

## Appendix 9 Financial Statements

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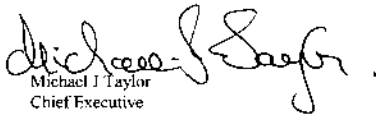
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**Department of Agriculture, Fisheries and Forestry**  
**Financial Statements**  
**For the year ended 30 June 2003**

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**Statement by the Chief Executive and Chief Finance Officer**

In our opinion, the attached financial statements for the year ended 30 June 2003 give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*.



Michael J Taylor  
Chief Executive

2 September 2003



Allan Gaukroger  
Chief Finance Officer

2 September 2003



## INDEPENDENT AUDIT REPORT

To the Minister for Agriculture, Fisheries and Forestry

### Scope

I have audited the financial statements of the Department of Agriculture, Fisheries and Forestry – Australia for the year ended 30 June 2003. The financial statements comprise:

- Statement by the Chief Executive and Chief Finance Officer;
- Statements of Financial Performance, Financial Position and Cash Flows;
- Schedules of Contingencies and Commitments;
- Schedule of Administered Items; and
- Notes to and forming part of the Financial Statements.

The Department's Chief Executive is responsible for the preparation and presentation of the financial statements and the information they contain. I have conducted an independent audit of the financial statements in order to express an opinion on them to you.

The audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with my understanding of the Department's financial position, its financial performance and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

### Audit Opinion

In my opinion the financial statements:

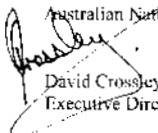
- (i) have been prepared in accordance with Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, and

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- (ii) give a true and fair view, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Finance Minister's Orders, of the financial position of the Department of Agriculture, Fisheries and Forestry – Australia as at 30 June 2003, and its financial performance and cash flows for the year then ended.

**Other Statutory Matters**

The Department of Agriculture, Fisheries and Forestry has breached section 48 of the *Financial Management and Accountability Act 1997* as detailed in Note 35 of the financial statements.

  
Australian National Audit Office  
David Crossley  
Executive Director  
Delegate of the Auditor-General  
Canberra  
8 September 2003

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY  
STATEMENT OF FINANCIAL PERFORMANCE**

for the year ended 30 June 2003

	Notes	2002–2003 \$'000	2001–2002 \$'000
<b>Revenues from ordinary activities</b>			
Revenues from Government	3A	276 553	238 318
Sales of goods and services	3B	174 928	170 217
Interest		3 152	2 792
Grants		47	130
Revenue from sale of assets	4F	156	33
Other operating revenues	3C	6 228	5 920
<b>Total revenues from ordinary activities</b>		<b>461 064</b>	<b>417 410</b>
<b>Expenses from ordinary activities (excluding borrowing costs expense)</b>			
Employees	4A	247 585	225 688
Suppliers	4B	171 591	164 505
Grants	4C	12 622	9 252
Depreciation and amortisation	4D	11 808	9 876
Write down of assets	4E	1 381	2 725
Value of assets sold	4F	449	119
Other operating expenses	4G	83	4
<b>Total expenses from ordinary activities (excluding borrowing cost expense)</b>		<b>445 519</b>	<b>412 169</b>
<i>Borrowing costs expense</i>		<b>580</b>	<b>510</b>
<b>Net surplus</b>		<b>14 965</b>	<b>4 731</b>
Net change to asset revaluation reserve	19	(1 696)	214
<b>Total revenues, expenses and valuation adjustments attributable to the Commonwealth Government and recognised directly in equity</b>		<b>(1 696)</b>	<b>214</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>13 269</b>	<b>4 945</b>

The above statement should be read in conjunction with the accompanying notes

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY**  
**STATEMENT OF FINANCIAL POSITION**

as at 30 June 2003

	Notes	2002–2003 \$'000	2001–2002 \$'000
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash	5,20	6 639	50 345
Receivables	6	127 451	27 897
Investments	7	14 500	14 000
Accrued revenue	8	7 105	8 964
<b>Total financial assets</b>		<b>155 695</b>	<b>101 206</b>
<b>Non-financial assets</b>			
Land and buildings	9,14	9 213	13 835
Infrastructure, plant and equipment	10,14	11 422	13 194
Inventories	11	3 979	4 985
Intangibles	12,14	9 336	11 062
Other	13	3 097	2 749
<b>Total non-financial assets</b>		<b>37 047</b>	<b>45 825</b>
<b>Total assets</b>		<b>192 742</b>	<b>147 031</b>
<b>LIABILITIES</b>			
<b>Interest bearing liabilities</b>			
Leases	18	6 399	8 426
<b>Total interest bearing liabilities</b>		<b>6 399</b>	<b>8 426</b>
<b>Provisions</b>			
Capital use charge	15A	–	231
Return of capital		–	3 921
Employees	15B	78 088	70 427
<b>Total Provisions</b>		<b>78 088</b>	<b>74 579</b>
<b>Payables</b>			
Suppliers	16	27 821	20 520
Other	17	51 955	33 636
<b>Total payables</b>		<b>79 776</b>	<b>54 156</b>
<b>Total liabilities</b>		<b>164 263</b>	<b>137 161</b>
<b>NET ASSETS</b>		<b>28 479</b>	<b>9 870</b>
<b>EQUITY</b>			
Contributed equity		14 413	5 092
Asset revaluation reserve		4 729	6 425
Accumulated surplus/(deficits)		9 337	(1 647)
<b>Total equity</b>	19	<b>28 479</b>	<b>9 870</b>
<b>Current liabilities</b>		<b>110 705</b>	<b>83 554</b>
<b>Non-current liabilities</b>		<b>53 558</b>	<b>53 607</b>
<b>Current assets</b>		<b>153 285</b>	<b>99 004</b>
<b>Non-current assets</b>		<b>39 457</b>	<b>48 027</b>
<b>Net assets</b>		<b>28 479</b>	<b>9 870</b>

The above statement should be read in conjunction with the accompanying notes

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY**  
**SCHEDULE OF CASH FLOWS**

for the year ended 30 June 2003

	Notes	2002–2003 \$'000	2001–2002 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations for outputs		244 572	251 438
Goods and services		195 084	175 934
Interest		3 140	2 866
Grants received		52	130
GST received from ATO		12 683	14 590
Other receipts		8 210	4 011
<b>Total cash received</b>		<b>463 741</b>	<b>448 969</b>
<b>Cash used</b>			
Employees		239 924	220 083
Suppliers		178 456	181 280
Grants		13 884	9 252
Borrowing costs		580	510
Cash returned to the OPA		57 321	–
Other		80	4
<b>Total cash used</b>		<b>490 245</b>	<b>411 129</b>
<b>Net cash from/(used by) operating activities</b>	20	<b>(26 504)</b>	<b>37 840</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sale of buildings		145	–
Proceeds from sales of infrastructure, plant and equipment		11	33
<b>Total cash received</b>		<b>156</b>	<b>33</b>
<b>Cash used</b>			
Purchase of land and buildings		465	–
Purchase of infrastructure, plant and equipment		1 194	6 831
Purchase of intangibles		3 390	–
Purchases of Investments		500	1 300
<b>Total cash used</b>		<b>5 549</b>	<b>8 131</b>
<b>Net cash from/(used by) investing activities</b>		<b>(5 393)</b>	<b>(8 098)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Capital appropriation		2 096	–
Equity injection		–	7 600
<b>Total cash received</b>		<b>2 096</b>	<b>7 600</b>
<b>Cash used</b>			
Capital use charge paid		1 339	3 527
Return on capital		526	–
Return of equity injection		7 600	–
Finance lease capital payments		4 440	2 682
<b>Total cash used</b>		<b>13 905</b>	<b>6 209</b>
<b>Net cash from/(used by) financing activities</b>		<b>(11 809)</b>	<b>1 391</b>
<b>Net increase/(decrease) in cash held</b>		<b>(43 706)</b>	<b>31 133</b>
Cash at beginning of the year		50 345	19 212
<b>Cash at end of the year</b>	20	<b>6 639</b>	<b>50 345</b>

The above statement should be read in conjunction with the accompanying notes

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY  
SCHEDULE OF COMMITMENTS**

as at 30 June 2003

	2002–2003 \$'000	2001–2002 \$'000
<b>BY TYPE</b>		
<b>Capital commitments</b>		
Infrastructure, plant and equipment	240	12
Other capital commitments	627	25
<b>Total capital commitments</b>	<b>867</b>	<b>37</b>
<b>Other commitments</b>		
Operating leases	92 559	74 329
Project commitments	27 713	3 292
Goods and services contracts	9 279	9 311
Research & development	283	969
Other commitments	497	666
GST payable	4	–
<b>Total other commitments</b>	<b>130 335</b>	<b>88 567</b>
<b>Commitments receivable</b>		
Project commitments	44	–
GST receivable	11 927	–
<b>Total commitments receivable</b>	<b>11 971</b>	<b>–</b>
<b>Net commitments</b>	<b>119 231</b>	<b>88 604</b>
<b>BY MATURITY</b>		
<b>All net commitments</b>		
One year or less	31 325	28 276
From one to five years	72 090	51 469
Over five years	15 816	8 859
<b>Net commitments</b>	<b>119 231</b>	<b>88 604</b>
<b>Operating lease commitments</b>		
One year or less	21 410	16 318
From one to five years	53 752	49 400
Over five years	17 397	8 611
<b>Net commitments</b>	<b>92 559</b>	<b>74 329</b>

All commitments are stated inclusive of Goods and Services Tax where relevant.

<i>Nature of lease</i>	<i>General description of leasing arrangement</i>
Agreement for the provision of motor vehicles to senior executive officers. Leases for motor vehicles for operations.	The Department is a party to a tied contract for the provision of vehicles. No contingent rentals exist. An individual fixed rate is defined for each sub agreement (vehicle). Retention of the vehicle past the expiry date will result in a new lease sub agreement.
Leases for office, laboratory or other accommodation.	The Department has leases for accommodation that are subject to adjustments on an annual fixed basis, to market values and to CPI increases. Renewal options vary from 1 to 5 years.
Leases for office or scientific equipment.	There are no purchases or renewal options on these leases. Contracts for lease of X-ray machines have no escalation clauses. Most photocopier leases have a clause allowing increases in line with CPI.

