

Australian Pesticides and Veterinary Medicines Authority

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2019

		2019	2018	Original Budget 2019
	Notes	\$'000	\$'000	\$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1A	30 816	26 496	20 082
Suppliers	1.1B	14 412	11 546	31 563
Depreciation and amortisation	2.2A	2 017	1 742	1 680
Impairments	2.2A	49	54	-
Finance costs	1.1C	41	70	-
Losses from asset disposals		2	-	-
Total Expenses		47 337	39 908	53 325
Own-Source Income				
Own-source revenue				
Other revenue	1.2A	374	213	60
Total own-source revenue		374	213	60
Gains				
Gains from sale of assets		-	2	-
Total gains		-	2	-
Total Own-Source Income		374	215	60
Net Cost of Services		46 963	39 693	53 265
Revenue from Government	1.2B	56 994	38 980	53 265
Surplus/(Deficit)		10 031	(713)	-
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to profit and loss				
Impairment of assets offset against asset revaluation surplus	2.2A	(48)	(167)	-
Total other comprehensive income		(48)	(167)	-
Total Comprehensive Income/(Loss)		9 983	(880)	-

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 2019

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 \$10.734 million (53.45%) over budget as reported in the Portfolio Budget Statements due to:

- a) The original APVMA workforce forecast comprising an increased number of external contractors to manage and complete the business relocation from Canberra to Armidale.
 - This was based on the likelihood that a large percentage of the workforce would have sought redeployment throughout the year, decreasing permanent staff costs and significantly increasing supplier costs to make up for the lack of staffing resources.
 - The outcome was that a majority of permanent staff chose to stay throughout 2018-19, this coupled with a large number of Section 26 staff from other government agencies, assisting with the relocation effort contributed to the increase in employee costs.
- b) A large number of APVMA staff choosing to accept voluntary redundancies which contributed to a number of staffing positions, for a period of time, containing double the personnel.
 - This was caused by better than anticipated success of the Armidale recruitment rounds with the acceptance of a high number of applicants for job positions.
 - A condition of the voluntary redundancy for permanent employees was to ensure that a transfer of organisational knowledge, work practice, and history could take place to ensure that there was no significant loss of corporate knowledge and that regulatory effort could continue in a seamless manner.

Supplier costs were under budget as reported in the Portfolio Budget Statements mainly for the reasons described above.

Depreciation and amortisation reflects increased investment in the Armidale Offices, specifically I.T. Infrastructure and Office Fit-out.

Revenue from Government was \$3.729 million (7.0%) over budget, due to higher than budgeted fees and levies.

Australian Pesticides and Veterinary Medicines Authority

STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

	Notes	2019 \$'000	2018 \$'000	Original Budget 2019 \$'000
ASSETS				
Financial Assets				
Cash and cash equivalents	2.1A	8 918	2 269	2 500
Trade and other receivables	2.1B	11 738	8 081	5 494
Total financial assets		20 656	10 350	7 994
Non-Financial Assets				
Leasehold improvements	2.2A	2 858	500	201
Property, plant and equipment	2.2A	1 297	818	504
Intangibles	2.2A	4 786	5 980	5 043
Other non-financial assets	2.2B	408	271	331
Total non-financial assets		9 349	7 569	6 079
Total Assets		30 005	17 919	14 073
LIABILITIES				
Payables				
Suppliers	2.3A	2 633	3 023	2 596
Other payables	2.3B	6 474	2 196	948
Total payables		9 107	5 219	3 544
Provisions				
Employee provisions	4.1A	3 852	5 678	6 805
Other provisions	2.4A	645	604	553
Total provisions		4 497	6 282	7 358
Total Liabilities		13 604	11 501	10 902
Net Assets		16 401	6 418	3 171
EQUITY				
Contributed equity		6 675	6 675	6 675
Retained surplus		8 888	(1 143)	(4 557)
Reserves		838	886	1 053
Total Equity		16 401	6 418	3 171

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 2019***Budget Variance Commentary:****Statement of Financial Position**

Cash and cash equivalents are above budget due to 2018-19 appropriations being drawn down before 30 June 2019 to satisfy forward year commitments for enabling technology contractual arrangements and staff termination payments in the first week of the 2019-20 financial year.

