





Chapter 5
Financial
performance

Summary of financial performance

Tables 14–16 give an overview of APVMA financial performance for 2016–17. Full details are in the audited financial statements on the following pages.

Income

The APVMA's total income for 2016–17 was \$34.863 million (Table 14) and incorporates White Paper reform and Armidale relocation appropriation funding. This is an increase of \$4.616 million (13.24 per cent) on the previous year.

Table 14: APVMA income, 2016–17

Income source	Income (\$'000)	%
Receipts from industry		
Application fees	5 368	15.40
Levies	17 022	48.83
Annual fees (renewal fees)	6 736	19.32
Other receipts from industry	955	2.74
Parliamentary appropriation	4 744	13.61
Other revenue	38	00.10
Total income	34 863	100.00

Table 15: Agency resourcing statement, 2016–17

Resourcing description	Actual available appropriation for 2016–17 (\$'000)	Payments made in 2016–17 (\$'000)	Balance remaining in 2016–17 (\$'000)
Ordinary annual service	–	–	–
Department expenses	–	–	–
Previous year departmental appropriation	10 408	10 408	–
Departmental appropriations	4 744	1 330	3 414
Revenue from independent sources	192	192	–
Total	15 344	11 930	3 414
Special appropriation	30 119	24 251	5 868
Total resourcing and payments	45 463	36 181	9 282

– = nil

Expenditure

Total operating expenses for 2016–17 were \$36.015 million (Tables 16 and 17), an increase of \$2.160 million (5.99 per cent) on the previous year.

Table 16: APVMA expenditure, 2016–17 (Including comparison with PBS)

Individual lines of expenditure	2016–17 actual expenditure (\$'000)	% of expenditure	2016–17 budget (per PBS) (\$'000)
Employee benefits	25 389	70.49	24 814
Supplier expenses	8 751	24.30	9 512
Depreciation	1 674	4.65	1 392
Other	201	0.56	–
Total expenditure	36 015	100.00	35 718

– = nil; PBS = Portfolio Budget Statement

Table 17: Expenses for Outcome 1

Outcome 1: Protection of the health and safety of people, animals, the environment, and agricultural and livestock industries through regulation of pesticides and veterinary medicines	2016–17 budget (\$'000)	2016–17 actual (\$'000)	2016–17 variance (\$'000)	2015–16 actual (\$'000)
Program 1.1 (APVMA)	–	–	–	–
Department expenses	–	–	–	–
Ordinary annual service (Appropriation Bill 1)	3 155	4 744	1 589	732
Revenue from independent sources	212	192	(20)	299
Special appropriation	32 351	31 079	(1 272)	32 824
Total expenses for Outcome 1	35 718	36 015	(297)	33 855

– = nil

Equity

The APVMA recorded a net operating deficit of \$1.161 million for 2016–17, resulting in an equity balance at 30 June 2017 of \$6.798 million. This figure includes White Paper reform and Armidale relocation project appropriation funding carried over from the 2016–17 financial year which will be assigned to those projects during the 2017–18 financial year.

Audit results

The APVMA achieved an unqualified audit result, and there were no adverse findings.

Financial reserve

The APVMA's revenue is primarily received as levy payments in December and June and registration payments in May and June. Hence, the APVMA receives most of its revenue at three times during the year. Cash holding can exceed \$7 million at various stages during the financial year.

To manage this, the APVMA monitors daily cash balances to ensure that cash is available to pay creditor expenses, particularly during times when the cash balances are reducing in the months when income is not anticipated.

The APVMA keeps the cash level above \$2 million as an operating reserve (an equity position of \$7 million is equivalent to three months' operating expenses).

Consultancies

In 2016–17, we entered into 51 new consultancy contracts involving total actual expenditure (including capitalisation) of \$1 373 689. In addition, five ongoing consultancy contracts were active this year, involving total actual expenditure of \$1 411 344.

A number of new consultancies were commenced in 2016–17 because of activity associated with the White Paper reform and Armidale relocation projects.

Selection processes are described in terms drawn from the *Commonwealth procurement guidelines*. 'Direct sourcing' refers to a selection process in which neither a tender nor a panel was used. In these situations, The APVMA obtained multiple quotes, the number of which was determined by the value of the procurement.

APVMA Finance Procedure 4, 'Purchasing', outlines the number of quotes required (Table 18).

Table 18: Purchasing: number of quotes required

Purchase limit for goods/services	Quotes required
to \$2000	1 quote
\$2001 to \$10 000	2 written quotes
\$10 001 to \$100 000	3 written quotes
\$100 001 to \$400 000	high-value procurement procedures
\$400 000 and over	tender

Exemptions to these requirements may be approved in some circumstances.

APVMA annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website.



