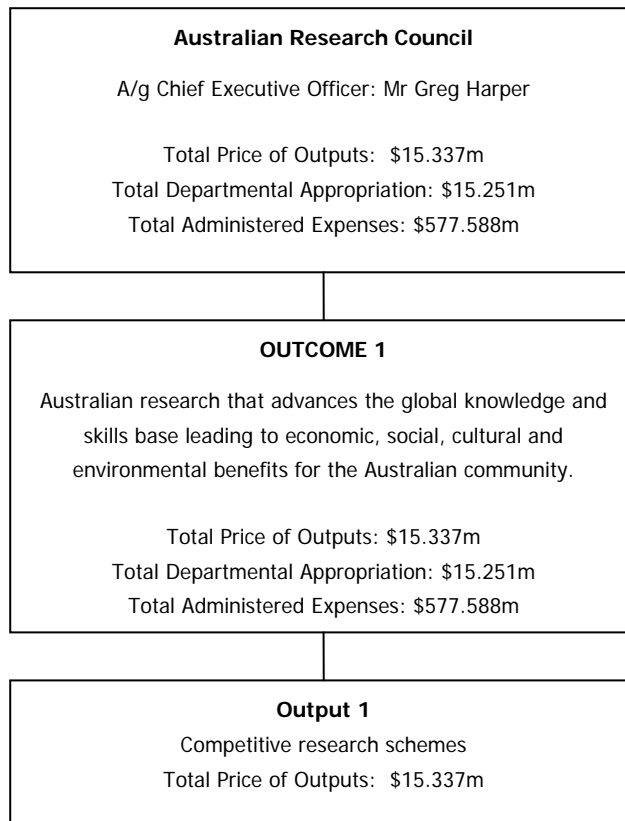
Section 3: Outcomes

This section summarises how the resources identified in Section 2 will be used to contribute to the one outcome for the ARC. Emphasis is placed on estimating the contribution to outcomes through administered items and outputs delivered by the agency. Key performance measures and performance evaluation activities are specified for each outcome.

3.1 SUMMARY OF OUTCOMES AND CONTRIBUTION TO OUTCOMES

The relationship between activities of the ARC and the outcomes is summarised in Figure 4.

Figure 4: Contributions to outcomes



3.2 OUTCOME RESOURCES AND PERFORMANCE INFORMATION

Outcome 1 resourcing

Table 3.1 shows how the 2007-08 Budget appropriations translate to total resourcing for outcome 1, including administered expenses, revenue from government (appropriation), revenue from other sources, and the total price of outputs including resources received free of charge.

Table 3.1: Total resources for Outcome 1 (\$'000)

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000
Administered appropriations		
Special appropriation under the <i>Australian Research Council Act 2001</i>	570,302	571,800
Administered receipts from special accounts	2,025	1,925
Total administered appropriations	572,327	573,725
Departmental appropriations		
Output Group 1.1	14,922	15,251
Total revenue from government (appropriations) Contributing to price of departmental outputs	14,922	15,251
Revenue from other sources		
Output 1.1	86	86
Total revenue from other sources	86	86
Total price from departmental outputs (Total revenue from government and from other sources)	15,008	15,337
Total estimated resourcing for Outcome 1 (Total price of outputs and administered appropriations)	587,335	589,062
	2006-07	2007-08
Average staffing level (number)	72	74

Measures affecting Outcome 1

The ARC has no new measures for Outcome 1 in the 2007-08 Budget.

Contributions to achievement of Outcome 1

The Australian Government's investment in research and research training that is administered by the ARC supports the Government's commitment to three key elements of the process of innovation, as identified in the Government's Backing Australia's Ability statements – Backing Australia's Ability: An Innovation Action Plan for the Future (released in January 2001), and Backing Australia's Ability: Building our future through science and innovation (released in May 2004). The three elements are:

- strengthening Australia's ability to generate ideas and undertake research;
- accelerating the commercial application of these ideas; and
- developing and retaining Australian skills.