Trade and other receivables (primarily the receivable from the Department of Agriculture) is above budget due to higher industry contribution than anticipated.

The Leasehold improvements are higher than budgeted due to the completion of the Armidale fit-out and its capitalisation.

Property, plant and equipment is higher than budgeted due to the completion of the Armidale office furniture and equipment acquisitions. The APVMA took early occupation of its Armidale premises and is now operational. The remaining property, plant and equipment in the Canberra office has been assessed for impairment, and is deemed to be of insignificant value.

Investment in current software is on hold as the APVMA transitions to a new enabling information technology (IT) environment. A majority of this is a Software-as-a-Service (SaaS) arrangement, and will not be recorded as intangible assets. This investment in new IT technology will support the APVMA's future business model across all platforms. APVMA has reviewed its non-financial assets and impaired those that are to become redundant.

Suppliers and other payables are over budget due to accrued liabilities for Canberra staff ceasing employment on 1 July 2019.

Employee provisions are below budget due to both the workforce contraction prior to the relocation to Armidale, and the recruitment of new applicants into the public service in Armidale.

Retained surplus is higher than anticipated due to the recognition of the appropriation revenue drawn down to provide for future commitments.

Australian Pesticides and Veterinary Medicines Authority

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000	Original Budget 2019 \$'000
CONTRIBUTED EQUITY				
Opening Balance				
Balance brought forward from previous period		<u>6 675</u>	<u>6 175</u>	<u>6 675</u>
Adjusted opening balance		<u>6 675</u>	<u>6 175</u>	<u>6 675</u>
Transactions with owners				
Contributions by owners				
Equity injections		-	-	-
Departmental Capital Budget (DCB) - intangibles		-	500	-
Total transactions with owners		<u>-</u>	<u>500</u>	<u>-</u>
Closing balance as at 30 June		<u>6 675</u>	<u>6 675</u>	<u>6 675</u>
RETAINED SURPLUS				
Opening Balance				
Balance brought forward from previous period		<u>(1 143)</u>	<u>(430)</u>	<u>(4 557)</u>
Adjusted opening balance		<u>(1 143)</u>	<u>(430)</u>	<u>(4 557)</u>
Comprehensive income				
Surplus/(Deficit) for the period		<u>10 031</u>	<u>(713)</u>	<u>-</u>
Total comprehensive income		<u>10 031</u>	<u>(713)</u>	<u>-</u>
Closing balance as at 30 June		<u>8 888</u>	<u>(1 143)</u>	<u>(4 557)</u>
ASSET REVALUATION RESERVE				
Opening Balance				
Balance brought forward from previous period		<u>886</u>	<u>1 053</u>	<u>1 053</u>
Adjusted opening balance		<u>886</u>	<u>1 053</u>	<u>1 053</u>
Comprehensive income				
Other comprehensive income	2.2A	<u>(48)</u>	<u>(167)</u>	<u>-</u>
Total comprehensive income		<u>(48)</u>	<u>(167)</u>	<u>-</u>
Closing balance as at 30 June		<u>838</u>	<u>886</u>	<u>1 053</u>
TOTAL EQUITY				
Opening Balance				
Balance brought forward from previous period		<u>6 418</u>	<u>6 798</u>	<u>3 171</u>
Adjusted opening balance		<u>6 418</u>	<u>6 798</u>	<u>3 171</u>
Comprehensive income				
Surplus/(Deficit) for the period		<u>10 031</u>	<u>(713)</u>	<u>-</u>
Other comprehensive income		<u>(48)</u>	<u>(167)</u>	<u>-</u>
Total comprehensive income		<u>9 983</u>	<u>(880)</u>	<u>-</u>
Transactions with owners				
Contributions by owners				
Equity injections		-	-	-
Departmental Capital Budget (DCB) - intangibles		-	500	-
Total transactions with owners		<u>-</u>	<u>500</u>	<u>-</u>
Closing balance as at 30 June		<u>16 401</u>	<u>6 418</u>	<u>3 171</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

for the year ended 30 June 2019

Accounting Policy

Equity Injections

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) requires 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 received New Policy Proposal (NPP) funding in the May 2018 budget for its information technology (IT) environment over three years and had continuing Relocation NPP funding. The majority of the IT environment funding was appropriated in the 2018-19 financial year whilst a significant portion of the relocation NPP was also appropriated in 2018-19. Whilst the appropriated funds are committed, the cash outflow for these funds (particularly for the IT environment) will occur over the coming financial years as the commitments are realised.