INDEPENDENT AUDITOR'S REPORT

To the Minister for Agriculture and Water Resources

Opinion

In my opinion, the financial statements of the Australian Pesticides and Veterinary Medicines Authority for the year ended 30 June 2017:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Australian Pesticides and Veterinary Medicines Authority as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the Australian Pesticides and Veterinary Medicines Authority, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Accountable Authority and the Chief Finance Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to the financial statements, comprising significant accounting policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Australian Pesticides and Veterinary Medicines Authority in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Australian Pesticides and Veterinary Medicines Authority the Chief Executive Officer is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under that Act. The Chief Executive Officer is also responsible for such internal control as the Chief Executive Officer determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive Officer is responsible for assessing the Australian Pesticides and Veterinary Medicines Authority's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Chief Executive Officer is also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Josephine Bushell
Senior Director

Delegate of the Auditor-General
Canberra
20 September 2017

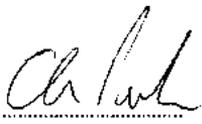


Australian Government
**Australian Pesticides and
Veterinary Medicines Authority**

STATEMENT BY THE ACCOUNTABLE AUTHORITY AND THE CHIEF FINANCE OFFICER

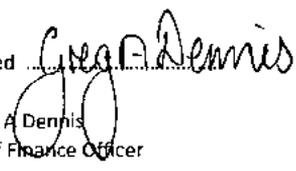
In our opinion, the attached financial statements for the year ended 30 June 2017 comply with subsection 42(2) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Australian Pesticides and Veterinary Medicines Authority will be able to pay its debts as and when they fall due.

Signed 

Dr Christopher A Parker
Chief Executive Officer

20 September 2017

Signed 

Greg A Dennis
Chief Finance Officer

20 September 2017

Australian Pesticides and Veterinary Medicines Authority

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget 2017 \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1A	25 389	22 984	24 814
Suppliers	1.1B	8 751	9 353	9 512
Depreciation and amortisation	2.2A	1 674	1 501	1 392
Impairments	2.2A	139	-	-
Finance costs	1.1C	62	17	-
Total Expenses		36 015	33 855	35 718
Own-Source Income				
Own-source revenue				
Other revenue	1.2A	189	291	212
Total own-source revenue		189	291	212
Gains				
Sale of assets	1.2B	3	8	-
Total gains		3	8	-
Total Own-Source Income		192	299	212
Net Cost of Services		35 823	33 556	35 506
Revenue from Government	1.2C	34 863	30 247	33 925
Surplus/(Deficit) Attributable to the Australian Government		(960)	(3 309)	(1 581)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to profit and loss				
Impairment of assets offset against asset revaluation surplus	2.2A	(201)	-	-
Change in asset revaluation surplus		-	131	-
Total other comprehensive income		(201)	131	-
Total Comprehensive Income/(Loss) Attributable to the Australian Government		(1 161)	(3 178)	(1 581)

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

Australian Pesticides and Veterinary Medicines Authority

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2017

Budget Variance Commentary:

Commentary is provided for major variances between the actual amounts and the original budget. Variances are considered to be 'major' (or significant) where:

- (a) for items in the Statement of Financial Position, the variance between budget and actual is greater than +/-10% of the budget and greater than \$250,000 for the line item
- (b) for items in the Statement of Comprehensive Income, the variance between budget and actual is greater than +/-2% of expenses.

Variance explanations are also provided where major changes to business activities may not be numerically material, but by their very nature will assist users in understanding underlying business changes that have occurred since the original budget was released.

Where a revised budget has been presented to Parliament, the APVMA may include variance explanations of major variances between the revised budget and actual amounts where they are considered relevant to an assessment of the discharge of accountability and to an analysis of the APVMA's performance.

Statement of Comprehensive Income

Depreciation and amortisation is 20.2% above budget as the APVMA has ongoing investment in internally developed software (intangibles) that supports the reforms to the APVMA's activities.

Employee benefits are \$0.575 million (2.3%) above budget largely due to an increase in non-ongoing staff engaged to assist with relocation of the APVMA from Canberra to Armidale, NSW.

The Government Policy Order (GPO) announced on 24 November 2016 applies to the APVMA and as such the staffing profile will fluctuate according to the relocation stage over the next two years.

The increased salary costs were offset by a \$0.761 million (8%) reduction in supplier expenses.

Revenue from Government was \$0.938 million higher than budget due to the Armidale NSW relocation appropriation and continued White Paper Reform funding.

Furthermore, due to the GPO it was deemed that the APVMA would have fully vacated the premises by 30 June 2020, therefore a decision was also taken to expense \$0.490 million as the final four months of the rental lease at 18 Wormald St, Symonston, Canberra. Assets have also been impaired in line with the 30 June 2020 building vacancy timeline and a further \$0.021 million in make-good restoration was brought to account to reflect this notional end date.

