

Financial statements

Australian Pesticides and Veterinary Medicines Authority

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000	Original Budget 2018 \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1A	29 200	25 389	26 000
Suppliers	1.1B	8 842	8 751	11 352
Depreciation and amortisation	2.2A	1 742	1 674	1 728
Impairments	2.2A	54	139	-
Finance costs	1.1C	70	62	-
Total Expenses		39 908	36 015	39 080
Own-Source Income				
Own-source revenue				
Other revenue	1.2A	213	189	215
Total own-source revenue		213	189	215
Gains				
Gains from sale of assets	1.2B	2	3	-
Total gains		2	3	-
Total Own-Source Income		215	192	215
Net Cost of Services		39 693	35 823	38 865
Revenue from Government	1.2C	38 980	34 863	38 995
Surplus/(Deficit)		(713)	(960)	130
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to profit and loss				
Impairment of assets offset against asset revaluation surplus	2.2A	(167)	(201)	-
Change in asset revaluation surplus		-	-	-
Total other comprehensive income		(167)	(201)	-
Total Comprehensive Income/(Loss)		(880)	(1 161)	130

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 2018

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

Employee benefits are \$3.200 million (12.5%) over budget, due to an increase in non-ongoing and contract staff engaged to assist with the completion of the White Paper Reform projects, support for information technology and business systems, and development of the digital strategy for enabling future technology.

Supplier expenses were under budgeted due to reduced expenditure on external scientific service providers.

Depreciation and amortisation reflects reduced investment in internally developed software (intangibles). New enabling technology is under development to support the APVMA's future regulatory activities.

Revenue from Government was on budget.

Australian Pesticides and Veterinary Medicines Authority

STATEMENT OF FINANCIAL POSITION
as at 30 June 2018

	Notes	2018 \$'000	2017 \$'000	Original Budget 2018 \$'000
ASSETS				
Financial Assets				
Cash and cash equivalents	2.1A	2 269	2 767	1 400
Trade and other receivables	2.1B	8 081	7 206	7 745
Total financial assets		10 350	9 973	9 145
Non-Financial Assets				
Leasehold improvements	2.2A	500	1 001	945
Property, plant and equipment	2.2A	818	554	510
Intangibles	2.2A	5 980	5 593	6 988
Other non-financial assets	2.2B	271	331	415
Total non-financial assets		7 569	7 479	8 858
Total Assets		17 919	17 452	18 003
LIABILITIES				
Payables				
Suppliers	2.3A	3 023	2 451	4 573
Other payables	2.3B	2 196	1 458	640
Total payables		5 219	3 909	5 213
Provisions				
Employee provisions	4.1A	5 678	6 211	6 319
Other provisions	2.4A	604	534	490
Total provisions		6 282	6 745	6 809
Total Liabilities		11 501	10 654	12 022
Net Assets		6 418	6 798	5 981
EQUITY				
Contributed equity		6 675	6 175	6 675
Retained surplus		(1 143)	(430)	(1 948)
Reserves		886	1 053	1 254
Total Equity		6 418	6 798	5 981

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 2018***Budget Variance Commentary:****Statement of Financial Position**

Cash and cash equivalents are above budget due to the timing of a cash drawdown and subsequent supplier payments. The cash drawdown occurred prior to 30 June 2018 but the payment of suppliers occurred after that date.

Trade and other receivables (primarily the receivable from the Department of Agriculture and Water Resources) is above budget due to higher contributions from industry.

Leasehold improvements were impaired by \$149,000 in 2016-17 and a further \$167,000 in 2017-18.

Property, plant and equipment has been impaired over the past two years by \$231,000. Acquisitions were \$532,000 higher than anticipated due to the acquisition of Armidale furniture.

Investment in software slowed down whilst new enabling technology was investigated. Investment in new IT technology will support the APVMA's future business model in Armidale. APVMA continues to review its non-financial assets and has impaired those that will become redundant.

Suppliers and other payables are on budget.