The above statement should be read in conjunction with the accompanying notes

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY  
SCHEDULE OF CONTINGENCIES**

*as at 30 June 2003*

	<b>2002–2003</b>	<i>2001–2002</i>
	<b>\$'000</b>	<i>\$'000</i>
<b>Contingent liabilities</b>		
Claims for damages/costs	<u>7 650</u>	<u>982</u>

In the event that the contingent losses disclosed above are realised the Department expects that a substantial proportion of them will be reimbursed through appropriations

The above statement should be read in conjunction with the accompanying notes

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY**  
**SCHEDULE OF ADMINISTERED ITEMS**

for the year ended 30 June 2003

	Notes	2002–2003 \$'000	2001–2002 \$'000
<b>Revenues Administered on Behalf of Government</b>			
<i>for the year ended 30 June 2003</i>			
<b>Taxation revenues</b>			
Taxes, levies, fees and charges	28A	589 114	554 891
<b>Total taxation revenues</b>		<b>589 114</b>	<b>554 891</b>
<b>Non-taxation revenues</b>			
Interest	28B	3 087	3 340
Sale of goods and services	28B	7	910
Other	28B	75 834	5 469
<b>Total non-taxation revenues</b>		<b>78 928</b>	<b>9 719</b>
<b>Total Revenues Administered on Behalf of Government</b>		<b>668 042</b>	<b>564 610</b>
<b>Expenses Administered on Behalf of Government</b>			
<i>for the period ended 30 June 2003</i>			
<b>Expenses from ordinary activities</b>			
Grants	29A	1 012 281	1 058 693
Personal benefits	29B	136 012	37 779
Suppliers		22 426	13 085
Other	29C	3 802	9 884
<b>Total Expenses Administered on Behalf of Government</b>		<b>1 174 521</b>	<b>1 119 441</b>
<b>Assets Administered on Behalf of Government</b>			
<i>as at 30 June 2003</i>			
<b>Assets</b>			
Cash	30A	–	534
Receivables	30B	39 241	31 646
Investments	30C	567 704	505 847
Accrued revenue	30D	542	641
Other	30E	538	508
<b>Total Assets Administered on Behalf of Government</b>		<b>608 025</b>	<b>539 176</b>
<b>Liabilities Administered on Behalf of Government</b>			
<i>as at 30 June 2003</i>			
<b>Payables</b>			
Grants and levies passed on	31A	38 641	51 679
Other	31B	1 911	471
<b>Total liabilities Administered on Behalf of Government</b>		<b>40 552</b>	<b>52 150</b>
<b>Current Liabilities</b>		<b>40 552</b>	<b>52 150</b>
<b>Non-current Liabilities</b>		<b>–</b>	<b>–</b>
<b>Current Assets</b>		<b>40 321</b>	<b>33 329</b>
<b>Non-current Assets</b>		<b>567 704</b>	<b>505 847</b>

The above statement should be read in conjunction with the accompanying notes

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY  
SCHEDULE OF ADMINISTERED ITEMS**

for the year ended 30 June 2003

	2002–2003 \$'000	2001–2002 \$'000
<b>Administered Cash Flows</b>		
<i>for the year ended 30 June 2003</i>		
<b>OPERATING ACTIVITIES</b>		
<b>Cash received</b>		
Taxes, levies, fees and charges	574 114	557 676
Cash from Official Public Account (OPA)		
Appropriations	1 204 902	1 131 119
Special Accounts	13 572	6 809
Sale of goods and services	8	934
Interest	3 173	3 418
Appropriations former years	1 007	767
Industry contributions	–	292
Grants received	3 887	2 100
GST received from ATO	29 990	27 725
Other	2 835	2 311
<b>Total cash received</b>	<b>1 833 488</b>	<b>1 733 151</b>
<b>Cash used</b>		
Grants and levies	1 051 613	1 080 458
Personal benefits	136 012	41 562
Suppliers	24 765	11 663
Cash to Official Public Account		
Ordinary administered receipts	614 116	596 398
Special Accounts	13 581	6 509
<b>Total cash used</b>	<b>1 840 087</b>	<b>1 736 590</b>
<b>Net cash used by operating activities</b>	<b>( 6 599)</b>	<b>( 3 439)</b>
<b>INVESTING ACTIVITIES</b>		
<b>Cash received</b>		
Repayments of advances	2 649	3 262
Proceeds from sale of investments	6 587	4 218
<b>Total cash received</b>	<b>9 236</b>	<b>7 480</b>
<b>Cash used</b>		
Purchase of investments	3 171	3 679
<b>Total cash used</b>	<b>3 171</b>	<b>3 679</b>
<b>Net cash from/(used by) investing activities</b>	<b>6 065</b>	<b>3 801</b>
<b>Net increase/(decrease) in cash held</b>	<b>( 534)</b>	<b>362</b>
Cash at beginning of the year	534	172
<b>Cash at end of the year</b>	<b>–</b>	<b>534</b>

The above statement should be read in conjunction with the accompanying notes

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY**  
**SCHEDULE OF ADMINISTERED ITEMS**

for the year ended 30 June 2003

	2002–2003 \$'000	2001–2002 \$'000
<b>Administered Commitments</b>		
<i>as at 30 June 2003</i>		
<b>BY TYPE</b>		
<b>Capital commitments</b>		
Land and buildings	–	–
Infrastructure, plant and equipment	–	–
Other capital commitments	–	–
<b>Total capital commitments</b>	<b>–</b>	<b>–</b>
<b>Other commitments</b>		
Operating leases	27	–
Project commitments	62 021	16 771
Goods and services contracts	124	13 210
Research & development	328	1 917
Other commitments	–	6 365
<b>Total other commitments</b>	<b>62 500</b>	<b>38 263</b>
<b>Commitments receivable</b>		
GST receivable	5 682	–
<b>Total commitments receivable</b>	<b>5 682</b>	<b>–</b>
<b>Net commitments</b>	<b>56 818</b>	<b>38 263</b>
<b>BY MATURITY</b>		
<b>All net commitments</b>		
One year or less	23 237	25 955
From one to five years	33 581	12 308
Over five years	–	–
<b>Net commitments</b>	<b>56 818</b>	<b>38 263</b>
<b>Operating lease commitments</b>		
One year or less	23	–
From one to five years	4	–
<b>Net commitments</b>	<b>27</b>	<b>–</b>

All commitments are inclusive of Goods and Services Tax where relevant.

<i>Nature of lease</i>	<i>General description of leasing arrangement</i>
Lease for Shopfront	The shopfront lease is reviewed annually with respect to CPI. The lease expires in August 2004 when there is a 2 year option.

The above statement should be read in conjunction with the accompanying notes

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY**  
**SCHEDULE OF ADMINISTERED ITEMS**

*for the year ended 30 June 2003*

	<b>2002–2003</b> \$'000	<i>2001–2002</i> <i>\$'000</i>
<b>Administered Contingencies</b> <i>as at June 2003</i>		
<b>Administered Contingent Liabilities</b>		
Other contingent losses	–	<i>1 103</i>

The above statement should be read in conjunction with the accompanying notes

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

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**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

**NOTE 1 Objectives of the Department of Agriculture, Fisheries and Forestry**

The objectives of the Department of Agriculture, Fisheries and Forestry ('the Department') are detailed in the body of the annual report.

The Departmental Outcome is as follows:

"Australian agricultural, fisheries, food and forestry industries that are based on the sustainable management of and access to natural resources, are more competitive, self reliant and innovative, have increased access to markets, are protected from diseases and are underpinned by scientific advice and economic research."

The Department's activities contributing towards this outcome are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right. Administered activities involve the management or oversight by the Department on behalf of the Government of items controlled or incurred by the Government.

The Department is an agency controlled by the Government of the Commonwealth of Australia.

**NOTE 2 Summary of significant accounting policies**

**(a) Basis of accounting**

The financial statements are required by section 49 of the *Financial Management and Accountability Act 1997* and are a general purpose financial report.

The statements have been prepared in accordance with:

- Finance Minister's Orders (or FMOs, being the *Financial Management and Accountability (Financial Statements for reporting periods ending on or after 30 June 2003) Orders*);
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board; and
- Consensus Views of the Urgent Issues Group.

The statements have also been prepared having regard to:

- Statements of Accounting Concepts; and
- the Explanatory Notes to Schedule 1, and Finance Briefs issued by the Department of Finance and Administration.

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets, which, as noted, are at valuation. Except where stated, the Department does not account for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow to the entity and the amounts of the assets or liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are however not recognised unless required by an Accounting Standard. Liabilities and assets, which are unrecognised, are reported in the Schedule of Commitments and the Schedule of Contingencies.

Revenues and expenses are recognised in the Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

The financial statements include financial information for all operations controlled by the Department including the Australian Quarantine and Inspection Service (AQIS) and the National Residue Survey (NRS). All transactions between these operations have been eliminated in the financial statements.

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

The continued existence of the Department in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament to fund the Department's administration and programs.

Administered revenues, expenses, assets and liabilities and cash flows reported in the Schedule of Administered Items and related notes are accounted for on the same basis and using the same policies as for Departmental items, except where otherwise stated at Note 2 (y).

**(b) Changes in accounting policies**

The accounting policies used in the preparation of these financial statements are consistent with those used in 2001-02, except in respect of:

- I. The accounting for output appropriation (refer to Note 2 (c) I);
- II. Recognition of equity injection (refer to Note 2 (d) I);
- III. Measurement of certain employee benefits at nominal amounts (refer to Note 2 (e));
- IV. The initial revaluation of property, plant and equipment on a fair value basis (refer to Note 2 (l)); and
- V. The imposition of an impairment test for non-current assets carried at cost (refer to Note 2 (m))

**(c) Revenues**

*I. Revenues from Government.*

Departmental output appropriations for the year (less any savings offered up in Portfolio Additional Estimates) are recognised as revenue, except for certain amounts which relate to activities that are reciprocal in nature, in which case revenue is recognised only when it is earned. This is a change in accounting policy caused by the introduction of a new requirement to this effect in the Finance Minister's Orders. (In 2001-02, the full amount of the appropriation for departmental outputs is recognised as revenue).

*II. Resources received free of charge*

Services received free of charge are recognised in the Statement of Financial Performance as revenue when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of these resources is recognised as an expense.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised at their fair value when the asset qualifies for recognition, unless received from another government agency as a consequence of a restructuring of administrative arrangements.

*III. Levies and other charges*

Levies are collected by the Department on behalf of industry and are disbursed, in conjunction with any relevant Commonwealth contribution, to several trust accounts, Statutory Marketing Authorities, Commonwealth Research and Development Corporations, the States and Territories and other industry boards and authorities.

The levels of levy revenue and disbursement during the year are monitored by the Department against production forecasts prepared by the Australian Bureau of Agricultural and Resource Economics, and the Australian Bureau of Statistics which are refined progressively during the production year.

Levy revenues and disbursements have been accounted for on an accrual basis, as administered items.

The Australian Taxation Office collects the wool tax and tobacco charges and the forest import charges are collected by Australian Customs Services. As reporting is the responsibility of the principal department, these collections are recognised in the Department's financial statements as administered items.

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

*IV. Grants*

The Department administers several grant schemes on behalf of the Commonwealth.

Grant liabilities are recognised to the extent that:

- the services required to be performed by the recipient have been performed; or
- the grant eligibility criteria have been satisfied.

Where grant monies are paid in advance of performance or eligibility, a prepayment is recognised.

*V. Other revenue*

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from disposal of non-current assets is recognised when control of the asset has passed to the buyer.

Departmental revenue from the rendering of a service is recognised by reference to the stage of completion of contracts or other agreements to provide services. The stage of completion is determined according to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

**(d) Transactions by the Government as Owner**

*I. Equity injections*

From 1 July 2002, the FMOs require that amounts of appropriations designated as 'equity injections' (less any savings offered up in Portfolio Additional Estimates Statements) are recognised directly in Contributed Equity as at 1 July or later date of effect of the appropriation.

This is a change of accounting policy from 2001-02 to the extent any part of an equity injection that was dependent on specific future events occurring was not recognised until the appropriation was drawn down.