Australian Pesticides and Veterinary Medicines Authority

STATEMENT OF FINANCIAL POSITION as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget 2017 \$'000
ASSETS				
Financial Assets				
Cash and cash equivalents	2.1A	2 767	1 384	329
Trade and other receivables	2.1B	7 206	9 884	8 954
Total financial assets		9 973	11 268	9 283
Non-Financial Assets				
Leasehold improvements	2.2A	1 001	1 478	1 119
Property, plant and equipment	2.2A	554	784	616
Intangibles	2.2A	5 593	5 704	6 424
Other non-financial assets	2.2B	331	415	283
Total non-financial assets		7 479	8 381	8 442
Total Assets		17 452	19 649	17 725
LIABILITIES				
Payables				
Suppliers	2.3A	2 451	5 062	2 884
Other payables	2.3B	1 458	912	809
Total payables		3 909	5 974	3 693
Provisions				
Employee provisions	4.1A	6 211	5 891	6 692
Other provisions	2.4A	534	472	473
Total provisions		6 745	6 363	7 165
Total Liabilities		10 654	12 337	10 858
Net Assets		6 798	7 312	6 867
EQUITY				
Contributed equity		6 175	5 528	6 038
Retained surplus		(430)	530	(294)
Reserves		1 053	1 254	1 123
Total Equity		6 798	7 312	6 867

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

Australian Pesticides and Veterinary Medicines Authority

STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

Budget Variance Commentary:

Statement of Financial Position

Cash and cash equivalents (asset) and suppliers (liability) are above budget due to the timing of a cash drawdown and subsequent supplier payments. The cash drawdown occurred prior to 30 June 2017 but the payment of suppliers occurred after that date.

Trade and other receivables (primarily the receivable with the Department of Agriculture and Water Resources) is below budget partially due to the cash drawdown mentioned above.

Non-financial assets are in-line with budget excepting for Intangibles. Now that the relocation of the APVMA to Armidale NSW has been announced, the agency has suspended further development of its existing I.T. infrastructure while it assesses future needs and technologies available to support its functions in the new location.

Australian Pesticides and Veterinary Medicines Authority

STATEMENT OF CHANGES IN EQUITY as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget 2017 \$'000
CONTRIBUTED EQUITY				
Opening Balance				
Balance brought forward from previous period		5 528	5 528	5 528
Adjusted opening balance		<u>5 528</u>	<u>5 528</u>	<u>5 528</u>
Transactions with owners				
Contributions by owners				
Equity injections		137	-	-
Departmental Capital Budget (DCB)		510	-	510
Total transactions with owners		<u>647</u>	<u>-</u>	<u>510</u>
Closing balance as at 30 June		<u>6 175</u>	<u>5 528</u>	<u>6 038</u>
RETAINED SURPLUS				
Opening Balance				
Balance brought forward from previous period		530	3 839	1 287
Adjusted opening balance		<u>530</u>	<u>3 839</u>	<u>1 287</u>
Comprehensive income				
Surplus/(Deficit) for the period		(960)	(3 309)	(1 581)
Total comprehensive income		<u>(960)</u>	<u>(3 309)</u>	<u>(1 581)</u>
Closing balance as at 30 June		<u>(430)</u>	<u>530</u>	<u>(294)</u>
ASSET REVALUATION RESERVE				
Opening Balance				
Balance brought forward from previous period		1 254	1 123	1 123
Adjusted opening balance		<u>1 254</u>	<u>1 123</u>	<u>1 123</u>
Comprehensive income				
Other comprehensive income	2.2A	(201)	131	-
Total comprehensive income		<u>(201)</u>	<u>131</u>	<u>-</u>
Closing balance as at 30 June		<u>1 053</u>	<u>1 254</u>	<u>1 123</u>
TOTAL EQUITY				
Opening Balance				
Balance brought forward from previous period		7 312	10 490	7 938
Adjusted opening balance		<u>7 312</u>	<u>10 490</u>	<u>7 938</u>
Comprehensive income				
Surplus/(Deficit) for the period		(960)	(3 309)	(1 581)
Other comprehensive income		(201)	131	-
Total comprehensive income		<u>(1 161)</u>	<u>(3 178)</u>	<u>(1 581)</u>
Transactions with owners				
Contributions by owners				
Equity injections		137	-	-
Departmental Capital Budget (DCB)		510	-	510
Total transactions with owners		<u>647</u>	<u>-</u>	<u>510</u>
Closing balance as at 30 June		<u>6 798</u>	<u>7 312</u>	<u>6 867</u>

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

Australian Pesticides and Veterinary Medicines Authority

STATEMENT OF CHANGES IN EQUITY

as at 30 June 2017

Accounting Policy

Contributions by owners

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

Other Distributions to Owners

The Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR) require that distributions to owners be debited to contributed equity unless it is in the nature of a dividend.

Budget Variance Commentary:

Statement of Change in Equity

There is only a minor equity difference in actual results compared to budget of \$0.069 million. Government appropriations for White Paper Reforms and relocation to Armidale, NSW activities also support the equity balance.

These appropriations are for specific purposes and do not form part of the daily APVMA regulatory responsibilities. They are only included in the overall reporting in a consolidated form.