Australian Pesticides and Veterinary Medicines Authority

CASH FLOW STATEMENT

for the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000	Original Budget 2019 \$'000
OPERATING ACTIVITIES				
Cash received				
<i>Agricultural and Veterinary Chemicals (Administration)</i>				
Act 1992 contribution		27 824	31 932	25 763
Corporate Commonwealth entity payment item		24 902	6 056	26 398
Net GST received		1 427	1 055	(4)
Interest received		48	34	(3)
Other cash received		305	165	60
Total cash received		54 506	39 242	52 214
Cash used				
Employees		27 846	26 602	19 911
Suppliers		16 752	11 975	31 628
Total cash used		44 598	38 577	51 539
Net cash flows from operating activities		9 908	665	675
INVESTING ACTIVITIES				
Cash used				
Purchase of property, plant and equipment		3 644	376	125
Purchase of intangibles		115	1 434	550
Total cash used		3 759	1 810	675
Net cash flows from or (used by) investing activities		(3 759)	(1 810)	(675)
FINANCING ACTIVITIES				
Cash received				
Contributed equity		500	647	-
Total cash received		500	647	-
Net cash flows from or (used by) financing activities		500	647	-
Net increase or (decrease) in cash held		6 649	(498)	-
Cash and cash equivalents at the beginning of the reporting period		2 269	2 767	2 500
Cash and cash equivalents at the end of the reporting period	2.1A	8 918	2 269	2 500

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

Budget Variance Commentary:

The APVMA received New Policy Proposal funding in the May 2018 budget for its information technology (IT) environment over three financial years, commencing 2018-2019. The majority of this funding was appropriated in the 2018-19 financial year. A two pass tender process and successful vendor negotiations took significant time however, whilst the appropriated funds are drawn down and fully committed, the main cash outflow for these funds will occur over the remaining financial years as the commitments are realised.

The APVMA also had a large cash outflow in the first week of the 2019-20 financial year associated with terminating employee payments. Whilst the cash supports the equity balance at 30 June 2019, it was already committed to its original purpose.

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

Investment activities have been restricted to the acquisition of new fit-out, furniture and computer hardware for the Armidale office.

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.

Comparative Information

In the current year, the APVMA has re-classified general contractor expenses from "Wages and salaries", reported under "Employee benefits", to "Contractors" reported under "Suppliers". This has resulted in a \$2.704 million transfer from employee benefits to suppliers in the Statement of Comprehensive Income and Cash Flow Statement in the prior year. This has no impact on the net result reported in the comparative figures and has been done to correctly align the actual cost with the budget.

Australian Pesticides and Veterinary Medicines Authority

OVERVIEW

New Australian Accounting Standards

Adoption of new Australian Accounting Standard Requirements

For 2018-19 financial year, new standards applicable to all Not-for-Profit Commonwealth entities were brought into effect for annual reporting periods beginning on or after 1 July 2018. The APVMA sought professional advice as to the impact of the following standards:

- a) AASB 9 Financial Instruments - effective 1 July 2018
- b) AASB 15 Revenue from Contracts with Customers - effective 1 July 2019
- c) AASB 16 Leases - effective 1 July 2019
- d) AASB 1058 Income for Not-for-Profit Entities - effective 1 July 2019

The nature of APVMA's financial instruments means that there will be no change in the subsequent measurement of the APVMA's financial assets and financial liabilities. Although there is now an expected credit loss model governing the recognition of the impairment of financial assets, the quality of APVMA's counter parties (i.e. Government Entities) means it is unlikely that AASB9 will have a material impact on the APVMA financial operations.