Employee provisions are below budget due to the workforce management and some contraction prior to the relocation to Armidale.

Retained surplus is higher than anticipated due to increased revenue.

Reserves are below budget due to higher asset impairments.

Australian Pesticides and Veterinary Medicines Authority

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2018

		2018	2017	Original Budget
	Notes	\$'000	\$'000	2018 \$'000
CONTRIBUTED EQUITY				
Opening Balance				
Balance brought forward from previous period		6 175	5 528	6 175
Adjusted opening balance		6 175	5 528	6 175
Transactions with owners				
Contributions by owners				
Equity injections		-	137	-
Departmental Capital Budget (DCB)		500	510	500
Total transactions with owners		500	647	500
Closing balance as at 30 June		6 675	6 175	6 675
RETAINED SURPLUS				
Opening Balance				
Balance brought forward from previous period		(430)	530	(2 078)
Adjusted opening balance		(430)	530	(2 078)
Comprehensive income				
Surplus/(Deficit) for the period		(713)	(960)	130
Total comprehensive income		(713)	(960)	130
Closing balance as at 30 June		(1 143)	(430)	(1 948)
ASSET REVALUATION RESERVE				
Opening Balance				
Balance brought forward from previous period		1 053	1 254	1 254
Adjusted opening balance		1 053	1 254	1 254
Comprehensive income				
Other comprehensive income	2.2A	(167)	(201)	-
Total comprehensive income		(167)	(201)	-
Closing balance as at 30 June		886	1 053	1 254
TOTAL EQUITY				
Opening Balance				
Balance brought forward from previous period		6 798	7 312	5 351
Adjusted opening balance		6 798	7 312	5 351
Comprehensive income				
Surplus/(Deficit) for the period		(713)	(960)	130
Other comprehensive income		(167)	(201)	-
Total comprehensive income		(880)	(1 161)	130
Transactions with owners				
Contributions by owners				
Equity injections		-	137	-
Departmental Capital Budget (DCB)		500	510	500
Total transactions with owners		500	647	500
Closing balance as at 30 June		6 418	6 798	5 981

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

Australian Pesticides and Veterinary Medicines Authority**STATEMENT OF CHANGES IN EQUITY***for the year ended 30 June 2018*

Accounting PolicyContributions by owners

Amounts appropriated which are designated as 'equity injections' for a particular 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**

The APVMA recognised an additional \$0.823 million in onerous property lease payments to account for a reduced Canberra based office workforce from 1 July 2019. This resulted in a budgeted equity variance of \$0.391 million as at reporting date.

Australian Pesticides and Veterinary Medicines Authority

CASH FLOW STATEMENT
for the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000	Original Budget 2018 \$'000
OPERATING ACTIVITIES				
Cash received				
<i>Agricultural and Veterinary Chemicals (Administration)</i>				
Act 1992 contribution		31 932	33 728	32 550
Corporate Commonwealth entity payment item		6 056	4 744	5 495
Net GST received		1 055	970	1 136
Interest received		34	11	-
Other cash received		165	146	-
Total cash received		39 242	39 599	39 181
Cash used				
Employees		29 306	24 810	25 832
Suppliers		9 271	12 212	12 516
Total cash used		38 577	37 022	38 348
Net cash flows from operating activities		665	2 577	833
INVESTING ACTIVITIES				
Cash used				
Purchase of property, plant and equipment		376	249	125
Purchase of intangibles		1 434	945	1 200
Total cash used		1 810	1 194	1 325
Net cash flows from or (used by) investing activities		(1 810)	(1 194)	(1 325)
FINANCING ACTIVITIES				
Cash received				
Contributed equity		647	-	500
Total cash received		647	-	500
Net cash flows from or (used by) financing activities		647	-	500
Net increase or (decrease) in cash held		(498)	1 383	8
Cash and cash equivalents at the beginning of the reporting period		2 767	1 384	1 392
Cash and cash equivalents at the end of the reporting period	2.1A	2 269	2 767	1 400

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

Budget Variance Commentary:

Operating Cash and cash equivalents were over budget due to higher than anticipated June income.