Australian Pesticides and Veterinary Medicines Authority

CASH FLOW STATEMENT

for the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget 2017 \$'000
OPERATING ACTIVITIES				
Cash received				
<i>Agricultural and Veterinary Chemicals (Administration)</i>				
Act 1992 contribution		33 728	33 425	32 848
Corporate Commonwealth entity payment item		4 744	732	3 012
Net GST received		970	866	1 022
Interest received		11	14	-
Other cash received		146	288	-
Total cash received		39 599	35 325	36 882
Cash used				
Employees		24 810	23 640	24 738
Suppliers		12 212	9 076	10 511
Total cash used		37 022	32 716	35 249
Net cash flows from operating activities		2 577	2 609	1 633
INVESTING ACTIVITIES				
Cash used				
Purchase of property, plant and equipment		249	265	125
Purchase of intangibles		945	2 249	2 010
Total cash used		1 194	2 514	2 135
Net cash flows from or (used by) investing activities		(1 194)	(2 514)	(2 135)
FINANCING ACTIVITIES				
Cash received				
Contributed equity		-	-	510
Total cash received		-	-	510
Net cash flows from or (used by) financing activities		-	-	510
Net increase or (decrease) in cash held		1 383	95	8
Cash and cash equivalents at the beginning of the reporting period		1 384	1 289	321
Cash and cash equivalents at the end of the reporting period	2.1A	2 767	1 384	329

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

Budget Variance Commentary:

Cash Flow Statement

Cash received from operating activities is \$2.717 million above budget because of higher levels of cash drawn down throughout the year.

As disclosed in the budget variance commentary for the Statement of Financial Position, the timing of cash draw-downs for supplier payments was in a different financial year period causing a higher cash requirement than otherwise was necessary.

Australian Pesticides and Veterinary Medicines Authority

OVERVIEW

Objectives of the Australian Pesticides and Veterinary Medicines Authority

The Australian Pesticides and Veterinary Medicines Authority (APVMA) is an Australian Government controlled not-for-profit corporate entity. The APVMA is responsible for the assessment and registration of pesticides and veterinary medicines and for their regulation up to the point of retail sale.

The APVMA administers the National Registration Scheme for Agricultural and Veterinary Chemicals (NRS) in partnership with the States and Territories along with the active involvement of other Australian government agencies.

Its role is to independently evaluate the safety and performance of chemical products intended for sale, making sure that the health and safety of people, animals and the environment are protected.

The APVMA was established under the Agricultural and Veterinary Chemicals (Administration) Act 1992. Following the introduction of the Public Governance, Performance and Accountability Act 2013 on 1 July 2014, the APVMA was reclassified as a corporate Commonwealth entity.

Basis of Preparation of the Financial Report

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements and notes have been prepared in accordance with:

- a) Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR) for reporting periods ending on or after 1 July 2015.
- b) Australian Accounting Standards and Interpretations - Reduced Disclosure Requirements, issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The APVMA financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial report is presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Taxation

The APVMA is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of GST except:

- a) where the amount of GST incurred is not recoverable from the Australian Taxation Office
- b) for receivables and payables where applicable.

Events After the Reporting Period

There were no subsequent events between balance date and signing of the financial statements that had the potential to significantly affect the ongoing structure and financial activities of the APVMA.

Australian Pesticides and Veterinary Medicines Authority

FINANCIAL PERFORMANCE - This section analyses the financial performance of the Australian Pesticides and Veterinary Medicines Authority for the year ended 30 June 2017

1.1: Expenses

	2017	2016
	\$'000	\$'000
1.1A: Employee benefits		
Wages and salaries	19 706	16 814
Superannuation:		
Defined contribution plans	1 916	1 862
Defined benefit plans	1 420	1 315
Leave and other entitlements	1 936	2 620
Other employee benefits	411	373
Total employee benefits	25 389	22 984

Accounting Policy

Accounting policies for employee related expenses is contained in the people and relationships section.

1.1B: Suppliers

Goods and services supplied or rendered

Consultants	1 940	859
Contractors	3 174	5 537
Travel	191	198
IT services	902	839
Other	473	486
Total goods and services supplied or rendered	6 680	7 919

Goods supplied	379	363
Services rendered	6 301	7 556
Total goods and services supplied or rendered	6 680	7 919

Other supplier expenses

Operating lease rentals - external parties	1 793	1 254
Workers compensation premiums	278	180
Total other supplier expenses	2 071	1 434
Total supplier expenses	8 751	9 353

1.1C: Finance Costs

Unwinding of discount	62	17
Total finance costs	62	17

Accounting Policy

All borrowing costs are expensed as incurred.

Australian Pesticides and Veterinary Medicines Authority

FINANCIAL PERFORMANCE - This section analyses the financial performance of the Australian Pesticides and Veterinary Medicines Authority for the year ended 30 June 2017

1.1: Expenses

	2017	2016
	\$'000	\$'000
Leasing Commitments		

The APVMA has negotiated a lease contract of its office at 18 Wormald St, Symonston Canberra ACT Australia until October 2020. This lease is subject to annual increases of 3.75%.