The professional advice confirms that industry funds are not derived from a contract with customers under AASB 15, as they are received via a Special Appropriation. The requirements of the new AASB 1058 and amended AASB 1004 Contributions will not impact the APVMA's appropriation income. AASB 15 will not have a material impact upon the APVMA's other forms of revenue.

The APVMA is not a lessor (nor sub-lessor) and has two leases as a lessee; the Armidale and Canberra offices. Under AASB 16, whilst cash flows associated with the Armidale and Canberra office leases will be unaffected and total expenditure charged to the profit and loss over the term of each lease is unchanged, the timing of expenditure is affected. This will result in cumulative charges to the profit and loss leading to a reduction in retained earnings of \$1.5 million by 2026-27 which reverse during the remainder of the lease for no overall net impact.

The expected lease asset for 2019-20 is \$13,519,794.08 whilst the expected lease liability for 2019-20 is \$14,200,310.48.

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 2019

1.1: Expenses

	2019 \$'000	2018 \$'000
1.1A: Employee benefits		
Wages and salaries	20 590	20 215
Superannuation:		
Defined contribution plans	2 416	2 050
Defined benefit plans	1 380	1 557
Leave and other entitlements	2 043	1 851
Separation and redundancies	2 790	-
Other employee benefits	1 597	823
Total employee benefits	30 816	26 496

Accounting Policy

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

Note

There were 35 staff separations on 1 July 2019, with all costs accrued and recorded under "Separations and redundancies".

Major expenses comprising "Other employee benefits" include increased staff recruitments, costs associated with staff recruitments, and learning and development costs.

1.1B: Suppliers

Goods and services supplied or rendered

Consultants	1 646	1 945
Contractors	7 102	5 214
Travel	625	481
IT services	1 833	1 010
Other	1 469	490
Total goods and services supplied or rendered	12 675	9 140

Note

"Other" supplier expenses has increased in 2018-19 due to the digitisation of paper files as APVMA moves to a paperless office environment.

Goods supplied	778	585
Services rendered	11 897	8 555
Total goods and services supplied or rendered	12 675	9 140

Other supplier expenses

Operating lease rentals - external parties	1 602	2 251
Workers compensation premiums	135	155
Total other supplier expenses	1 737	2 406
Total supplier expenses	14 412	11 546

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 2019

1.1: Expenses

	2019 \$'000	2018 \$'000
1.1C: Finance Costs		
Unwinding of discount	41	70
Total finance costs	41	70

Accounting Policy

All borrowing costs are expensed as incurred.

Leasing Commitments

On 3 June 2019, the APVMA commenced operations in the purpose-built offices located at 102 Taylor Street, Armidale, NSW. The occupancy is a fifteen year lease plus two five year extension options, and subject to annual rent increases of 3.25%.

The APVMA continues to operate from the Canberra office. The current lease at 18 Wormald Street, Symonston, Canberra, is valid until October 2020, and is subject to annual rent increases of 3.75%. The reduced occupancy from 3 June 2019 resulted in a provision for onerous property lease payments of \$1.355 million being created which will be amortised over the remainder of the lease period. This provision 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	2 374	1 700
Between 1 to 5 years	4 236	5 633
Over 5 years	11 638	12 772
Total operating lease commitments	18 248	20 105

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 2019

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

	2019	2018
	\$'000	\$'000
OWN-SOURCE REVENUE		
1.2A: Other revenue		
Resources received free of charge		
Remuneration of auditors	46	36
Other revenue	328	177
Total other revenue	374	213

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.

"Other revenue" is predominantly made up of specific services to the portfolio department throughout the 2018-19 financial year.