The financial effect in 2002-03 of the change in accounting policy was to increase contributed equity by \$13m in recognition of the total amount of equity injection appropriated although it is totally undrawn.

*II. Capital use charge*

A capital use charge (CUC) of 11% (2002: 11%) is imposed by the Government on the net departmental assets of the Department. The CUC is adjusted to take account of asset gifts and revaluation increments during the financial year. The CUC is accounted for as a dividend to Government.

In accordance with the recommendations of a review of Budget Estimates and Framework, the Government has decided that the CUC will not operate after 30 June 2003.

*III. Other distributions to owners*

The FMOs require that distributions to owners be debited to contributed equity unless in the nature of a dividend. The Department returned capital injection funding of \$7.6m during the reporting period.

**(e) Employee benefits**

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

Liabilities for wages and salaries (including non-monetary benefits), annual leave, sick leave are measured at their nominal amounts. Other employee benefits expected to be settled within 12 months of the reporting date are also measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability. This is a change in accounting policy from last year required by the initial application of a new Accounting Standard AASB 1028 from 1 July 2002.

*I. Leave*

The liability for employee entitlements includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Department is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration, including the Department'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 work of an actuary as at 30 June 2003. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

*II. Separation and redundancy*

Provision is made for separation and redundancy benefits. The Department has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

*III. Superannuation*

Departmental staff primarily contribute to the Commonwealth Superannuation Scheme, the Public Sector Superannuation Scheme and the State Government Superannuation Scheme. The liability for their superannuation benefits is recognised in the financial statements of the Commonwealth and is settled by the Commonwealth in due course.

The Department makes employer contributions to the Commonwealth at rates determined by an actuary to be sufficient to meet the cost to the Commonwealth of the superannuation entitlements of the Department's employees. Employer contributions amounting to **\$23,311,614** (2001-02: \$22,840,559) in relation to these schemes have been expensed in these financial statements.

Employer Superannuation Productivity Benefit contributions totalled **\$4,894,522** (2001-02: \$4,445,078).

The liability for superannuation recognised as at 30 June 2003 represents outstanding contributions for the final fortnight of the financial year.

**(f) Leases**

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at the present value of minimum lease payments at the inception of the lease and a liability recognised for the same amount. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a basis, which is representative of the pattern of benefits derived from the leased assets. The net present value of future net outlays in respect of surplus asset space under non-cancellable lease agreements is expensed in the period in which the space becomes surplus.

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

**(g) Borrowing costs**

All borrowing costs are expensed as incurred except to the extent that they are directly attributable to qualifying assets, in which case they are capitalised. The amount capitalised in a reporting period does not exceed the amounts of costs incurred in that period.

The Department has no qualifying assets.

**(h) Cash**

Cash means notes and coins held and any deposits held at call with a bank or financial institution. The same definition is applied for the purposes of the Statement of Cash Flows.

**(i) Financial instruments**

Accounting policies for financial instruments are disclosed in Note 27.

**(j) Provision for doubtful debts**

The Department calculates its provision for doubtful debts by assessing the probability of collection for each amount that is overdue by 30 days or greater. Irrecoverable debts are written off in full in the year in which they are identified.

**(k) Acquisition of assets**

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

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

**(l) Property, plant and equipment**

*1. Asset recognition threshold*

Purchases of property, plant and equipment are initially recognised at cost, except for purchases costing less than \$2,000, 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).

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the year ended 30 June 2003

*II. Revaluations*

Land, buildings, infrastructure, plant and equipment are carried at valuation. Revaluations undertaken up to 30 June 2002 were performed in accordance with the 'deprival' method of valuation in successive 3-year cycles; revaluations since that date are at fair value. This change in accounting policy is required by Australian Accounting Standard AASB 1041 *Revaluation of Non-Current Assets*.

Fair and deprival values for each class of assets are determined as shown below.

<i>Asset class</i>	<i>Fair value measured at:</i>	<i>Deprival value measured at:</i>
Land	Market buying price	Market selling price
Buildings	Depreciated replacement cost/Market selling price	Depreciated replacement cost
Leasehold improvements	Depreciated replacement cost/Market selling price	Depreciated replacement cost
Plant & equipment	Market selling price	Depreciated replacement cost

Under both deprival and fair value, assets which are surplus to requirements, are measured at their net realisable value.

The financial effects for 2002-03 of this change in accounting policy relates to those assets to be recognised at fair value at 30 June 2003. The financial effect of the change is given by the difference between the carrying amounts at 30 June 2002 of these assets and their fair values as at 1 July 2002. The effect by class is as follows.

<i>Asset class</i>	<i>Adjustment</i>	<i>Contra Account</i>
Leasehold improvements	\$1,696,000Cr	Revaluation reserve

The total financial effect was to decrease the carrying amount of Leasehold improvements by \$1,696,000 and decrease revaluation reserves by \$1,696,000.

Accounting standard AAS 6 *Accounting Policies* requires, where practicable, presentation of the information that would have been disclosed in the 2001-02 financial statements had the new accounting policy always been applied. It is impracticable to present this information due to fair value valuation not being available for that period.

*III. Transition to Fair Value*

Where a partially completed progressive revaluation of a class of property, plant and equipment on a deprival basis has occurred, the fair value basis will be applied for the remainder of the progressive revaluation, being from 1 July 2002 to 30 June 2005.

*IV. Frequency*

From 1 July 2002, assets of the classes listed below will be revalued on the fair value basis:

- Land
- Buildings
- Infrastructure plant and equipment

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

Assets included in the above classes will be the subject of a formal valuation at least once every five years. A formal valuation is one:

- (a) carried out by an independent qualified expert; or
- (b) carried out in accordance with a methodology approved by an independent qualified expert.

*V. Threshold*

A revaluation threshold of \$2,000 and remaining useful life of 1 year or more was used for revaluation effective 1 July 2002.

*VI. Conduct*

All valuations are conducted by an independent qualified valuer.

*VII. Recoverable amount test*

From 1 July 2002, the Schedule 1 no longer requires the application of the recoverable amount test in Australian Accounting Standard AAS 10 Recoverable Amount of Non-Current Assets to the assets of agencies when the purpose of the asset is not the generation of net cash inflows.

No property, plant and equipment assets have been written down to recoverable amount as per AAS 10. Accordingly, the change in accounting policy has had no financial effect.

*VIII. Depreciation and amortisation*

Property, plant and equipment assets, other than land, are depreciated over their useful economic lives using, in all cases, the straight-line method of depreciation. Leasehold improvements are amortised on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease. Depreciation and amortisation rates and methods are reviewed at each balance date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

Depreciation and amortisation rates (useful lives) and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

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

	<b>2002-03</b>	2001-02
Buildings	<b>40 to 50 years</b>	40 to 50 years
Leasehold improvements	<b>Lease term</b>	Lease term
Information technology	<b>3-4 years</b>	3-4 years
Other plant and equipment	<b>3 to 15 years</b>	3 to 15 years

The aggregate amount of depreciation allocated for each class of assets during the reporting period is disclosed in Note 4D.

**(m) Intangibles**

Intangibles include computer software and assets such as patents, copyrights, computer models (for economic and scientific analysis) and other intellectual property. Computer software which has been purchased at a value over \$2,000 is brought to account on the historical cost basis. Other intangibles costing \$2,000 or more with a useful life of greater than one year are brought to account when the historical cost can be reliably determined. Internally developed software is brought to account where the amount capitalised exceeds \$50,000 and \$20,000 for an enhancement to existing software.

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

From 1 July 2002, Schedule 1 no longer requires the application of the recoverable amount test in Australian Accounting Standard AAS 10 *Recoverable Amount of Non-Current Assets* to the assets of agencies when the primary purpose of the asset is not the generation of net cash inflows.

However, Schedule 1 now requires such assets, if carried on the cost basis, to be assessed for indications of impairment. The carrying amount of impaired assets must be written down to the higher of its net market selling price or depreciated replacement cost.

All software assets were assessed for impairment as at 30 June 2003.

Intangible assets are amortised over their estimated useful lives using the straight-line method. The average useful lives are:

	2002–03	2001–02
Purchased software	3 years	3 years
In-house developed software	5 years	5 years

**(n) Inventories**

Inventories held for resale, are valued at the lower of cost or net realisable value.

Inventories not held for resale, are valued at cost, unless they are no longer required, in which case they are valued at net realisable value.

Inventories are brought to account if they are individually greater than \$1,000 or where the aggregate value of a particular store exceeds \$5,000. Costs are assigned to individual items of stock on either a first in first out or weighted average basis.

**(o) Investments**

Investments are recognised at cost less any discount on purchase plus any unamortised premium on purchase.

Administered investments in controlled entities are not consolidated in these financial statements, as their consolidation is relevant only at the Whole of Government level.

The Commonwealth's investment in other controlled authorities and companies in this portfolio is valued at the aggregate of the Commonwealth's share of the net assets or net liabilities of each entity. For all investments, acquired on or before 1 July 1997, the carrying amount is fixed as at 1 July 1997, in accordance with the Finance Minister's Orders.

**(p) Joint ventures**

Interests in joint ventures operations are brought to account by including in the respective classifications the share of individual assets employed, liabilities, revenues and expenses incurred in Note 26.

Interest in joint venture entities are accounted for in accordance with Australian Accounting Standard AAS 14 *Investments in Associates* in Note 38.

**(q) Advances to States, Territories and other organisations**

The Department administers a number of loans and advances, under agreements made by the Commonwealth, to States, Territories and other organisations. The principal balances outstanding on these advances as at 30 June 2003, as well as related interest, are accounted for as administered items in the financial statements. Any loans, which have been waived under the *Financial Management and Accountability Act 1997* are shown as fully discharged.

## DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

### (r) Industry rebates and program results

Where commercial revenue exceeds the cost of services (on a Program basis) provided by the Australian Quarantine and Inspection Service, the excess will be returned to industry. Such excesses are recognised as liabilities and are included in the balance of other payables.

Detailed information in respect of specific program results are not provided in these general purpose financial statements but can be obtained from the *Report to Clients* published by the Australian Quarantine and Inspection Service.

Industry funds for the NRS activities are generally received by way of commodity levies. The balance of monies standing to the credit of the National Residue Survey special account will be applied to future expenditure programs as agreed under the *National Residue Survey (Administration) Act 1992*. As such unspent funds are recognised as an unearned revenue liability. Agreements have been reached with industry to apply unspent funds to new or enhanced programs or to reducing future levy rates.

### (s) Special account balances

Special accounts represent public money, which has been set-aside for future purposes, under an enactment, or as determined by the Finance Minister.

Accounting treatments and disclosures for the Department's various accounts within the fund vary depending on the nature of the account's financial activities as follows:

- Accounts, which are established under specific legislation for recording program receipts and expenditure, are included in administered assets, revenues and expenses; and
- Special accounts used for the Department's business operations have been included in Agency assets, liabilities, revenues and expenditure.

### (t) Trust moneys

Under the authority of the *Financial Management and Accountability Act 1997*, the Department holds monies in trust for others for the following purposes:

- Receipt of monies on behalf of third parties; and
- Payment of costs in connection with services performed on behalf of other Government and non-departmental bodies.