It is anticipated that the APVMA will fully vacate its premises in Symonston by 30 June 2020. The remaining four months lease payments are treated as onerous and total \$0.490 million. This will be reviewed each year for changed circumstance such as the arrangement of a sub-lease.

Commitment for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within 1 year	1 528	1 473
Between 1 to 5 years	<u>3 229</u>	<u>5 298</u>
Total operating lease commitments	<u>4 757</u>	<u>6 771</u>

Accounting Policy

Where an asset is acquired by using a finance lease, the asset is capitalised at either the lease property's fair value or, if lower, the present value of minimum lease payments at the inception of the contract. A liability is recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the lease period. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

Australian Pesticides and Veterinary Medicines Authority

FINANCIAL PERFORMANCE - This section analyses the financial performance of the Australian Pesticides and Veterinary Medicines Authority for the year ended 30 June 2017

1.2: Own-Source Revenue, Gains and Revenue from Government

	2017 \$'000	2016 \$'000
OWN-SOURCE REVENUE		
1.2A: Other revenue		
Resources received free of charge		
Remuneration of auditors	36	36
Other revenue	<u>153</u>	<u>255</u>
Total other revenue	<u>189</u>	<u>291</u>
1.2B: Gains		
Sale of assets	<u>3</u>	<u>8</u>
Total other revenue	<u>3</u>	<u>8</u>

Accounting Policy

Resources Received Free of Charge

Resources received free of charge are recognised as revenue when fair value can be reliably determined and the donated services would have been purchased. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature.

Other Revenue

Revenue from rendering of services is recognised by reference to the completion stage of contracts at the reporting date. The revenue is recognised when the amount of revenue, stage of completion and transaction costs incurred can be reliably measured and the probable economic benefits from the transaction will flow to the APVMA.

The contracts completion stage (at the reporting date) is determined by reference to the proportion that costs incurred to date relate to the transaction's estimated costs.

Interest revenue is recognised using the effective interest method.

Australian Pesticides and Veterinary Medicines Authority

FINANCIAL PERFORMANCE - This section analyses the financial performance of the Australian Pesticides and Veterinary Medicines Authority for the year ended 30 June 2017

1.2: Own-Source Revenue, Gains and Revenue from Government

	2017	2016
	\$'000	\$'000

REVENUE FROM GOVERNMENT

1.2C: Revenue from Government

Corporate Commonwealth entity payment item	4 744	732
Department of Agriculture and Water Resources contribution Agricultural and Veterinary Chemicals (Administration) Act 1992 (refer below)	<u>30 119</u>	<u>29 515</u>
Total revenue from Government	<u>34 863</u>	<u>30 247</u>

Department of Agriculture and Water Resources contribution is equal to the following fees and charges paid by industry:

Levies	17 022	16 702
Annual renewal fee	5 639	4 984
Product application fees	5 368	5 334
Good manufacturing practice (GMP) licence fees	1 097	1 166
Permits, actives and other fees	955	1 326
Penalties and Infringements	<u>38</u>	<u>3</u>
Total industry contributions	<u>30 119</u>	<u>29 515</u>

Accounting Policy

Revenue from Government

Funding received or receivable from non-corporate Commonwealth entities (appropriated to the non-corporate Commonwealth entity as a corporate Commonwealth entity payment) is recognised as Revenue from Government by the corporate Commonwealth entity unless the funding is in the nature of an equity injection or a loan.

Fees and Levies

Fees and levies are recognised as income when they are received. This is in line with the reclassification of the APVMA as a corporate Commonwealth entity.

Australian Pesticides and Veterinary Medicines Authority

FINANCIAL POSITION - This section analyses Australian Pesticides and Veterinary Medicines Authority's assets used to conduct its operations and the operating liabilities incurred as a result.
Employee related information is disclosed in the People and Relationships section.

2.1: Financial Assets

	2017	2016
	\$'000	\$'000
2.1A: Cash and Cash Equivalents		
Cash on hand	2 767	1 384
Total cash and cash equivalents	2 767	1 384

Accounting Policy

Cash is recognised at its nominal amount.

2.1B: Trade and Other Receivables

Contribution receivable		
Department of Agriculture and Water Resources	5 868	9 024
Total contribution receivable	5 868	9 024
Other receivable		
GST receivable from the Australian Taxation Office	139	148
Undrawn appropriations from Department of Finance	647	-
Other Sundry Debtors	552	729
Total other receivables	1 338	877
Total trade and other receivables (gross)	7 206	9 901
Less impairment allowance account:		
Goods and services	-	(17)
Total impairment allowance account	-	(17)
Total trade and other receivables (net)	7 206	9 884

Credit terms for goods and services were within 30 days.