The cash used is shown as employee benefits and supplier expenses in the statement of comprehensive income.

The agency brought forward \$561,000 into 2017-18 as part of the rephasing of the relocation contingency reserve.

Investment in property, plant and equipment, has been low however and will increase as the APVMA develops its Armidale capability.

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, ensuring 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); and
- 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.

New Australian Accounting Standards

Adoption of new Australian Accounting Standard Requirements

No accounting standards have been adopted earlier than the application date stated in the standard.

No new standards applicable to the current reporting period having any material effect on the APVMA's financial statements have been issued prior to the signing of the statements by the accountable authority and chief finance officer.

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 2018

1.1: Expenses

	2018	2017
	\$'000	\$'000
1.1A: Employee benefits		
Wages and salaries	22 919	19 706
Superannuation:		
Defined contribution plans	2 050	1 916
Defined benefit plans	1 557	1 420
Leave and other entitlements	1 851	1 936
Other employee benefits	823	411
Total employee benefits	29 200	25 389

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	1 945	1 940
Contractors	2 510	3 174
Travel	481	191
IT services	1 010	902
Other	490	473
Total goods and services supplied or rendered	6 436	6 680

Goods supplied	585	379
Services rendered	5 851	6 301
Total goods and services supplied or rendered	6 436	6 680

Other supplier expenses

Operating lease rentals - external parties	2 251	1 793
Workers compensation premiums	155	278
Total other supplier expenses	2 406	2 071
Total supplier expenses	8 842	8 751

1.1C: Finance Costs

Unwinding of discount	70	62
Total finance costs	70	62

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 2018

1.1: Expenses

	2018	2017
	\$'000	\$'000

Leasing Commitments

In Armidale, the APVMA is sharing office space with the Department of Human Services as well as procuring over-flow tenancy in a nearby office. These short term accommodation options for the agency will remain in place until the permanent office is constructed in mid 2019 and is being funded from the appropriation provided for relocation. The APVMA has negotiated a fifteen year lease for the new building including two five year options. The construction of the new building is due for completion in time for the APVMA's occupation in mid-July 2019.

The APVMA will retain a satellite office in Canberra. The current lease at 18 Wormald St, Symonston Canberra ACT Australia is operational until October 2020, and is subject to annual rent increases of 3.75%. The reduced occupancy has resulted in an adjustment to the 2016-17 provision for onerous property lease payments by \$0.865 million, totalling \$1.355 million. This will continue to be reviewed each year for any changed circumstances.

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

Within 1 year	1 700	1 528
Between 1 to 5 years	5 633	3 229
Over 5 years	<u>12 772</u>	<u>-</u>
Total operating lease commitments	<u>20 105</u>	<u>4 757</u>

Accounting Policy

Where an asset is acquired under 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 2018

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

	2018	2017
	\$'000	\$'000
OWN-SOURCE REVENUE		
1.2A: Other revenue		
Resources received free of charge		
Remuneration of auditors	36	36
Other revenue	177	153
Total other revenue	<u>213</u>	<u>189</u>
1.2B: Gains		
Sale of assets	2	3
Total other revenue	<u>2</u>	<u>3</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 2018

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

	2018 \$'000	2017 \$'000
REVENUE FROM GOVERNMENT		
1.2C: Revenue from Government		
Corporate Commonwealth entity payment item	6 056	4 744
Department of Agriculture and Water Resources contribution Agricultural and Veterinary Chemicals (Administration) Act 1992 (refer below)	<u>32 924</u>	<u>30 119</u>
Total revenue from Government	<u>38 980</u>	<u>34 863</u>
Department of Agriculture and Water Resources contribution is equal to the following receipts paid by industry:		
Levies	18 802	17 022
Annual renewal fee	5 604	5 639
Product application fees	6 246	5 368
Good manufacturing practice (GMP) licence fees	1 033	1 097
Permits, actives and other fees	1 106	955
Penalties and Infringements	<u>133</u>	<u>38</u>
Total industry contributions	<u>32 924</u>	<u>30 119</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

	2018	2017
	\$'000	\$'000
2.1A: Cash and Cash Equivalents		
Cash on hand	2 269	2 767
Total cash and cash equivalents	2 269	2 767

Accounting Policy

Cash is recognised at its nominal amount.