Trust moneys are not included in the financial statements as funds of the Department or the Commonwealth.

### (u) Reporting by Outcomes

A comparison of budget and actual figures by outcome specified in the Appropriation Acts relevant to the Department is presented in note 37. The net cost to budget outcomes shown includes intra-government costs that are eliminated in calculating the actual budget outcome for the Government overall.

### (v) Taxation

The Department is exempt from all forms of Commonwealth taxation except fringe benefits tax and the goods and services tax.

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

- where the amount of GST incurred is not recoverable from the Australian Tax Office; and
- for receivables and payables.

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

**(w) Foreign currency transactions**

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rate current as a balance date. Associated currency gains and losses are not material.

**(x) Insurance**

The Department has insured for risks through the Government's insurable risk managed fund, called 'Comcover'. Workers compensation is insured through the Government's Comcare Australia.

**(y) Reporting of Administered Activities**

Administered revenues, expenses, assets and liabilities and cash flows are disclosed in the Schedule of Administered Items and related Notes.

Except where otherwise stated below, administered items are accounted for on the same basis and using the same policies as for Departmental items, including the application to the greatest extent possible of Accounting Standards, Accounting Interpretations and Urgent Issues Group Consensus Views.

Administered appropriation received or receivable from the Official Public Account (OPA) are not reported as administered revenue or assets respectively. Similarly, administered receipts transferred or transferable to the OPA are not reported as administered expenses or payables. These transactions or balances are internal to the Administered entity.

These transfers of cash are reported as administered (operating) cash flows and in the administered reconciliation table in Note 32.

Accounting policies which are relevant to administered activities only of the Department are disclosed below.

*I. Revenue*

All administered revenues are revenues relating to the core operating activities performed by the Department on behalf of the Commonwealth.

*II. Grants*

The Department administers a number of grant schemes on behalf of the Commonwealth.

Grant liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed or (ii) the grant eligibility criteria have been satisfied. A commitment is recorded when the Commonwealth has a binding agreement to make the grants payable but services have not been performed or criteria satisfied. Where grant moneys are paid in advance of performance eligibility, a prepayment is recognised.

*III. Administered Investments*

Administered investments in controlled entities are not consolidated because their consolidation is relevant only at the Whole of Government level.

The Commonwealth's investment in other controlled authorities and companies in the portfolio is valued at the aggregate of the Commonwealth's share of the net assets or net liabilities of each entity fixed as at 30 June 1997, as adjusted for any subsequent capital injections or withdrawals.

The investment in the associated entity, Murray Darling Basin Commission, is accounted for using the equity method. Under this method, the Department's share of profits or losses of the associate is recognised as revenue or expense in the consolidated Statement of Financial Performance and its share of movements in reserves is recognised in consolidated reserves. An associate is an entity over which the Department exercises significant influence but not control.

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

**(z) Comparative figures**

Comparative figures have been adjusted to conform to changes in presentation on these financial statements where required.

**(aa) Rounding**

Amounts have been rounded to the nearest \$1,000 except in relation to the following:

- act of grace payments, waivers and defective administration scheme;
- remuneration of executives;
- remuneration of auditors; and
- appropriation note disclosure.

**(bb) Dividends**

The Memorandum of Understanding between the National Residue Survey and the Department of Finance and Administration specifies that NRS is not required to pay a dividend.

**(cc) Economic dependency**

NRS operates on a full cost recovery basis in respect of its industry clients. However, as a Commonwealth Agency it has Community Service Obligations and is dependent on annual appropriation to meet these obligations.

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the year ended 30 June 2003

	2002–2003 \$'000	2001–2002 \$'000
<b>NOTE 3 Operating revenues</b>		
<u>Note 3A – Revenues from Government</u>		
Appropriations for outputs	276 303	238 076
Resources received free of charge	250	242
	<b>276 553</b>	<b>238 318</b>
<u>Note 3B – Sales of goods and services</u>		
Goods	305	556
Services	166 945	162 360
Taxes, levies, fees and charges	7 678	7 301
	<b>174 928</b>	<b>170 217</b>
Provision of goods to:		
Related entities	30	11
External entities	275	545
	<b>305</b>	<b>556</b>
Provision of services to:		
Related entities	8 766	3 637
External entities	165 857	166 024
	<b>174 623</b>	<b>169 661</b>
Cost of sales of goods	<b>308</b>	<b>562</b>
<u>Note 3C – Other</u>		
Resources received free of charge from independent bodies:		
Rent on international airport buildings	730	1 197
Northern Territory Treasury corporate services support	168	194
Reduction in industry rebates	901	186
Assets first found	888	–
Community service obligations	430	419
Other	3 111	3 924
	<b>6 228</b>	<b>5 920</b>

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the year ended 30 June 2003

	2002–2003 \$'000	2001–2002 \$'000
<b>NOTE 4 Operating expenses</b>		
<u>Note 4A – Employees</u>		
Remuneration and on-costs	183 438	166 019
Superannuation	28 811	27 785
Leave and other entitlements	20 677	20 576
Separation and redundancy	1 265	543
Other employee expenses	10 717	7 521
<b>Total employee benefits expense</b>	<b>244 908</b>	<b>222 444</b>
Workers compensation premiums	2 677	3 244
<b>Total employee expenses</b>	<b>247 585</b>	<b>225 688</b>
<u>Note 4B – Suppliers</u>		
Supply of goods and services	133 542	138 665
Operating lease rentals	38 049	25 840
	<b>171 591</b>	<b>164 505</b>
<u>Note 4C – Grants</u>		
Portfolio bodies	6 894	4 060
States & Territories	37	274
Private Sector	5 691	4 918
	<b>12 622</b>	<b>9 252</b>
<u>Note 4D – Depreciation and amortisation</u>		
The aggregate amounts of depreciation or amortisation expensed during the year for each class of depreciable asset are as follows:		
<i>Depreciation</i>		
Buildings	56	124
Leasehold improvements	1 566	1 497
Infrastructure, plant and equipment	5 094	3 704
<b>Total depreciation</b>	<b>6 716</b>	<b>5 325</b>
<i>Amortisation</i>		
Computer software, purchased	1 721	1 380
Computer software, internally developed	3 371	3 171
<b>Total amortisation</b>	<b>5 092</b>	<b>4 551</b>
	<b>11 808</b>	<b>9 876</b>
<u>Note 4E – Write down of assets</u>		
<b>Financial assets</b>		
Receivables	1 102	1 918
<b>Non-financial assets</b>		
Land and buildings	132	296
Infrastructure, plant & equipment	17	218
Intangibles write down	23	23
Inventories write down	107	270
	<b>1 381</b>	<b>2 725</b>

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

	2002–2003 \$'000	2001–2002 \$'000
<b>NOTE 4 Operating expenses</b>		
<u>Note 4F – Net loss from sale of assets</u>		
Land and buildings		
Proceeds from disposal of buildings	145	–
Net book value of buildings disposed	177	–
	<u>( 32)</u>	–
Infrastructure, plant and equipment		
Proceeds from disposal of infrastructure, plant and equipment	11	33
Net book value of infrastructure, plant and equipment disposed	272	119
	<u>( 261)</u>	<u>( 86)</u>
Total proceeds from disposal	156	33
Total value of assets disposed	449	119
	<u>( 293)</u>	<u>( 86)</u>
<u>Note 4G – Other</u>		
Act of Grace payments	79	–
Other Operating Expenses	4	4
	<u>83</u>	<u>4</u>

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the year ended 30 June 2003

	2002–2003 \$'000	2001–2002 \$'000
<b>NOTE 5 Cash</b>		
Cash		
Cash at bank	6 639	4 345
Cash on deposit	–	46 000
	<u>6 639</u>	<u>50 345</u>
Under the new Budget and Estimates Framework agencies are required to transfer to Finance all surplus cash deposits. The Department transferred \$57m to Finance as at 30 June 2003. These monies are recognised as an appropriation receivable and are available for redraw when required.		
<b>NOTE 6 Receivables</b>		
Goods and services	14 301	12 563
less provision for doubtful debts	( 2 038)	( 2 495)
	<u>12 263</u>	<u>10 068</u>
Goods and services tax receivable	1 775	1 502
Appropriation receivable	111 987	12 032
Other debtors	1 426	4 295
	<u>127 451</u>	<u>27 897</u>
Receivables (gross) are aged as follows:		
Not overdue	114 646	13 055
Overdue by less than 30 days	1 160	2 395
Overdue by 30 to 60 days	688	938
Overdue by 60 to 90 days	206	488
Overdue by greater than 90 days	3 303	3 580
Non - current receivable	9 486	9 936
	<u>129 489</u>	<u>30 392</u>
The provision for doubtful debt is aged as follows:		
Not overdue	1	1
Overdue by less than 30 days	2	2
Overdue by 30 to 60 days	3	5
Overdue by 60 to 90 days	2	2
Overdue by greater than 90 days	2 030	2 485
	<u>2 038</u>	<u>2 495</u>
<b>NOTE 7 Investments</b>		
	<i>Market value</i>	<i>At cost</i>
	<i>at 30 June 2003</i>	<i>2001–2002</i>
	<i>\$'000</i>	<i>\$'000</i>
Negotiable Certificates of Deposit	<u>14 816</u>	<u>14 500</u>
		<i>14 000</i>
<b>NOTE 8 Accrued revenue</b>		
Accrued interest	309	297
Goods & services	6 796	8 667
	<u>7 105</u>	<u>8 964</u>

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY**  
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for the year ended 30 June 2003

	2002–2003 \$'000	2001–2002 \$'000
<b>NOTE 9 Land and buildings</b>		
Land – at cost	20	20
Land – at valuation 30/6/01 (deprival)	746	784
Land – at valuation 01/7/02 (fair value)	73	–
	<u>839</u>	<u>804</u>
Buildings – at cost	117	449
less accumulated depreciation	( 3)	( 7)
	<u>114</u>	<u>442</u>
Buildings – at valuation 30/6/01 (deprival)	1 546	4 923
less accumulated depreciation	( 75)	( 119)
	<u>1 471</u>	<u>4 804</u>
Buildings – at valuation 01/7/02 (fair value)	361	–
less accumulated depreciation	( 15)	–
	<u>346</u>	<u>–</u>
Leasehold improvements – at cost	355	3 252
less accumulated depreciation	( 49)	( 273)
	<u>306</u>	<u>2 979</u>
Leasehold improvements – at valuation 30/6/00 (deprival)	–	7 352
less accumulated depreciation	–	( 2 546)
	<u>–</u>	<u>4 806</u>
Leasehold improvements – at valuation 01/7/02 (fair value)	7 614	–
less accumulated depreciation	( 1 477)	–
	<u>6 137</u>	<u>–</u>
	<u>9 213</u>	<u>13 835</u>

The revaluations were in accordance with the progressive revaluation policy stated at Note 2 and were completed by the Australian Valuation Office.