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 2019

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

	2019	2018
	\$'000	\$'000
REVENUE FROM GOVERNMENT		
1.2B: Revenue from Government		
Corporate Commonwealth entity payment item	24 902	6 056
Department of Agriculture contribution Agricultural and Veterinary Chemicals (Administration) Act 1992 (refer below)	<u>32 092</u>	<u>32 924</u>
Total revenue from Government	<u>56 994</u>	<u>38 980</u>

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

Levies	18 453	18 802
Annual renewal fee	5 222	5 604
Product application fees	5 911	6 246
Good manufacturing practice (GMP) licence fees	1 029	1 033
Permits, actives and other fees	1 393	1 106
Penalties and Infringements	<u>84</u>	<u>133</u>
Total industry contributions	<u>32 092</u>	<u>32 924</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.

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

	2019 \$'000	2018 \$'000
2.1A: Cash and Cash Equivalents		
Cash at bank	8 918	2 269
Total cash and cash equivalents	<u>8 918</u>	<u>2 269</u>

Accounting Policy

Cash is recognised at its nominal amount.

2.1B: Trade and Other Receivables

Contribution receivable		
Department of Agriculture	11 128	6 860
Total contribution receivable	<u>11 128</u>	<u>6 860</u>
Other receivable		
GST receivable from the Australian Taxation Office	396	192
Undrawn appropriations from Department of Finance	-	500
Suspense holding account - leave transfers	214	529
Total other receivables	<u>610</u>	<u>1 221</u>
Total trade and other receivables (gross)	<u>11 738</u>	<u>8 081</u>
Less impairment allowance account:		
Goods and services	-	-
Total impairment allowance account	<u>-</u>	<u>-</u>
Total trade and other receivables (net)	<u>11 738</u>	<u>8 081</u>

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.

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 2019

	Leasehold Improvements \$'000	Other P P & E \$'000	Computer Software ¹ \$'000	Total \$'000
As at 1 July 2018				
Gross book value	1 759	1 441	9 645	12 845
Accumulated depreciation and impairment	(1 259)	(623)	(3 665)	(5 547)
Total as at 1 July 2018	500	818	5 980	7 298
Additions:				
Purchase	2 707	937	-	3 644
Internally developed			114	114
Impairments recognised in the operating result	-	(43)	(6)	(49)
Impairments recognised in other comprehensive income	-	(48)	-	(48)
Depreciation and amortisation expense	(349)	(366)	(1 302)	(2 017)
Disposals:				
Disposal	-	(13)	-	(13)
Accumulated depreciation of disposed assets	-	12	-	12
Total as at 30 June 2019	2 858	1 297	4 786	8 941
Total as of 30 June 2019 represented by:				
Gross book value	4 465	1 839	9 441	15 745
Accumulated depreciation and impairment	(1 607)	(542)	(4 655)	(6 804)
Total as of 30 June 2019 represented by:	2 858	1 297	4 786	8 941

1. The carrying amount of computer software includes \$0.456 million purchased software and \$4.330 million internally generated software.

Management is currently reviewing its property needs for the Canberra office, and may result in leasehold improvements, property, and plant and equipment being sold or disposed of within the next 12 months.

Revaluations of non-financial assets

On 30 June 2016, an independent valuer conducted the revaluations, which remains current for three years. However, as the Armidale offices are newly occupied, and management has yet to decide on the future of the existing Canberra offices, the revaluation exercise has been deferred until the 2019-20 financial year 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

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'.

Non-financial Asset Revaluations

All non-financial 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. This year, a revaluation exercise was not conducted as the majority of assets acquired were commissioned in June 2019. Management has deferred the revaluation exercise until the 2019-20 financial year reporting period.

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

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:

	2019	2018
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

Where indications for 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.

APVMA commenced work from its Armidale office on 3 June 2019 whilst continuing to occupy its Canberra office. Most assets were relocated to Armidale however those that did not have either remained in the Canberra office or have been disposed of due to obsolescence or disrepair.

All assets were assessed for impairment at 30 June 2019.

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.

Dependent on the outcome of management's assessment of Canberra office space, some items of property, plant and equipment may be sold or disposed of within the next 12 months, but are not material in value.

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 (2018: 3 to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2019.