2.1B: Trade and Other Receivables

Contribution receivable		
Department of Agriculture and Water Resources	6 860	5 868
Total contribution receivable	6 860	5 868
Other receivable		
GST receivable from the Australian Taxation Office	192	139
Undrawn appropriations from Department of Finance	500	647
Other Sundry Debtors	529	552
Total other receivables	1 221	1 338
Total trade and other receivables (gross)	8 081	7 206
Less impairment allowance account:		
Goods and services	-	-
Total impairment allowance account	-	-
Total trade and other receivables (net)	8 081	7 206

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. Employee related information is disclosed in the People and Relationships section.

2.1: Financial Assets

Reconciliation of the impairment allowance account:

Movements in relation to 2018	Goods and services \$'000	Total \$'000
Opening balance	-	-
Amounts recovered and reversed	-	-
Amounts written off	-	-
New impaired assets	-	-
Closing balance	-	-

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	-	-

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 2018

	Leasehold Improvements \$'000	Other P P & E \$'000	Computer Software ¹ \$'000	Total \$'000
As at 1 July 2017				
Gross book value	1 759	1 008	9 315	12 082
Accumulated depreciation and impairment	(758)	(454)	(3 722)	(4 934)
Total as at 1 July 2017	1 001	554	5 593	7 148
Additions:				
Purchase	-	527	-	527
Internally developed	-	-	1 587	1 587
Revaluation recognised in other comprehensive income	-	-	-	-
Impairments recognised in the operating result	-	(40)	(14)	(54)
Impairments recognised in other comprehensive income	(167)	-	-	(167)
Depreciation and amortisation expense	(334)	(222)	(1 186)	(1 742)
Disposals:				
Disposal	-	(93)	-	(93)
Accumulated depreciation of disposed assets	-	92	-	92
Total as at 30 June 2018	500	818	5 980	7 298
Total as of 30 June 2018 represented by:				
Gross book value	1 759	1 441	9 645	12 845
Accumulated depreciation and impairment	(1 259)	(623)	(3 665)	(5 547)
Total as of 30 June 2018 represented by:	500	818	5 980	7 298

1. The carrying amount of computer software includes \$0.755 million purchased software and \$5.979 million internally generated software.

No leasehold improvements nor major property, plant and equipment and intangibles are expected to be sold or disposed of within the next 12 months due to the relocation to Armidale or otherwise.

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 a 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, 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.
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2.2: Non-Financial Assets

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:

	2018	2017
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 2018. 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 is committed to relocate to Armidale by mid-July 2019, however, notwithstanding the construction of a new facility, it has been decided that a satellite office will need to be maintained in Canberra. Existing assets will not be relocated to the new facility as they will be required in the satellite office.

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 (2017: 3 to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2018.

Australian Pesticides and Veterinary Medicines Authority

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2.2: Non-Financial Assets

	2018	2017
	\$'000	\$'000
2.2B: Other Non-Financial Assets		
Prepayments	271	331
Total other non-financial assets	<u>271</u>	<u>331</u>
Total other non-financial assets expected to be received in:		
No more than 12 months	271	320
More than 12 months	-	11
Total other non-financial assets	<u>271</u>	<u>331</u>

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

2.3: Payables

	2018	2017
	\$'000	\$'000
2.3A: Suppliers		
Trade creditors and accruals	3 023	2 451
Total supplier payables	<u>3 023</u>	<u>2 451</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	291	231
Superannuation	34	24
Lease incentive	50	133
Lease liability	1 821	1 070
Total other payables	<u>2 196</u>	<u>1 458</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

	2018	2017
	\$'000	\$'000
2.4: Other provisions		
Provision for restoration obligations	604	534
Total other provisions	<u>604</u>	<u>534</u>
Carrying amount 1 July 2017	534	472
Unwinding of discount or change in discount rate	70	62
Closing balance 30 June 2018	<u>604</u>	<u>534</u>

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*, which is held and managed by the Department of Agriculture and Water Resources for and on behalf of the APVMA.