**NOTE 10 Infrastructure, plant and equipment**

Infrastructure, plant and equipment – at cost	3 853	3 232
less accumulated depreciation	( 1 799)	( 1 568)
	<u>2 054</u>	<u>1 664</u>
Infrastructure, plant and equipment – at valuation 30/6/99 (deprival)	514	539
less accumulated depreciation	( 467)	( 472)
	<u>47</u>	<u>67</u>
Infrastructure, plant and equipment – at valuation 30/6/01 (deprival)	2 698	2 639
less accumulated depreciation	( 753)	( 420)
	<u>1 945</u>	<u>2 219</u>
Infrastructure, plant and equipment – at valuation 30/6/02 (deprival)	1 006	1 018
less accumulated depreciation	( 192)	–
	<u>814</u>	<u>1 018</u>
Work in progress – infrastructure, plant and equipment	374	–
Infrastructure, plant and equipment – under finance lease	12 398	11 044
less accumulated depreciation	( 6 210)	( 2 818)
	<u>6 188</u>	<u>8 226</u>
	<u>11 422</u>	<u>13 194</u>

The revaluations were in accordance with the progressive revaluation policy stated at Note 2 and were completed by the Australian Valuation Office.

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY**  
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	2002–2003 \$'000	2001–2002 \$'000
<b>NOTE 11 Inventories</b>		
Inventories held for sale	392	567
Inventories not held for sale	3 587	4 418
	<u>3 979</u>	<u>4 985</u>
All departmental inventories are current assets		
<b>NOTE 12 Intangibles</b>		
Computer software, purchased - at cost	9 159	8 648
less accumulated amortisation	<u>( 6 928)</u>	<u>( 5 298)</u>
	2 231	3 350
Computer software, internally developed - at cost	20 359	18 907
less accumulated amortisation	<u>( 14 611)</u>	<u>( 11 419)</u>
	5 748	7 488
Work in progress - computer software, internally developed	1 357	224
	<u>9 336</u>	<u>11 062</u>
<b>NOTE 13 Other non financial assets</b>		
Prepayments	2 453	2 158
Advances	644	591
	<u>3 097</u>	<u>2 749</u>
All other non-financial assets are current assets		

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for the year ended 30 June 2003

**Note 14 Analysis of property, plant, equipment and intangibles**

**Table A – Reconciliation of the opening and closing balances of property, plant and equipment and intangibles**

Item	Land	Buildings – on freehold land	Buildings – leasehold improvements	Total Buildings	Land and buildings	Infrastructure plant and equipment	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Gross value as at 1 July 2002</b>	804	5 372	10 604	15 976	16 780	18 472	27 779	63 031
Additions	73	446	833	1 279	1 352	3 609	3 386	8 347
Revaluations	–	–	(4 397)	(4 397)	(4 397)	–	–	(4 397)
Disposals	(38)	(142)	–	(142)	(180)	(1 132)	–	(1 312)
Write offs	–	–	(180)	(180)	(180)	(106)	(290)	(576)
Write offs recognised directly in equity	–	–	(2 543)	(2 543)	(2 543)	–	–	(2 543)
Other movements	–	(3 652)	3 652	–	–	–	–	–
<b>Gross value as at 30 June 2003</b>	<b>839</b>	<b>2 024</b>	<b>7 969</b>	<b>9 993</b>	<b>10 832</b>	<b>20 843</b>	<b>30 875</b>	<b>62 550</b>
<b>Accumulated depreciation as at 1 July 2002</b>	–	126	2 819	2 945	2 945	5 278	16 717	24 940
Depreciation for the year	–	56	1 566	1 622	1 622	5 094	5 092	11 808
Revaluations	–	–	(2 701)	(2 701)	(2 701)	–	–	(2 701)
Disposals	–	(3)	–	(3)	(3)	(861)	–	(864)
Write offs	–	–	(48)	(48)	(48)	(90)	(270)	(408)
Write offs recognised directly in equity	–	–	(196)	(196)	(196)	–	–	(196)
Other movements	–	(86)	86	–	–	–	–	–
<b>Accumulated depreciation as at 30 June 2003</b>	–	<b>93</b>	<b>1 526</b>	<b>1 619</b>	<b>1 619</b>	<b>9 421</b>	<b>21 539</b>	<b>32 579</b>
<b>Net book value as at 30 June 2003</b>	<b>839</b>	<b>1 931</b>	<b>6 443</b>	<b>8 374</b>	<b>9 213</b>	<b>11 422</b>	<b>9 336</b>	<b>29 971</b>
Net book value as at 1 July 2002	804	5 246	7 785	13 031	13 835	13 194	11 062	38 091

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

**Table B – Assets at valuation**

Item	Land	Buildings – on freehold land	Buildings – leasehold improvements	Total Buildings	Land and buildings	Infrastructure plant and equipment	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
as at 30 June 2003								
Gross value	819	1 907	7 614	9 521	10 340	4 218	–	14 558
Accumulated depreciation/ amortisation	–	( 90)	( 1 477)	( 1 567)	( 1 567)	( 1 412)	–	( 2 979)
Net book value	819	1 817	6 137	7 954	8 773	2 806	–	11 579
As at 30 June 2002								
Gross value	784	4 923	7 352	12 275	13 059	4 196	–	17 255
Accumulated depreciation/ amortisation	–	( 119)	( 2 546)	( 2 665)	( 2 665)	( 892)	–	( 3 557)
Net book value	784	4 804	4 806	9 610	10 394	3 304	–	13 698

**Table C – Assets held under finance lease**

Item	Land	Buildings – on freehold land	Buildings – leasehold improvements	Total Buildings	Land and buildings	Infrastructure plant and equipment	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
as at 30 June 2003								
Gross value	–	–	–	–	–	12 398	–	12 398
Accumulated depreciation/ amortisation	–	–	–	–	–	( 6 210)	–	( 6 210)
Net book value	–	–	–	–	–	6 188	–	6 188
As at 30 June 2002								
Gross value	–	–	–	–	–	11 044	–	11 044
Accumulated depreciation/ amortisation	–	–	–	–	–	( 2 818)	–	( 2 818)
Net book value	–	–	–	–	–	8 226	–	8 226

**Table D – Assets under construction**

Item	Land	Buildings – on freehold land	Buildings – leasehold improvements	Total Buildings	Land and buildings	Infrastructure plant and equipment	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
as at 30 June 2003								
Gross value	–	–	–	–	–	374	1 357	1 731
Accumulated depreciation/ amortisation	–	–	–	–	–	–	–	–
Net book value	–	–	–	–	–	374	1 357	1 731
As at 30 June 2002								
Gross value	–	–	–	–	–	–	224	224
Accumulated depreciation/ amortisation	–	–	–	–	–	–	–	–
Net book value	–	–	–	–	–	–	224	224

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for the year ended 30 June 2003

	2002–2003 \$'000	2001–2002 \$'000
<b>NOTE 15 Provisions</b>		
<b>NOTE 15A Provisions – capital use charge</b>		
Capital use charge	–	231
Balance owing 1 July	231	231
Capital use charge provided for during the year	1 108	–
Capital use charge paid	( 1 339)	–
Balance owing 30 June	–	231
The capital use charge is a current liability and ceased at 30 June 2003		
<b>NOTE 15B Provisions – employees</b>		
Salaries and wages	7 118	6 305
Leave	67 901	63 985
Separations and redundancy	169	137
<i>Aggregate employee entitlement liability</i>	75 188	70 427
Workers' compensation	294	–
Superannuation on cost	2 606	–
<i>Aggregate employee benefits liability and related on-costs</i>	78 088	70 427
Current	27 146	21 674
Non current	50 942	48 753
	78 088	70 427
<b>NOTE 16 Payables – suppliers</b>		
Trade creditors	27 821	20 520
All supplier payables are current liabilities		
<b>NOTE 17 Payables – other</b>		
Industry rebates	38 107	26 645
Unearned revenue	13 339	6 397
Ballast water research funds	509	594
	51 955	33 636
All other payables are current liabilities		
<b>NOTE 18 Leases</b>		
Finance lease commitments		
Payable:		
Within one year	4 153	4 077
In one to five years	2 770	5 222
In more than five years	–	–
Minimum lease payments	6 923	9 299
<i>Deduct: future finance charges</i>	( 524)	( 873)
<i>Net lease liability</i>	6 399	8 426
Lease liability is represented by:		
Current	3 783	3 572
Non-current	2 616	4 854
<i>Net lease liability</i>	6 399	8 426
Finance leases exist in relation to computer equipment provided under an outsourced IT service contract. The leases are for periods of three or four years depending on the equipment. The Department does not guarantee the residual values of the leased assets.		

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY  
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*for the year ended 30 June 2003*

**NOTE 19 Equity**

Item	Contributed equity		Accumulated results		Asset revaluation reserve		TOTAL EQUITY	
	2002-2003 \$'000	2001-2002 \$'000	2002-2003 \$'000	2001-2002 \$'000	2002-2003 \$'000	2001-2002 \$'000	2002-2003 \$'000	2001-2002 \$'000
<b>Opening balance as at 1 July</b>	5 092	1 413	(1 647)	(11 724)	6 425	13 749	9 870	3 438
Net surplus	-	-	14 965	4 731	-	-	14 965	4 731
Net revaluation increment/(decrement)	-	-	-	-	(1 696)	214	(1 696)	214
Reversal of revaluation reserve on disposal of assets (a)	-	-	-	7 538	-	(7 538)	-	-
<b>Transactions with owner:</b>								
Equity injection: Appropriation	13 000	7 600	-	-	-	-	13 000	7 600
Return of capital	(3 679)	(3 921)	-	-	-	-	(3 679)	(3 921)
Return on capital	-	-	(526)	-	-	-	(526)	-
Asset written off directly in equity	-	-	(2 347)	-	-	-	(2 347)	-
Capital Use Charge	-	-	(1 108)	(2 192)	-	-	(1 108)	(2 192)
<b>Closing balance at 30 June</b>	<b>14 413</b>	<b>5 092</b>	<b>9 337</b>	<b>(1 647)</b>	<b>4 729</b>	<b>6 425</b>	<b>28 479</b>	<b>9 870</b>

2002-2003    2001-2002  
\$'000            \$'000

**Asset revaluation reserve**

The net revaluation change in the asset revaluation reserve comprises:  
Revaluation decrement - infrastructure, plant and equipment  
Reversal of revaluation reserve on disposal of assets (a)

	2002-2003    2001-2002
	\$'000            \$'000
Revaluation decrement - infrastructure, plant and equipment	(1 696)            214
Reversal of revaluation reserve on disposal of assets (a)	-                    (7 538)
	(1 696)            (7 324)

(a) A review of the revaluation reserve was conducted during 2001-02 and reserves that relate to disposed assets have been transferred from the asset revaluation reserve into accumulated results.