The Australian Government's investment in research supports the generation of new knowledge and skills that are necessary to sustain innovation and the development of new businesses and jobs on which Australia's prosperity and living standards depend. It contributes to maintaining and improving the quality of Australian life through advances in the social and cultural spheres and environmental sustainability.

The Australian Government's investment in research also encourages researchers to interact with businesses, industry and public sector and community organisations, facilitating the flow of people, knowledge and expertise, both locally and internationally.

The Australian Government's specific investment in research training supports the development of highly trained personnel, who are necessary for Australia's research system to operate at a competitive level globally and for the ongoing renewal of that system.

Administered activities

The ARC's Administered Items consist of a number of competitive funding schemes for research and research training (principally in universities). Together, these schemes constitute the ARC's National Competitive Grants Programme (NCGP).

The Discovery element of the NCGP provides Australia's best and most promising researchers with open and transparent access to funding support, and offers incentives for researchers to build the scale of their work, develop teams and support the growth of networks of research excellence. It supports the development of young researchers and the testing of new, innovative ideas and research techniques.

ARC Budget Statement: Outcomes

The Linkage element of the NCGP encourages collaborative research, both nationally and internationally, between universities, businesses, industry and Government and community organisations. It also funds investment in strategic national research infrastructure and access to major international research facilities. The Linkage element also funds the Centres and Networks schemes which support research requiring significant national and international collaboration. They encourage the growth of clusters and networks of research and research training as platforms for innovation.

Departmental outputs

The ARC has one output group – programme management of the ARC's competitive research schemes.

Performance information for Outcome 1

Performance information for administered items, individual outputs and output groups relating to the ARC are summarised in Table 3.2.

Under the *Australian Research Council Act 2001* (ARC Act), the ARC's strategic plan must include indicators for assessing the ARC's performance. The indicators identified in the ARC's Strategic Plan are outlined below. In accordance with the ARC Act, the ARC will report against these indicators in its annual report.

The ARC's effectiveness in achieving its outcome and mission will be demonstrated by evidence of:

- Australia's achieving high levels of research excellence and building world-class research capability in a range of research areas; and
- the benefits (economic, social, cultural and environmental) that are delivered to the community through the adoption of the outcomes of ARC-funded research.

Table 3.2: Performance information for Outcome 1

KPI.1	Research funded through the National Competitive Grants Programme produces high quality outputs and outcomes in public and private enterprises
KPI.2	Development, attraction and retention of high-quality researchers across disciplines, able to pursue careers within universities, industry, government and other sectors of the economy
KPI.3	A high incidence of collaboration between ARC-funded researchers and those within other sectors of the national and international innovation system including innovative companies
KPI.4	Increase in the scale of research activities supported through the National Competitive Grants Programme
KPI.5	Contribution of ARC-funded research to the development of research strengths and applications in areas of national need
KPI.6	Appropriate level of access for Australian researchers (including those in higher education institutions, government research organisations and industry) to high-quality facilities and equipment (including major research facilities located overseas)
KPI.7	Transfer of knowledge to users as shown by trends in knowledge transfer, utilisation and intellectual property measures
KPI.8	Enhanced stakeholder awareness of and satisfaction with the outcomes of ARC-funded research
KPI.9	Stakeholder satisfaction with the flexibility and responsiveness of the National Competitive Grants Programme and with ARC processes for administering grants and applications
KPI.10	Ministerial and Parliamentary satisfaction with the performance of the ARC against its accountability and governance requirements

Evaluations for Outcome 1

The ARC's ongoing programme of evaluation includes:

- the monitoring and reporting of performance against the performance indicators identified in the strategic plan;
- monitoring the progress and research outcomes of individual research projects based on reports provided by the researchers involved (to ensure research is high-quality and has maximum impact);
- monitoring and review of business assurance activities; and
- an annual cycle of staff performance planning and evaluation.