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

	2019 \$'000	2018 \$'000
2.2B: Other Non-Financial Assets		
Prepayments	408	271
Total other non-financial assets	<u>408</u>	<u>271</u>

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

2.3: Payables

	2019 \$'000	2018 \$'000
2.3A: Suppliers		
Trade creditors and accruals	2 633	3 023
Total supplier payables	<u>2 633</u>	<u>3 023</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	4 775	291
Superannuation	34	34
Lease incentive	11	50
Lease liability	1 654	1 821
Total other payables	<u>6 474</u>	<u>2 196</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

	2019 \$'000	2018 \$'000
2.4: Other provisions		
Provision for restoration obligations	645	604
Total other provisions	645	604
Carrying amount 1 July 2018	604	534
Unwinding of discount or change in discount rate	41	70
Closing balance 30 June 2019	645	604

The APVMA currently has an agreement for the leasing of the Canberra Office 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.

The agreement for the leasing of the newly-occupied premises in Armidale has no such provision. Therefore no provision for make-good is required.

Accounting Policy

Other provisions

The provision for make-good of the Canberra Office 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 relocation to Armidale, NSW and the information technology environment refresh.

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 for and on behalf of the APVMA.

The purpose of this special appropriation is:

- (a) to pay or discharge the costs, expenses or other obligations incurred by the APVMA in the performance of its functions
- (b) to make payment of any remuneration and allowances payable to any person under this Act
- (c) to 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.

	2019 \$'000	2018 \$'000
Balance carried from previous period	6 860	5 868
External revenue:		
Levies, fees and charges	32 768	33 392
Available for payments:	39 628	39 260
Amounts applied (Drawn down)	(28 500)	(32 400)
Balance carried to next period and represented by:	11 128	6 860

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

The APVMA is reviewing its Cost Recovery Implementation Statement to determine the suitability of its charging framework for regulatory services.

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

	2019	2018
	\$'000	\$'000
4.1A: Employee provisions		
Annual leave	1 365	1 804
Long service leave	2 487	3 874
Total employee provisions	3 852	5 678

Accounting Policy

Liabilities for short-term employee benefits and termination benefits expected within twelve months of the end of the reporting period 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 2019. 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 2019.

Separation and Redundancy

Provision was made for separation and redundancy benefit payments. The entity recognised a provision for termination when it developed a detailed formal plan for the termination of employees during the year. A total of 35 employees accepted redundancies for payment on 1 July 2019.

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 2019 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 (KMP) 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.

Key management personnel remuneration for the reporting period	2018 - 19	2017 - 18
	\$	\$
Short-term employee benefits:		
Base salary	1 558 103	1 602 756
Annual leave accrued	137 563	147 927
Bonuses	27 778	23 315
Other benefits and Allowances	94 547	141 590
Short-term employee benefits:	1 817 991	1 915 588
Superannuation	285 853	315 095
Post-employment benefits:	285 853	315 095
Long-service leave accrued	40 472	45 019
Other long-term employee benefits:	40 472	45 019
Total key management personnel remuneration expenses¹	2 144 316	2 275 702

The total number of key management personnel included in the above table is fifteen (2017-18: sixteen staff members). Of these fifteen staff, nine individuals held positions for only part of the year (2017-18: twelve individuals were in this category).

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

The balance of the ELT remuneration and other benefits are determined by the CEO, under s24 of the *Public Service Act 1999*.

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.

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.

4.3: Related Party Disclosures

The APVMA is an Australian Government controlled entity, and is part of the Department of Agriculture portfolio. Related parties to this entity are relevant Federal Government Ministers including the Portfolio Minister, the Executive Leadership Team, comprising the Chief Executive Officer, two Deputy Chief Executive Officers, three Executive Directors, the Chief 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 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 relating to litigation costs. (2017-18: nil)

Unquantifiable Contingencies

The APVMA had no unquantifiable contingencies. (2017-18: nil)

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.