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the year ended 30 June 2003

	2002–2003 \$'000	2001–2002 \$'000
<b>NOTE 20 Cash flow reconciliation</b>		
<b>(a) Reconciliation of cash</b>		
Cash at year end as per Statement of Cash Flows	6 639	50 345
Statement of Financial Position items comprising above cash:		
Financial Asset – Cash	6 639	50 345
<b>(b) Reconciliation of operating result to net cash provided by operating activities</b>		
Operating surplus before extraordinary items	14 965	4 731
Depreciation and amortisation	11 808	9 876
Net write-down of non current assets	172	537
Loss on disposal of assets	292	86
Adjustments to property, plant and equipment and intangibles	( 887)	62
Capital appropriation	( 2 096)	–
Equity injection	13 000	–
Changes in assets and liabilities:		
Decrease/(increase) in receivables	( 99 554)	16 109
Decrease/(increase) in other financial assets	1 857	( 136)
Decrease/(increase) in inventories	1 006	( 3 027)
Decrease/(increase) in other non-financial assets	( 348)	237
Increase/(decrease) in employee liabilities	7 661	5 290
Increase/(decrease) in supplier liabilities	7 301	1 478
Increase/(decrease) in other liabilities	18 319	2 597
<b>Net cash from operating activities</b>	<b>( 26 504)</b>	<b>37 840</b>

**(c) Non cash financing and investing activities**

Finance leases exist in relation to computer equipment provided under an outsourced IT service contract. Assets and liabilities relating to these have been recognised in the financial statements for 2002–03 \$12.398m (2001–02. \$11.044m)

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	2002–2003	2001–2002
	\$'000	\$'000

**NOTE 21 Act of grace payments, waivers, write-offs and defective administration scheme**

Three Act of Grace payments were made during the reporting period (2001-02 nil)

	<b>79 098</b>	–
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No waivers of amounts owing to the Commonwealth were made pursuant to subsection

34(1) of the *Financial Management and Accountability Act 1997*

No payments were made under the 'Defective Administration Scheme' during the reporting period (2001-02 nil)

**NOTE 22 Remuneration of executives**

Executive remuneration is all remuneration received, or due and receivable and includes salaries, accrued leave, performance pay, accrued superannuation (both PSS and CSS schemes), motor vehicle costs, allowances and fringe benefits tax.

The number of Executives who received or were due to receive total remuneration of \$100,000 or more:

	2002–2003	2001–2002
	Number	Number
\$100 001 to 110 000	1	2
\$110 001 to 120 000	2	5
\$120 001 to 130 000	2	3
\$130 001 to 140 000	9	7
\$140 001 to 150 000	14	8
\$150 001 to 160 000	14	8
\$160 001 to 170 000	2	5
\$170 001 to 180 000	5	9
\$180 001 to 190 000	6	5
\$190 001 to 200 000	–	4
\$200 001 to 210 000	2	–
\$210 001 to 220 000	–	2
\$220 001 to 230 000	–	2
\$230 001 to 240 000	4	–
\$240 001 to 250 000	1	2
\$380 001 to 390 000	–	1
\$400 001 to 410 000	1	–
	<b>63</b>	<b>63</b>

The aggregate amount of total remuneration of executive officers shown above

	\$	\$
	<b>10 340 786</b>	<b>10 357 728</b>

The aggregate amount of performance pay paid during the year to executive officers shown above

	<b>451 270</b>	<b>519 312</b>
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The aggregate amount of separation and redundancy payments during the year to executive officers shown above

	<b>133 581</b>	<b>106 000</b>
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**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY  
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for the year ended 30 June 2003

**2002–2003**                      *2001–2002*  
**\$'000**                                      *\$'000*

**NOTE 23 Auditor's remuneration**

Financial statement audit services are provided free of charge to the Department by the Australian National Audit Office. The Australian Quarantine and Inspection Service and the National Residue Survey operate as Special Accounts and are required to remit an amount equivalent to the cost of their audits into the Official Public Account.

The fair value of audit services provided was:

– at cost	<b>190 000</b>	<i>184 000</i>
– resource received free of charge	<b>250 000</b>	<i>242 000</i>
	<b>440 000</b>	<i>426 000</i>

**NOTE 24 Average staffing levels**

**2002–2003**                      *2001–2002*  
**Number**                                      *Number*

The average staffing levels for the Agency during the year were:

**3 403**                                      *3 460*

**NOTE 25 Events occurring after balance date**

The Department's Certified Agreement expired on 22 June 03. A new Certified Agreement had not been voted upon as at the date of signing these financial statements.

**NOTE 26 Joint Ventures**

As at 30 June 2003 The Department was a party to two joint ventures. These are accounted for in accordance with AAS 19 "Joint Ventures".

These joint ventures are Cooperative Research Centres (CRCs) and have been classified and accounted for as joint venture operations.

The Cooperative Research Centres Program, launched in 1990, by the Commonwealth Government, was established to assist two or more collaborators to carry out research contributing to the development of internationally competitive industry sectors. The Program supports long-term, high quality research, improved links between research and application, and stimulation of education and training.

The Department's interest in the output of each CRC is determined by the individual CRC agreement. These are:

<b>Name of Cooperative Research Centre</b>	<b>2002–2003</b> <b>Department's %</b> <b>interest</b>	<i>2001–2002</i> <i>Department's %</i> <i>interest</i>
Greenhouse Accounting	<b>12</b>	<i>12</i>
Landscape Environments and Mineral Exploration	<b>0</b>	<i>6</i>
Tropical Plant Protection	<b>1</b>	<i>1</i>

During the financial year the Department's total cash and "in-kind" contributions to CRCs from its own resources was \$0.9 million. The Department's contributions and expenses are included in the Statement of Financial Performance. The Department's total contributions for the life of the CRCs listed above amount to \$3.6 million.

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**NOTE 27 Financial instruments**  
**(a) Terms, conditions & accounting policies**

Financial instrument	Notes	Accounting policies and methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms & conditions affecting the amount, timing and certainty of cash flows)
<i>Financial assets</i>		Financial assets are recognised when control over future economic benefits is established and the amount of benefit can be reliably measured.	
Cash balances	5	Cash is recognised at their nominal amounts. Interest on cash at bank is credited to revenue as it accrues.	Monies in the Department's bank accounts are swept into the Official Public Account nightly and interest is earned on the daily balance at rates based on money market call rates. Rates have averaged 0.0% for the year (2001-02: 2.0%). Interest is paid quarterly. The interest incentive scheme for overnight balances ceased to exist from December 2002.
Term Deposits	5	Term deposits are recognised at cost. Interest is accrued as it is earned.	Term deposits are with Agency Banking Incentive Scheme, managed by Department of Finance and earn a weighted average interest rate of 4.73% paid on maturity.
Receivables for goods and services	6	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely. Interest may accrue on overdue accounts.	Normal credit terms are net 28 days (2001-02: 28 days).
Appropriation receivable	6	These receivables are recognised at the nominal amounts.	Amounts appropriated by the Parliament in the current or previous years which are available to be drawn down by the Department. Also includes amounts to be appropriated by the Parliament in a future year for services provided in previous years under a purchasing, workload or other agreement.
Negotiable securities	7	Investments in securities and negotiable certificates of deposit are recorded at cost. Any discounts or premiums on purchase are amortised over the term of the investment. Interest is credited to revenue as it accrues.	Investments in securities and negotiable certificates of deposit are readily realisable in cash, but are normally held until maturity.
Accrued revenue	8	Accrued revenue is recognised in respect of services provided which have not been invoiced, taxes and levies due, and accrued interest.	Accrued revenue is amounts due from receivers of services. Accrued interest is amounts due from borrowers and unpaid interest on investments. Accrued taxes and levies are amounts due from industry in relation to its fiscal obligations.
<i>Financial liabilities</i>		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Capital use charge	15A	This payable is recognised as the amount outstanding on the estimated amount to be paid in accordance with the calculations outlined by the Department of Finance and Administration.	The final amount payable for the year will be 11% (2002: 11%) of the closing balance of Equity less movements in the Asset Revaluation Reserve and any capital injections, less any amounts settled before 30 June. As from 1 July 2003 the capital use charge no longer applies.

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

**NOTE 27 Financial instruments**  
**(a) Terms, conditions & accounting policies**

Financial instrument	Notes	Accounting policies and methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms & conditions affecting the amount, timing and certainty of cash flows)
Trade and other creditors	16	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received.	Settlement is usually made net 28 days (2001-02: 28 days).
Industry rebates	17	Industry rebates are recognised at their nominal amounts, being the amounts at which the liabilities will be settled.	Industry rebates arise in certain cost-recovery programs and represent an excess of charges over program expenses. There are agreements with relevant industry sectors about the purposes for which these funds may be used. This includes reducing future charging rates, buffering revenue shortfalls and research and development.
Finance leases	18	Liabilities are recognised at the present value of the minimum lease payments at the beginning of the lease. The discount rate used is the incremental borrowing rate.	At reporting date, the Department had finance leases for computer equipment provided under an outsourced information technology infrastructure service contract. The lease terms are for three or four years depending on the item.
<i>Unrecognised financial liabilities</i>			
Grant commitments	Schedule of Commitments	Multi-year grants to State and Territory governments are expensed when the agreed services are provided by the recipient government.	The Commonwealth makes multi-year funding agreements with State and Territory Governments under various programs to meet its public policy objectives. Funds are provided annually in accordance with these agreements. As these grants are not contractual in nature, no further disclosures required by AAS33 are made in this note.
		Other grants are expensed in the year in which the grant agreements are made. Liabilities are not recognised when the terms and conditions of the grants have not been fulfilled and an obligation to pay the grants has not arisen. Commitments in this respect are disclosed in the Schedule of Commitments.	The Department administers other grants which generally cover only the financial year in which the agreement is made.
Contingencies	Schedule of Contingencies	A contingent liability exists in respect of a case being considered under the Defective Administration Scheme. It is reported in the Schedule of Contingencies.	Defective Administration Scheme.

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*for the year ended 30 June 2003*

**NOTE 27 Financial instruments (continued)**

**(b) Interest rate risk – agency**

Financial instrument	Notes	Floating interest rate 02-03 01-02 \$'000 \$'000	Fixed interest rate					Non interest bearing 02-03 01-02 \$'000 \$'000	Total 02-03 01-02 \$'000 \$'000	Weighted average effective interest rate 02-03 01-02 % %			
			1 year or less 02-03 01-02 \$'000 \$'000		2 - 5 years 02-03 01-02 \$'000 \$'000		5 years 02-03 01-02 \$'000 \$'000						
			1 year or less 02-03 \$'000	01-02 \$'000	1 - 2 years 02-03 \$'000	01-02 \$'000	2 - 5 years 02-03 \$'000				01-02 \$'000	5 years 02-03 \$'000	01-02 \$'000
<b>Financial assets</b>													
Cash	5	6 639	4 345	-	-	-	-	6 639	4 345	0.00	2.00		
Receivables for goods and services	6	-	-	-	-	-	-	12 263	10 068	n/a	n/a		
Other debtors	6	-	-	-	-	-	-	1 426	4 295				
Appropriation receivable	6	-	-	-	-	-	-	111 987	12 032	n/a	n/a		
Negotiable securities	7	-	-	-	-	-	-	-	14 500	14 000	4.98	5.55	
Deposits with the Department of Finance	5	-	46 000	-	-	-	-	-	46 000	n/a	4.43		
Accrued revenue	8	-	-	-	-	-	-	7 105	8 964	n/a	n/a		
<b>Total financial assets (recognised)</b>		<b>6 639</b>	<b>50 345</b>	<b>14 500</b>	<b>14 000</b>	<b>-</b>	<b>-</b>	<b>132 781</b>	<b>35 359</b>	<b>152 494</b>	<b>95 409</b>		
<b>Total assets</b>										<b>192 742</b>	<b>147 031</b>		
<b>Financial liabilities</b>													
Trade and other creditors	16	-	-	-	-	-	-	27 821	20 520	27 821	20 520	n/a	n/a
Industry liabilities	17	-	-	-	-	-	-	38 616	27 239	38 616	27 239	n/a	n/a
Finance leases	18	-	-	3 783	3 572	2 041	3 203	-	-	6 399	8 426	6.00	6.00
<b>Total financial liabilities (recognised)</b>		<b>-</b>	<b>-</b>	<b>3 783</b>	<b>3 572</b>	<b>2 041</b>	<b>3 203</b>	<b>66 437</b>	<b>47 759</b>	<b>72 836</b>	<b>56 185</b>		
<b>Total liabilities</b>										<b>164 263</b>	<b>137 161</b>		
<b>Liabilities not recognised</b>													
Claims for damages/costs	Schedule of Contingencies	-	-	-	-	-	-	7 650	982	7 650	982	n/a	n/a
<b>Total liabilities (unrecognised)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7 650</b>	<b>982</b>	<b>7 650</b>	<b>982</b>		