The ARC is developing, in consultation with other agencies, an evaluation plan that will enable it to support the cross-portfolio evaluation of Backing Australia's Ability, which will commence in 2007-08.

Section 4: Other reporting requirements

4.1 PURCHASER-PROVIDER ARRANGEMENTS

The ARC is not involved in any purchaser-provider arrangements where the outputs of one agency are purchased by another to contribute to the former's specified outcomes.

4.2 COST RECOVERY ARRANGEMENTS

The ARC does not have any cost recovery arrangements.

4.3 AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE (AGIE)

Table 4.1: Australian Government Indigenous Expenditure

Outcome	Appropriations				Other \$'000	Total \$'000
	Bill	Bill	Special	Total		
	No. 1 \$'000	No. 2 \$'000	Approp \$'000	Approp \$'000		
Outcome 1						
Australian research that advances the global knowledge and skills base leading to economic, social, cultural and environmental benefits for the Australian community.						
Administered 2007-08			626	626		626
<i>Administered 2006-07</i>			590	590		590
Departmental 2007-08						
<i>Departmental 2006-07</i>						
Total Outcome 2007-08			626	626		626
<i>Total Outcome 2006-07</i>			590	590		590
Total AGIE 2007-08			626	626		626
<i>Total AGIE 2006-07</i>			<i>590</i>	<i>590</i>		<i>590</i>

Section 5: Budgeted financial statements

5.1: ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Budgeted Departmental Statement of Financial Performance

The ARC is budgeting for a break-even operating result for 2007-08.

Total revenue in 2007-08 is estimated to be \$15.337 million, representing an increase of \$0.329 million (or 2 per cent) from the 2006-07 estimated actual.

Budgeted Departmental Statement of Financial Position

The ARC's budgeted net asset position of \$7.796 million is unchanged from the 2006-07 estimated actual.

The ARC's major assets in 2007-08 are: \$1.762 million in land and buildings representing the fitout of new office accommodation in 2006-07; \$4.040 million in intangibles mainly reflecting the development of new grant management software; and \$4.785 million in financial assets indicating the estimated appropriation receivable and cash balance.

The ARC's primary liability continues to be accrued employee entitlements which are estimated to increase in 2007-08 to \$2.064 million.

Budgeted Departmental Statement of Cash Flows

The higher appropriations drawdown in 2006-07 and 2007-08 reflects the one-off additional cash requirements for the replacement grant management software capital project.

Departmental Statement of Changes in Equity

The ARC's budgeted equity position of \$7.796 million is unchanged from the 2006-07 estimated actual.

Departmental Capital Budget Statement

The estimates in this table represent the ARC's capital expenditure programme in relation to the replacement and development of software assets.

ARC Budget Statement: Budgeted financial statements

Departmental Non-Financial Assets – Summary of Movement

The purchases of non-financial assets reflect the capital expenditure programme as mentioned above.

Schedule of Budgeted Revenues and Expenses Administered on behalf of Government

The ARC will manage \$577.588 million in grant expenses on behalf of the Government, representing new and ongoing research funding agreements awarded under the National Competitive Grants Programme. Administered expenses differ from special appropriation revenue due to the timing of recognition of grant expenses and liabilities under the ARC's accounting policies.

Schedule of Budgeted Assets and Liabilities Administered on behalf of Government

Total administered assets are estimated to be \$2.023 million in 2007-08, representing the balance of the ARC Research Endowment Account held for jointly funded projects with other research funding bodies.

The estimated liability balance of \$233.478 million in 2007-08 represents the balance of payments under research funding agreements for new and ongoing research projects for calendar year 2008.