The purpose of this special appropriation is to:

- (a) 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.

	2018 \$'000	2017 \$'000
Balance carried from previous period	5 868	9 024
External revenue:		
Levies, fees and charges	33 392	31 304
Available for payments:	39 260	40 328
Amounts applied (Drawn down)	(32 400)	(34 460)
Balance carried to next period and represented by:	6 860	5 868

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

	2018	2017
	\$'000	\$'000
4.1A: Employee provisions		
Long service leave	3 874	4 334
Annual leave	1 804	1 877
Total employee provisions	<u>5 678</u>	<u>6 211</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 2.3B 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 2018. 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 2018.

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 2018 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 who comprise the Executive Leadership team (ELT) at anytime throughout the year in either a permanent or acting capacity. The ELT has the authority and responsibility for planning, directing and controlling the activities of the APVMA, recognising that ultimate responsibility resides with the Chief Executive Officer (CEO) who is in turn responsible for the APVMA's performance to the relevant Portfolio Minister.

For the 2017-18 financial year, key management personnel for the APVMA comprised the Chief Executive Officer (CEO), two Deputy Chief Executive Officers (DCEO), three Executive Directors (ED), and the Chief Scientist. During the year, the Chief Operating Officer (COO) position was abolished and two Deputy Chief Executive Officer (DCEO) positions created recognising the extra managerial responsibility relating to the relocation to Armidale. An additional ED was recruited to manage the implementation of the APVMA's information technology capability. Sixteen officers (including acting staff) have occupied these positions throughout the 2017-18 financial year.

Key management personnel remuneration is reported in the table below:

	2018	2017
	\$	\$
Short-term employee benefits:	1 767 661	1 389 231
Post-employment benefits:	315 095	252 733
Other long-term employee benefits:	<u>192 946</u>	<u>145 856</u>
Total key management personnel remuneration expenses¹	<u>2 275 702</u>	<u>1 787 820</u>

The total number of key management personnel included in the above table is sixteen (2016-17: twenty staff members). Of these sixteen staff, twelve individuals held positions for only part of the year (2016-17: seventeen individuals were in this category).

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 Portfolio Minister, the Executive Leadership team, comprising the Chief Executive Officer, two Deputy Chief Executive Officers, three Executive Directors, the Chief Regulatory Scientist, 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 an annual conflict of interest declaration.

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 (2016-17: nil) 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

	2018 \$'000	2017 \$'000
5.2A: Categories of financial instruments		
Financial Assets		
Receivables financial assets		
Cash and cash equivalents	2 269	2 767
Total receivables	2 269	2 767
Total financial assets	2 269	2 767
Financial liabilities		
Financial liabilities measured at amortised cost		
Other liabilities		
Trade creditors and accruals	3 023	2 451
Other payables	2 146	1 325
Total financial liabilities measured at amortised cost	5 169	3 776
Total financial liabilities	5 169	3 776
5.2B: Net gains or losses on financial assets		
Receivables		
Interest revenue	34	11
Net gain/(loss) from financial assets	34	11
5.2C: Net gains and losses on financial liabilities		
Other Liabilities		
Lease liability (increase)/decrease	(751)	(426)
Net gain/(loss) from financial assets	(751)	(426)

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.

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.

	Valuation method	2018 \$'000	2017 \$'000
Non-financial assets			
Leasehold improvements	Depreciated replacement cost adjusted for impairment	501	1 001
Property, plant and equipment	Depreciated replacement cost adjusted for impairment	971	554
		<u>1 472</u>	<u>1 555</u>