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the year ended 30 June 2003

**NOTE 27 Financial instruments (continued)**

**(c) Net fair value of financial assets and liabilities**

	Note	2002–2003		2001–2002	
		Total carrying amount	Aggregate net fair value	Total amount carrying	Aggregate net fair value
		\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>					
Cash	5	6 639	6 639	4 345	4 345
Receivables for goods and services	6	12 263	12 263	10 068	10 068
Negotiable securities	7	14 500	14 816	14 000	14 000
Deposits with the Department of Finance	5	–	–	46 000	46 000
Accrued revenue	8	7 105	7 105	8 964	8 964
<b>Total financial assets</b>		<b>40 507</b>	<b>40 823</b>	<b>83 377</b>	<b>83 377</b>
<b>Financial liabilities (recognised)</b>					
Trade and other creditors	16	27 821	27 821	20 520	20 520
Industry liabilities	17	38 616	38 616	27 239	27 239
Finance leases	18	6 399	6 399	8 426	8 426
<b>Total financial liabilities (recognised)</b>		<b>72 836</b>	<b>72 836</b>	<b>56 185</b>	<b>56 185</b>
<b>Financial liabilities (unrecognised)</b>					
Claims for damages/costs		7 650	7 650	982	982
<b>Total financial liabilities (unrecognised)</b>		<b>7 650</b>	<b>7 650</b>	<b>982</b>	<b>982</b>

**Financial assets**

The net fair values of all monetary financial assets approximate their carrying amounts.

The net fair values of loans receivable are considered to be at their carrying amounts as all loan waivers have been written off and provision has been made for all doubtful debts.

Investments in negotiable securities are carried at cost, as it is intended to hold them to maturity.

**Financial liabilities**

The net fair values of all monetary financial liabilities are approximated by their carrying amounts.

The net fair values of indemnities are regarded as the most likely loss which the Commonwealth faces while the indemnity remains current.

**(d) Credit risk exposure**

The Department's maximum exposures to credit risk at reporting date in relation to each class of recognised Financial Position Assets and Liabilities.

The Department has no significant exposures to any concentrations of credit risk.

All figures for credit risk referred to do not take into account the value of any collateral or other security.

**Concentrations of credit risk**

Credit risk in trade receivables is managed in the following ways:

- payment terms are 28 days;
- withdrawal of services if debt recovery action is unsuccessful.

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the year ended 30 June 2003

	2002–2003 \$'000	2001–2002 \$'000
<b>NOTE 28 Revenues Administered on Behalf of Government</b>		
<u>Note 28A – Taxation revenues</u>		
Primary industry levies	578 916	550 701
Primary industry charges	2 956	17
Primary industry (customs) charges	7 242	4 173
	589 114	554 891
<u>Note 28B – Non-taxation revenues</u>		
<b>Interest</b>		
Other governments - state and territory debt	2 282	2 504
Other	805	836
	3 087	3 340
<b>Sale of goods and services</b>		
Provision of services - related entities	–	230
Provision of services - external entities	7	680
	7	910
<b>Other revenue</b>		
Grants	3 887	2 100
Appropriation former years	1 149	767
Joint Venture investment	68 112	–
Other	2 686	2 602
	75 834	5 469
<b>NOTE 29 Expenses Administered on Behalf of Government</b>		
<u>Note 29A – Grants</u>		
Grants and levies to private sector industries	304 674	647 474
Grants and levies to other sectors in the Commonwealth	522 938	301 030
Grants and levies to state and territory governments	184 667	99 750
Grants and levies overseas	2	10 439
	1 012 281	1 058 693
<i>The nature of the grants are as follows:</i>		
Wool industry	76 407	80 089
Grains industry	105 550	115 776
Dairy industry	270 922	267 105
Cattle, sheep and pig industries	120 669	124 700
Fishing, horticulture and other agriculture industries	170 182	144 017
Rural assistance	74 091	154 522
Natural resources development	121 418	106 316
General assistance, not allocated	73 042	66 168
	1 012 281	1 058 693
<u>Note 29B – Personal benefits</u>		
<b>Personal benefits</b>	136 012	37 779
Personal benefits have significantly increased due to the Government's Drought Relief Package.		
<u>Note 29C – Other</u>		
Subsidies	–	8 975
Write-down of financial asset	3 802	909
	3 802	9 884

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the year ended 30 June 2003

	2002–2003 \$'000	2001–2002 \$'000
<b>Assets Administered on Behalf of Government</b>		
<b>Note 30 – Financial Assets</b>		
<u>Note 30A - Cash</u>		
Annual appropriation	–	534
	–	534
<u>Note 30B – Receivables</u>		
Taxes, levies, fees and charges – fees only	14 018	3 005
less provision for doubtful debts	( 1 435)	( 1 424)
	12 583	1 581
Goods and services tax receivable	3 236	2 129
Other debtors	–	–
Loans to State/Territory governments	23 422	26 071
Loans to other entities	1 865	1 865
Less provision for doubtful loans	( 1 865)	–
<b>Total receivables (net)</b>	<b>39 241</b>	<b>31 646</b>
<i>Receivables (gross) are aged as follows:</i>		
Not overdue	32 217	30 370
Overdue by:		
Less than 30 days	6 315	198
30 to 60 days	992	374
60 to 90 days	281	171
More than 90 days	2 736	1 957
<b>Total receivables (gross)</b>	<b>42 541</b>	<b>33 070</b>
<i>The provision for doubtful debts is aged as follows:</i>		
More than 90 days	3 300	1 424
<b>Total provision for doubtful debts</b>	<b>3 300</b>	<b>1 424</b>

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	2002–2003 \$'000	2001–2002 \$'000
<b>Note 30 – Financial Assets – continued</b>		
<b>Note 30C – Investments</b>		
Negotiable certificates of deposits	14 722	18 138
<b>Commonwealth Authorities</b>		
Australian Dairy Corporation	46 596	46 596
Australian Fisheries Management Authority	16 200	16 200
Australian Wine and Brandy Corporation	1 647	1 647
Cotton Research and Development Corporation	11 167	11 167
Dairy Research and Development Corporation	9 574	9 574
Fisheries Research and Development Corporation	7 605	7 605
Forest and Wood Products Research and Development Corporation	3 727	3 727
Grains Research and Development Corporation	107 341	107 341
Grape and Wine Research and Development Corporation	1 388	1 388
Land and Water Resources Research and Development Corporation	4 362	4 362
National Registration Authority for Agricultural and Veterinary Chemicals	2 490	2 490
Rural Industries Research and Development Corporation	2 266	5 105
Sugar Research and Development Corporation	5 314	5 314
Tobacco Research and Development Corporation	1 878	1 878
Australian Wheat Export Authority	6 000	6 000
<b>Associated entities</b>		
Murray–Darling Basin Commission	325 427	257 315
<b>Investments</b>	<b>567 704</b>	<b>505 847</b>
<b>Note 30D – Accrued revenue</b>		
Interest	542	628
Other accrued revenue	–	13
	<b>542</b>	<b>641</b>
<b>Note 30E – Other</b>		
Prepayments	538	508
<b>NOTE 31 Liabilities Administered on Behalf of Government</b>		
<b>Note 31A – Payables</b>		
Grants and levies to state and territory governments	1 296	6 256
Grants and levies to other sectors in the Commonwealth	2 316	16 520
Grants and levies to private sector entities	30 235	23 787
Grants to overseas	4 794	5 116
	<b>38 641</b>	<b>51 679</b>
<b>Note 31B – Other payables</b>		
Supplies of goods and services	941	–
Personal benefits payable	945	–
Other creditors	25	471
	<b>1 911</b>	<b>471</b>

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for the year ended 30 June 2003

	2002–2003 \$'000	2001–2002 \$'000
<b>NOTE 32 Administered reconciliation table</b>		
<b>Opening Administered assets less administered liabilities at 1 July</b>	<b>487 026 383</b>	<i>515 596 000</i>
<i>Plus</i> Administered revenues	<b>668 042 334</b>	<i>564 610 424</i>
<i>Less</i> Administered expenses	<b>(1 174 522 048)</b>	<i>(1 119 440 682)</i>
	<b>( 19 453 331)</b>	<i>( 39 234 258)</i>
<b>Administered transfers to/from Government</b>		
<b>Transfers from OPA</b>		
Appropriation transfers from OPA	<b>1 173 920 059</b>	<i>1 103 230 275</i>
Administered annotated appropriation	<b>30 981 985</b>	<i>27 909 202</i>
Special accounts	<b>13 572 295</b>	<i>6 809 261</i>
<b>Transfers to OPA</b>		
Ordinary Administered receipts	<b>( 583 119 345)</b>	<i>( 567 516 178)</i>
GST transferred to the OPA	<b>( 29 989 703)</b>	<i>( 27 724 582)</i>
Change in administered controlled investments	<b>( 2 838 564)</b>	<i>( 8 736 000)</i>
Special accounts	<b>( 13 580 872)</b>	<i>( 6 508 922)</i>
Change in GST payable to OPA	<b>–</b>	<i>–</i>
Other	<b>( 1 007 440)</b>	<i>–</i>
	<b>587 938 415</b>	<i>527 463 056</i>
Administered receipts collected by other agencies	<b>( 1 012 422)</b>	<i>( 1 202 415)</i>
<b>Closing Administered assets less liabilities</b>	<b>567 472 662</b>	<i>487 026 383</i>