5.2: BUDGETED FINANCIAL STATEMENTS TABLES

Table 5.1: Budgeted departmental income statement for the period ended 30 June

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
INCOME					
Revenue					
Revenues from Government	14,922	15,251	15,359	15,509	15,642
Total revenue	14,922	15,251	15,359	15,509	15,642
Gains					
Other	86	86	86	86	88
Total gains	86	86	86	86	88
Total income	15,008	15,337	15,445	15,595	15,730
EXPENSE					
Employees	7,408	7,900	8,173	8,456	8,803
Suppliers	7,066	6,747	6,396	6,225	5,970
Depreciation and amortisation	534	690	876	914	957
Total expenses	15,008	15,337	15,445	15,595	15,730
Net surplus or (deficit) attributable to the Australian Government	0	0	0	0	0

ARC Budget Statement: Budgeted financial statements

Table 5.2: Budgeted departmental balance sheet (as at 30 June)

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
ASSETS					
Financial assets					
Cash and equivalents	200	200	200	200	200
Trade and other Receivables	5,461	4,585	5,377	6,210	7,086
Total financial assets	5,661	4,785	5,577	6,410	7,286
Non-financial assets					
Land and buildings	1,992	1,762	1,526	1,282	1,028
Infrastructure, plant and equipment	596	536	474	409	343
Intangibles	2,682	4,040	3,723	3,379	3,003
Other	68	68	68	68	68
Total non-financial assets	5,338	6,406	5,791	5,138	4,442
Total assets	10,999	11,191	11,368	11,548	11,728
LIABILITIES					
Provisions					
Employees	1,887	2,064	2,241	2,421	2,601
Other	185	185	185	185	185
Total provisions	2,072	2,249	2,426	2,606	2,786
Payables					
Suppliers	171	186	186	186	186
Other	960	960	960	960	960
Total payables	1,131	1,146	1,146	1,146	1,146
Total liabilities	3,203	3,395	3,572	3,752	3,932
Net assets	7,796	7,796	7,796	7,796	7,796
EQUITY*					
Parent entity interest					
Contributed equity	4,686	4,686	4,686	4,686	4,686
Reserves	19	19	19	19	19
Retained surpluses	3,091	3,091	3,091	3,091	3,091
Total parent entity interest	7,796	7,796	7,796	7,796	7,796
Total equity	7,796	7,796	7,796	7,796	7,796
Current assets	5,729	4,853	5,645	6,478	7,354
Non-current assets	5,270	6,338	5,723	5,070	4,374
Current liabilities	1,915	1,996	2,048	2,102	2,156
Non-current liabilities	1,288	1,399	1,524	1,650	1,776

*Note: 'equity' is the residual interest in assets after deduction of liabilities.

Table 5.3: Budgeted departmental statement of cash flows for the period ended 30 June

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	15,949	16,127	14,567	14,676	14,766
Other	661	639	607	583	558
Total cash received	16,610	16,766	15,174	15,259	15,324
Cash used					
Employees	7,253	7,723	7,996	8,274	8,623
Suppliers	7,652	7,285	6,917	6,724	6,440
Total cash used	14,905	15,008	14,913	14,998	15,063
Net cash from or (used by) operating activities	1,705	1,758	261	261	261
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	1,611	1,758	261	261	261
Total cash used	1,611	1,758	261	261	261
Net cash from or (used by) investing activities	(1,611)	(1,758)	(261)	(261)	(261)
Net increase or (decrease) in cash held					
	94	0	0	0	0
Cash at the beginning of the reporting period	106	200	200	200	200
Cash at the end of the reporting period	200	200	200	200	200

Table 5.4: Departmental statement of changes in equity – summary of movement (Budget year 2007-08)

	Retained earnings	Asset revaluation reserve	Other reserves	Contributed equity/capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2007					
Balance carried forward from previous period	3,091	19	0	4,686	7,796
Adjusted opening balance	3,091	19	0	4,686	7,796
Estimated closing balance as at 30 June 2008	3,091	19	0	4,686	7,796