Accounting Policy

Trade and Other Receivables

Trade and other receivables that have fixed or determinable payments, and are not quoted in an active market, are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Australian Pesticides and Veterinary Medicines Authority

FINANCIAL POSITION - This section analyses Australian Pesticides and Veterinary Medicines Authority's assets used to conduct its operations and the operating liabilities incurred as a result.
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2.1: Financial Assets

Reconciliation of the impairment allowance account:

Movements in relation to 2017	Goods and services \$'000	Total \$'000
Opening balance	(17)	(17)
Amounts recovered and reversed	-	-
Amounts written off	17	17
New impaired assets	-	-
Closing balance	-	-

Movements in relation to 2016	Goods and services \$'000	Total \$'000
Opening balance	(17)	(17)
Amounts recovered and reversed	-	-
Amounts written off	-	-
New impaired assets	-	-
Closing balance	(17)	(17)

Accounting Policy

Impairment

Trade and Other Receivables are assessed for impairment at the end of each reporting period.

Australian Pesticides and Veterinary Medicines Authority

FINANCIAL POSITION - This section analyses Australian Pesticides and Veterinary Medicines Authority's assets used to conduct its operations and the operating liabilities incurred as a result.
Employee related information is disclosed in the People and Relationships section.

2.2: Non-Financial Assets

2.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles

Reconciliation of the opening and closing balances for 2017

	Leasehold Improvements \$'000	Other P P & E \$'000	Computer Software ¹ \$'000	Total \$'000
As at 1 July 2016				
Gross book value	1 735	784	8 558	11 077
Accumulated depreciation and impairment	(257)	-	(2 854)	(3 111)
Total as at 1 July 2016	1 478	784	5 704	7 966
Additions:				
Purchase	25	225	18	268
Internally developed	-	-	928	928
Revaluation recognised in other comprehensive income	-	-	-	-
Impairments recognised in the operating result	-	(139)	-	(139)
Impairments recognised in other comprehensive income	(149)	(52)	-	(201)
Depreciation and amortisation expense	(353)	(264)	(1 057)	(1 674)
Disposals:				
Disposal	-	-	-	-
Accumulated depreciation of disposed assets	-	-	-	-
Total as at 30 June 2017	1 001	554	5 593	7 148
Total as of 30 June 2017 represented by:				
Gross book value	1 759	1 008	9 315	12 082
Accumulated depreciation and impairment	(758)	(454)	(3 722)	(4 934)
Total as of 30 June 2017	1 001	554	5 593	7 148

1. The carrying amount of computer software included \$912,929 purchased software and \$4,679,778 internally generated software.

No leasehold improvements, property, plant and equipment and intangibles are expected to be sold or disposed of within the next 12 months

Revaluations of non-financial assets

All revaluations were conducted in accordance with the revaluation policy stated over page. On 30 June 2016, an independent valuer conducted the revaluations. This valuation remains current for three years.

Australian Pesticides and Veterinary Medicines Authority

FINANCIAL POSITION - This section analyses Australian Pesticides and Veterinary Medicines Authority's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

2.2: Non-Financial Assets

Accounting Policy

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in an exchange and any liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

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

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$5 000 for leasehold improvements and \$2 000 for all other types, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make good' provisions in property leases taken up by the APVMA where there exists an obligation to restore the property to its original condition. These costs are included in the value of the APVMA's leasehold improvements with a corresponding provision for 'make good'.

Revaluations

All assets are initially recognised at cost. Property, plant and equipment are then carried at fair value once they have been revalued in accordance with policy. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values at reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets. Assets are presently revalued on a three year cycle.

All assets (except for intangibles) were revalued as at 30 June 2016 by an independent valuer.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through the operating result. Revaluation decrements for a class of assets are recognised directly through the operating result except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Australian Pesticides and Veterinary Medicines Authority

FINANCIAL POSITION - This section analyses Australian Pesticides and Veterinary Medicines Authority's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

2.2: Non-Financial Assets

Accounting Policy

Depreciation

Depreciable property plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the APVMA using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

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

	2017	2016
Leasehold improvements	Shorter of lease term or useful life	Shorter of lease term or useful life
Property, Plant and Equipment	3 to 15 years	3 to 15 years

Impairment

All assets were assessed for impairment at 30 June 2017. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the APVMA were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

The APVMA intends to commence relocating to Armidale in June 2019, however the likely construction of a new facility may mean that a full staff relocation may not occur until June 2020. This will become clearer once the outcome of the 'Expression of Interest' for APVMA accommodation is known. Assets will not be relocated to the new facility as the cost of relocating them will exceed their value. Assets with a useful life exceeding June 2020 have been impaired at 30 June 2017.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

No major items of property, plant and equipment are expected to be sold or disposed of within the next 12 months.

Intangibles

The APVMA's intangibles comprise internally developed and externally acquired software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the APVMA's software are 3 to 10 years (2016: 3 to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2017.

Australian Pesticides and Veterinary Medicines Authority

FINANCIAL POSITION - This section analyses Australian Pesticides and Veterinary Medicines Authority's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

2.2: Non-Financial Assets

	2017	2016
	\$'000	\$'000
2.2B: Other Non-Financial Assets		
Prepayments	331	415
Total other non-financial assets	<u>331</u>	<u>415</u>

No indicators of impairment were found for other non-financial assets.