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

	2019 \$'000	2018 \$'000
5.2A: Categories of financial instruments		
Financial Assets under AASB 139		
Loans and receivables		
Cash and cash equivalents		2 269
Other sundry debtors		529
Total Loans and receivables		2 798
Financial Assets under AASB 9		
Financial assets at amortised cost		
Cash and cash equivalents	8 918	
Other sundry debtors	214	
Total Financial assets at amortised cost	9 132	
Total Financial assets	9 132	2 798
Financial liabilities		
Financial liabilities measured at amortised cost		
Other liabilities		
Trade creditors and accruals	2 633	3 023
Other payables	6 463	2 146
Total financial liabilities measured at amortised cost	9 096	5 169
Total financial liabilities	9 096	5 169

Classification of Financial assets on the date of initial application of AASB 9

Financial Asset category	Cash and cash equivalents	Total financial assets
AASB 139 classification	Loans and receivables	
AASB 9 new classification	Amortised cost	
AASB 139 carrying amount at 1 July 2018	2,798	2,798
AASB 9 carrying amount at 1 July 2018	2,798	2,798

There were no changes to the carrying amounts of financial assets on the initial application of AASB 9.

5.2B: Net gains or losses on financial assets

Financial assets at amortised cost		
Interest revenue	48	34
Net gain/(loss) from financial assets	48	34

5.2C: Net gains and losses on financial liabilities

Financial liabilities measured at amortised cost		
Lease liability (increase)/decrease	167	(751)
Net gain/(loss) from financial assets	167	(751)

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.

AASB 9 contains the requirement for interest revenue to be calculated using the effective interest rate method. Interest revenue recognised by the APVMA is interest received on its bank account. The change in relevant standards and definitions do not have an impact on interest revenue recognised by the APVMA.

Accounting Policy

Financial assets

With the implementation of AASB 9 Financial Instruments for the first time in 2019, the entity classifies its financial assets in the following categories:

- a) financial assets at fair value through profit or loss;
- b) financial assets at fair value through other comprehensive income; and
- c) financial assets measured at amortised cost.

The classification depends on both the entity's business model for managing the financial assets and contractual cash flow characteristics at the time of initial recognition. Financial assets are recognised when the entity becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash and derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred upon trade date.

Comparatives have not been restated on initial application.

Financial Assets at Amortised Cost

Financial assets included in this category need to meet two criteria:

1. the financial asset is held in order to collect the contractual cash flows; and
2. the cash flows are solely payments of principal and interest (SPPI) on the principal outstanding amount.

Amortised cost is determined using the effective interest method.

Effective Interest Method

Income is recognised on an effective interest rate basis for financial assets that are recognised at amortised cost.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period based on Expected Credit Losses, using the general approach which measures the loss allowance based on an amount equal to *lifetime expected credit losses* where risk has significantly increased, or an amount equal to *12-month expected credit losses* if risk has not increased.

The simplified approach for trade, contract and lease receivables is used. This approach always measures the loss allowance as the amount equal to the lifetime expected credit losses.

A write-off constitutes a derecognition event where the write off directly reduces the gross carrying amount of the financial asset.

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

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Financial Liabilities at Amortised Cost

Financial liabilities, including borrowings, 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 (and 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 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.

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 quite stable, any impacts are minimal.

All assets (except for intangibles) were revalued as at 30 June 2016 by an independent valuer. For the 2018-19 reporting period, a revaluation exercise was not conducted as the majority of assets acquired were commissioned in June 2019. Management has deferred the revaluation exercise until the 2019-20 financial year reporting period.

		2019	2018
		\$'000	\$'000
Non-financial assets			
Leasehold improvements	Depreciated replacement cost adjusted for impairment	2 858	500
Property, plant and equipment	Depreciated replacement cost adjusted for impairment	1 297	818
		4 155	1 318

Australian Pesticides and Veterinary Medicines Authority

OTHER INFORMATION

6.1 Aggregate Assets and Liabilities

	2019 \$'000	2018 \$'000
Assets expected to be recovered in:		
No more than 12 months	21,064	10,621
More than 12 months	<u>8,941</u>	<u>7,298</u>
Total assets	<u>30,005</u>	<u>17,919</u>
Liabilities expected to be settled in:		
No more than 12 months	10,308	6,229
More than 12 months	<u>3,296</u>	<u>5,272</u>
Total liabilities	<u>13,604</u>	<u>11,501</u>