Table 5.5: Departmental capital budget statement

	Estimated Actual 2006-07	Budget Estimate 2007-08	Forward Estimate 2008-09	Forward Estimate 2009-10	Forward Estimate 2010-11
	\$'000	\$'000	\$'000	\$'000	\$'000
PURCHASE OF NON-FINANCIAL ASSETS					
Funded internally by					
Departmental resources	1,611	1,758	261	261	261
Total	1,611	1,758	261	261	261

**Table 5.6: Departmental property, plant, equipment and intangibles — summary of movement
(Budget year 2007-08)**

	Buildings \$'000	Other infrastructure plant and equipment \$'000	Computer software \$'000	Total \$'000
As at 1 July 2007				
Gross book value	2,447	909	3,004	6,360
Accumulated depreciation	455	313	322	1,090
Opening net book value	1,992	596	2,682	5,270
Additions:				
by purchase	30	31		61
internally developed			1,697	1,697
Depreciation/amortisation expense	260	91	339	690
As at 30 June 2008				
Gross book value	2,477	940	4,701	8,118
Accumulated depreciation	715	404	661	1,780
Estimated closing net book value	1,762	536	4,040	6,338

Table 5.7: Schedule of budgeted income and expenses administered on behalf of government for the period ended 30 June

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Total income administered on behalf of Government	0	0	0	0	0
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Grants	566,983	577,588	592,447	605,473	614,925
Total expenses administered on behalf of Government	566,983	577,588	592,447	605,473	614,925

Table 5.8: Schedule of budgeted assets and liabilities administered on behalf of government (as at 30 June)

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash	2,123	2,023	2,023	1,098	1,098
Receivables	74	74	74	74	74
Total financial assets	2,197	2,097	2,097	1,172	1,172
Total assets administered on behalf of Government	2,197	2,097	2,097	1,172	1,172
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Payables					
Grants	227,664	233,352	240,920	246,470	251,852
Total liabilities administered on behalf of Government	227,664	233,352	240,920	246,470	251,852

ARC Budget Statement: Budgeted financial statements

Table 5.9: Schedule of budgeted administered cash flows for the period ended 30 June

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
OPERATING ACTIVITIES					
Cash received					
Net GST received	3,350	3,350	3,350	3,350	3,350
Total cash received	3,350	3,350	3,350	3,350	3,350
Cash used					
Grant payments	571,327	573,825	586,804	600,923	610,543
Net GST paid	3,350	3,350	3,350	3,350	3,350
Total cash used	574,677	577,175	590,154	604,273	613,893
Net cash from or (used by) operating activities	(571,327)	(573,825)	(586,804)	(600,923)	(610,543)
Net increase or (decrease) in cash held					
	(571,327)	(573,825)	(586,804)	(600,923)	(610,543)
Cash at beginning of reporting period	1,595	2,123	2,023	2,023	1,098
Cash from Official Public Account for:					
- appropriations	570,302	571,800	584,879	598,998	609,543
- special accounts	2,025	1,925	1,925	1,000	1,000
Cash to Official Public Account for:					
- appropriations	472	0	0	0	0
- special accounts	0	0	0	0	0
Cash at end of reporting period	2,123	2,023	2,023	1,098	1,098

ARC Budget Statement: Budgeted financial statements

Table 5.10: Schedule of administered capital budget

The ARC has no administered capital therefore Table 5.10 is not presented.

Table 5.11: Schedule of administered property, plant, equipment and intangibles – summary of movement (Budget Year 2007-08)

The ARC has no administered property, plant, equipment and intangibles therefore Table 5.11 is not presented.

5.3 NOTES TO THE FINANCIAL STATEMENTS

Note 1: Intangibles.

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

Note 2: Employee entitlements.

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

Note 3: Grants.

The ARC administers a number of grant schemes on behalf of the Government.

Grant liabilities are recognised to the extent that the grant eligibility criteria or reporting requirements have been satisfied. A commitment is recorded when the Government enters into an agreement to make these grants, but services have not been performed or criteria satisfied.