2.3: Payables

	2017	2016
	\$'000	\$'000
2.3A: Suppliers		
Trade creditors and accruals	2 451	5 062
Total supplier payables	<u>2 451</u>	<u>5 062</u>

Settlement is usually made within 30 days.

Accounting Policy

Suppliers

Supplier payables are measured at their nominal amounts.

2.3B: Other Payables

Salaries and wages	231	96
Superannuation	24	-
Lease incentive	133	172
Lease liability	1 070	644
Total other payables	<u>1 458</u>	<u>912</u>

Accounting Policy

Other Payables

Liabilities for short-term employee benefits and termination benefits expected within twelve months of the reporting period are measured at their nominal amounts.

Australian Pesticides and Veterinary Medicines Authority

FINANCIAL POSITION - This section analyses Australian Pesticides and Veterinary Medicines Authority's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

2.4: Other Provisions

	2017	2016
	\$'000	\$'000
2.4: Other provisions		
Provision for restoration obligations	534	472
Total other provisions	534	472
Carrying amount 1 July 2016	472	455
Unwinding of discount or change in discount rate	62	17
Closing balance 30 June 2017	534	472

The APVMA currently has an agreement for the leasing of premises which has provision requiring the APVMA to restore the premises to their original condition at the conclusion of the lease. The APVMA has made a provision to reflect the present value of this obligation.

Accounting Policy

Other provisions

The provision for make-good was assessed and re-estimated by the independent valuer as part of the assets revaluation on 30 June 2016. The additional estimated provision for make-good is amortised over the balance of the lease to ensure that the target provision will be available when required.

Australian Pesticides and Veterinary Medicines Authority

FUNDING - This section identifies the Australian Pesticides and Veterinary Medicine's funding structure

3.1: Regulatory Charging Summary

3.1A: Regulatory Charging Summary

The APVMA does not receive material funding from the Government, but is funded through fees, levies and other charges imposed under various sections of legislation.

The only change to this is when the Government funds specific projects to improve and / or enhance the APVMA's ability to perform its legislated functions such as the White Paper Reforms and the relocation to Armidale, NSW.

These fees, levies and charges are credited to a special appropriation created under s.58 (6) of the *Agricultural and Veterinary Chemicals (Administration) Act 1992*, and is held and managed by the Department of Agriculture and Water Resources on behalf of the APVMA.

The purpose of this special appropriation is to:

- (a) to pay or discharge the costs, expenses or other obligations incurred by the APVMA in the performance of its functions
- (b) make payment of any remuneration and allowances payable to any person under this Act
- (c) make any other payments that the APVMA is authorised or required to make by or under this Act or any other law of the Commonwealth or any law of a State or Territory that is expressed to confer functions or powers on the APVMA.

The balance on this account is recorded as a receivable from the Department at Note 2.1B: Trade and other receivables - Contributions receivable.

	2017	2016
	\$'000	\$'000
Balance carried from previous period	9 024	13 426
External revenue:		
Levies, fees and charges	31 304	29 793
Available for payments:	40 328	43 219
Amounts applied (Drawn down)	(34 460)	(34 195)
Balance carried to next period and represented by:	5 868	9 024

Documentation (Cost Recovery Implementation Statement/s) for the above activities is available at : www.apvma.gov.au/node/4161

Australian Pesticides and Veterinary Medicines Authority

PEOPLE AND RELATIONSHIPS - This section describes a range of employment and post employment benefits provided to our people and our relationship with key people.

4.1: Employee Provisions

	2017	2016
	\$'000	\$'000
4.1A: Employee provisions		
Long service leave	4 334	4 100
Annual leave	<u>1 877</u>	<u>1 791</u>
Total employee provisions	<u><u>6 211</u></u>	<u><u>5 891</u></u>

Accounting Policy

Liabilities for short-term employee benefits and termination benefits expected within twelve months of the reporting period's end are measured at their nominal amounts, and reported in Note 2.3 B Other payables.

Leave

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

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

The liability for long service leave has been determined by reference to the 'short-hand method' as outlined in the Resource Management Guide No. 125 - Commonwealth Entities Financial Statements Guide as at 30 June 2017. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation and is discounted using the 10 year bond rate at 30 June 2017.

Separation and Redundancy

Provision is made for separation and redundancy benefit payments. The entity recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

The APVMA's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or other superannuation funds held outside the Australian Government.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

The entity makes employer contributions to the employees' defined benefit superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The entity accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June 2017 represents outstanding contributions.

Australian Pesticides and Veterinary Medicines Authority

PEOPLE AND RELATIONSHIPS - This section describes a range of employment and post employment benefits provided to our people and our relationship with key people.

4.2: Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the APVMA - either directly or indirectly - and include any director (whether executive or otherwise).

Key management personnel for the APVMA during the year comprised the Portfolio Minister, the Chief Executive Officer and five Executive Director positions. Movements throughout the year mean that twenty officers have occupied these positions.

Key management personnel remuneration is reported in the table below:

	2017	2016
	\$	\$
Short-term employee benefits:	1 389 231	1 355 924
Post-employment benefits:	252 733	276 301
Other long-term employee benefits:	145 856	102 374
Total key management personnel remuneration expenses¹	1 787 820	1 734 599

The total number of key management personnel included in the above table is twenty (2015-16: eight staff members). Of these twenty staff, seventeen individuals held positions for only part of the year (2015-16: four individuals were in this category).

All periods of key management personnel (whether permanent or acting) were included for 2016-17 to recognise that key decisions throughout the year were being made under the responsible authority. Another reason for the key management personnel increase has been the expansion of senior staff to assist with relocation activity. This number will reduce once relocation activity starts to contract.

The Chief Executive's remuneration and other benefits are determined by the Remuneration Tribunal, and paid by the APVMA.

1. The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the entity.

4.3: Related Party Disclosures

The APVMA is an Australian Government controlled entity, and is part of the Department of Agriculture and Water Resources portfolio. Related parties to this entity are the Executive Leadership team, comprising the Portfolio Minister, the Chief Executive Officer, five Executive Directors and other Commonwealth Government entities.

Transactions with related parties:

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of taxes, receipt of a Medicare rebate or higher education loans. These transactions have not been separately disclosed in this note.

All transactions with other Commonwealth Government entities have been made under normal terms and conditions and, therefore have not been disclosed separately.

There have been no transactions with related parties this year. All APVMA staff, including the the Executive Leadership Team, are required to sign a conflict of interest declaration annually.

Australian Pesticides and Veterinary Medicines Authority

MANAGING UNCERTAINTIES - This section analyses how the Australian Pesticides and Veterinary Medicines Authority manages financial risks within its operating environment

5.1: Contingent Assets and Liabilities

Quantifiable Contingencies

The APVMA has no quantifiable contingent liabilities (2015-16: \$70,000 relating to litigation costs).

Unquantifiable Contingencies

The APVMA had no unquantifiable contingencies.

Accounting Policy

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

5.2: Financial Instruments

	2017 \$'000	2016 \$'000
5.2A: Categories of financial instruments		
Financial Assets		
Receivables financial assets		
Cash and cash equivalents	2 767	1 384
Total receivables	2 767	1 384
Total financial assets	2 767	1 384
Financial liabilities		
Financial liabilities measured at amortised cost		
Other liabilities		
Trade creditors and accruals	2 451	5 062
Other payables	1 325	740
Total financial liabilities measured at amortised cost	3 776	5 802
Total financial liabilities	3 776	5 802
5.2B: Net gains or losses on financial assets		
Receivables		
Interest revenue	11	13
Net gain/(loss) from financial assets	11	13
5.2C: Net gains and losses on financial liabilities		
Other Liabilities		
Lease liability (increase)/decrease	(426)	16
Net gain/(loss) from financial assets	(426)	16

Australian Pesticides and Veterinary Medicines Authority

MANAGING UNCERTAINTIES - This section analyses how the Australian Pesticides and Veterinary Medicines Authority manages financial risks within its operating environment

5.2: Financial Instruments

5.2D: Fair value of financial instruments

The net fair values of cash and cash equivalents, trade receivables and other receivables approximate their carrying amounts. The net fair values for trade creditors and other liabilities are approximated by their carrying amounts.

Accounting Policy

Financial assets

The APVMA classifies its financial assets in the receivables category.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

Effective Interest Method

Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit or loss.

Receivables

Trade receivables, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

Financial assets held at amortised cost - if there is objective evidence that an impairment loss has been incurred for receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

Financial liabilities

Financial liabilities are classified as other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Other Financial Liabilities

Other financial liabilities, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (irrespective of having been invoiced).

Australian Pesticides and Veterinary Medicines Authority

MANAGING UNCERTAINTIES - This section analyses how the Australian Pesticides and Veterinary Medicines Authority manages financial risks within its operating environment

5.3: Fair Value Measurements

Accounting Policy

Non-financial assets

Initial recognition

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in an exchange and any liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

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

Revaluations

Property, plant and equipment are then carried at fair value once they have been revalued in accordance with policy. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values at reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets. Assets are presently revalued on a three year cycle. If there are any major impacts on any asset group, the effect is assessed and the asset's valuation will be adjusted. As the asset groups are not very volatile, the impacts are usually minimal.

All assets (except for intangibles) were revalued as at 30 June 2016 by an independent valuer.

		2017	2016
	Valuation method	\$'000	\$'000
Non-financial assets			
Leasehold improvements	Depreciated replacement cost adjusted for impairment	1 001	1 478
Property, plant and equipment	Depreciated replacement cost adjusted for impairment	554	784
		<u>1 555</u>	<u>2 262</u>