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

**NOTE 33 Administered events occurring after balance date**

Two Commonwealth Authorities were privatised on 1 July 2003

Australian Dairy Corporation

Dairy Research and Development Corporation

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

<b>NOTE 34 Administered Financial Instruments</b>			
<b>(a) Terms, conditions &amp; accounting policies</b>			
Financial Instrument	Notes	Accounting policies and methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms & conditions affecting the amount, timing and certainty of cash flows)
<i>Financial assets</i>			
Cash balances	30A	Financial assets are recognised when control over future economic benefits is established and the amount of benefit can be reliably measured.	The balance of administered cash account is non-interest bearing.
Receivables for fees	30B	Balances are recognised at their nominal amounts. These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely. Interest may accrue on overdue accounts.	As for receivables for goods and services
Loans	30B	Loans are recognised at the amounts lent. Collectability of amounts outstanding is reviewed at balance date. Provision is made for bad and doubtful loans where collection of the loan or part thereof is judged to be less rather than more likely. In some circumstances, loans are waived in accordance with Commonwealth/State Loan Agreements. Interest is credited to revenue as it accrues.	Loans are program funds lent to Commonwealth instrumentalities, States and Territories, and other entities, and disclosed in the Administered statement of assets and liabilities. The terms of repayment of principal and payment of interest are in accordance with individual agreements. Effective interest rates average 8.49% (2001-2002: 8.49%).
Negotiable securities	30C	Investments in securities and negotiable certificates of deposit are recorded at cost. Any discounts or premiums on purchase are amortised over the term of the investment. Interest is credited to revenue as it accrues.	Investments in securities and negotiable certificates of deposit are readily realisable in cash, but are normally held until maturity.
Accrued revenue	30D	Accrued revenue is recognised in respect of services provided which have not been invoiced, taxes and levies due, and accrued interest.	Accrued revenue is amounts due from receivers of services. Accrued interest is amounts due from borrowers and unpaid interest on investments. Accrued taxes and levies are amounts due from industry in relation to its fiscal obligations.
<i>Financial liabilities</i>			
Grants and levies passed on	31A	Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured. Grant liabilities are recognised to the extent that: – the services required to be performed by the grantee have been performed; or – the grant eligibility criteria have been satisfied and settlement is outstanding.	Settlement is usually made according to the terms and conditions of each grant.
Other payables	31B	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received.	Settlement is usually made net 28 days. (2001-02: 28 days)

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

**NOTE 34 Administered Financial Instruments**  
**(a) Terms, conditions & accounting policies**

Financial instrument	Notes	Accounting policies and methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms & conditions affecting the amount, timing and certainty of cash flows)
<i>Unrecognised financial liabilities</i>			
Grant commitments	Schedule of Commitments	Multi-year grants to State and Territory governments are expensed when the agreed services are provided by the recipient government.  Other grants are expensed in the year in which the grant agreements are made. No liabilities are reported when the terms and conditions of the grants have not been fulfilled and an obligation to pay the grants has not arisen. Commitments in this respect have been disclosed in the Schedule of Commitments.	The Commonwealth makes multi-year funding agreements with State and Territory Governments under various programs to meet its public policy objectives. Funds are provided annually in accordance with these agreements. As these grants are not contractual in nature, no further disclosures required by AAS33 are made in this note.  The Department administers other grants which generally cover only the financial year in which the agreement is made.
Other contingencies	Schedule of Contingencies	Other contingencies relate to litigation action pending against the Commonwealth and other liabilities the future materialisation of which is uncertain, and are disclosed in the Schedule of Contingencies.	Legal action pending against and contested by the Commonwealth, and other liabilities.

DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY  
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for the year ended 30 June 2003

NOTE 34 Financial instruments (continued)

(b) Interest rate risk – administered

Financial instrument	Notes	Floating interest rate 02-03 01-02 \$'000 \$'000	Fixed interest rate					Non interest bearing 02-03 01-02 \$'000 \$'000	Total 02-03 01-02 \$'000 \$'000	Weighted average effective interest rate 02-03 01-02 % %	
			1 year or less		2 - 5 years		5 years				
			02-03 01-02 \$'000 \$'000	02-03 01-02 \$'000 \$'000	02-03 01-02 \$'000 \$'000	02-03 01-02 \$'000 \$'000	02-03 01-02 \$'000 \$'000				02-03 01-02 \$'000 \$'000
<b>Financial assets</b>											
Cash balances	30A	-	-	-	-	-	534	-	534	n/a	
Receivables for fees	30B	-	-	-	-	-	12 583	12 583	3 710	n/a	
Loans	30B	-	4 815	1 888	2 824	3 770	-	25 287	27 936	8.49	
Negotiable securities	30C	-	14 722	18 138	-	-	-	14 722	18 138	4.71	
Accrued revenue	30D	-	-	-	-	-	542	542	641	n/a	
<b>Total financial assets (recognised)</b>		-	19 537	1 888	2 824	3 770	13 125	53 134	50 959		
<b>Total assets administered on behalf of the Government</b>								608 025	539 176		
<b>Financial liabilities</b>											
Grants and levies passed on	31A	-	-	-	-	-	38 641	38 641	51 679	n/a	
Other payables	31B	-	-	-	-	-	1 911	1 911	471	n/a	
<b>Total financial liabilities (recognised)</b>		-	-	-	-	-	40 552	40 552	52 150		
<b>Total liabilities administered on behalf of the Government</b>								40 552	52 150		
<b>Liabilities not recognised</b>											
Claims for damages/costs	Schedule of Contingencies	-	-	-	-	-	-	-	1 103	n/a	
<b>Total liabilities (Unrecognised)</b>		-	-	-	-	-	-	-	1 103		

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the year ended 30 June 2003

**NOTE 34 Administered financial instruments (continued)**

**(c) Net fair value of financial assets and liabilities**

	Note	2002–2003		2001–2002	
		Total carrying amount	Aggregate net fair value	Total amount carrying	Aggregate net fair value
		\$'000	\$'000	\$'000	\$'000
<b>Administered</b>					
<b>Financial assets</b>					
Cash balances	30A	–	–	534	534
Receivables for fees	30B	12 583	12 583	3 710	3 710
Loans	30B	25 287	25 287	27 936	27 936
Negotiable securities	30C	14 722	14 722	18 138	18 138
Accrued revenue	30D	542	542	641	641
<b>Total financial assets</b>		<b>53 134</b>	<b>53 134</b>	<b>50 959</b>	<b>50 959</b>
<b>Financial liabilities (recognised)</b>					
Grants and levies passed on	31A	38 641	38 641	51 679	51 679
Other payables	31B	1 911	1 911	471	471
<b>Total financial liabilities (recognised)</b>		<b>40 552</b>	<b>40 552</b>	<b>52 150</b>	<b>52 150</b>
Financial liabilities (unrecognised)					
Claims for damages/costs		–	–	1 103	1 103
<b>Total financial liabilities (unrecognised)</b>		<b>–</b>	<b>–</b>	<b>1 103</b>	<b>1 103</b>

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY  
STATEMENT OF FINANCIAL PERFORMANCE**

*for the year ended 30 June 2003*

**NOTE 35 Appropriations**

**Note 35A – Cash Basis Acquittal from Acts 1 and 3**

Opening balance for departmental appropriation have been amended to exclude those transactions relating to special accounts as per the FMO's for 2002–2003.

Particulars	Administered Expenses		Departmental Outputs		Total	
	\$	\$	\$	\$	\$	\$
<b>2002–2003 (Current period)</b>						
Balance carried from previous year	11 939 267	–	42 132 555	–	54 071 822	–
Funds transferred from Strategic Ballast Water Research and Development Account	–	–	593 958	–	593 958	–
01/02 Adjustment Determined by Finance Minister reversed	4 142 162	–	–	–	4 142 162	–
Adjustment to appropriation receivable S.8	(12 740 414)	–	–	–	(12 740 414)	–
Appropriation for reporting period (Act 1)	229 639 000	–	220 749 000	–	450 388 000	–
Appropriation for reporting period (Act 3)	222 099 000	–	23 793 000	–	245 892 000	–
Adjustments determined by the Finance Minister	–	–	30 000	–	30 000	–
GST credits (FMA s 30A)	29 989 703	–	5 268 763	–	35 258 466	–
Annotations to 'net appropriations' (FMA s 31)	(224 038 744)	–	14 321 148	–	14 321 148	–
Administered expenses lapsed (expended)	261 029 974	–	306 888 424	–	(224 038 744)	–
Available for payments	(257 159 910)	–	(167 467 956)	–	567 918 398	–
Payments made	(3 870 064)	–	(97 476 744)	–	(424 627 866)	–
Appropriations credited to special accounts	–	–	41 943 724	–	(101 346 808)	–
Balance carried to next year	–	–	–	–	41 943 724	–
<b>Represented by</b>						
Cash	–	–	3 172 760	–	3 172 760	–
Cash held in the OPA	–	–	38 770 964	–	38 770 964	–
<b>Year ended 30 June 2002</b>						
Balance carried from previous year	–	–	18 456 476	–	18 456 476	–
Total annual appropriation	309 139 000	–	241 132 000	–	550 271 000	–
Adjustments determined by Finance Minister	–	–	(2 500 000)	–	(2 500 000)	–
GST credits (FMA s 30A)	–	–	9 687 012	–	9 687 012	–
Annotations to 'net appropriations' (FMA s 31)	–	–	50 827 644	–	50 827 644	–
Adjustments and annotations to appropriation	(37 992 000)	–	–	–	(37 992 000)	–
Administered appropriation lapsed	(21 223 587)	–	–	–	(21 223 587)	–
Adjustments determined by Finance Minister	–	–	–	–	–	–
Available for payment	245 781 251	–	317 603 132	–	563 384 383	–
Payments made during the year	(233 841 984)	–	(160 504 044)	–	(394 346 028)	–
Appropriations credited to special accounts	–	–	(114 966 533)	–	(114 966 533)	–
Balance carried forward to 1 July 2002	11 939 267	–	42 132 555	–	54 071 822	–
<b>Represented by:</b>						
Appropriation receivable S.8	11 939 267	–	–	–	11 939 267	–
Cash	–	–	42 132 555	–	42 132 555	–

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY**  
**STATEMENT OF FINANCIAL PERFORMANCE**

*for the year ended 30 June 2003*

**Note 35B – Cash Basis Acquittal of Appropriations from Acts 2 and 4**

Particulars	Administered		Capital				Total
	Outcome 1		Departmental		Admin		
	SPP's	Other	Equity	Carryovers	Capital	Capital	
	\$	\$	\$	\$	\$	\$	
<b>Year ended 30 June 2003</b>	<b>4 315 300</b>	<b>–</b>	<b>13 000 000</b>	<b>–</b>	<b>2 096 000</b>	<b>–</b>	<b>19 411 300</b>
Balance carried from previous year	(4 142 162)	–	–	–	–	–	(4 142 162)
01/02 Adjustment Determined by Finance Minister reversed	10 797	–	–	–	–	–	10 797
Adjustment to appropriation receivable S.8	158 193 000	–	–	–	–	–	158 193 000
Current appropriation (Act 2)	(8 400 000)	–	–	–	–	–	(8 400 000)
Current appropriation (Act 4)	8 400 000	–	–	–	–	–	8 400 000
Adjustments determined by the Finance Minister	–	–	–	–	–	–	–
Return of departmental equity injection	(32 358 778)	–	–	–	–	–	(32 358 778)
Administered appropriations rephased	126 018 157	–	13 000 000	–	2 096 000	–	141 114 157
Available for payments	(126 018 157)	–	–	–	(2 096 000)	–	(126 018 157)
Payments made	–	–	–	–	–	–	–
Appropriations credited to special accounts	–	–	13 000 000	–	–	–	13 000 000
<b>Balance carried to next year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<i>Represented by:</i>							
Appropriation receivable S.8	–	–	–	–	–	–	–
Appropriation receivable	–	–	13 000 000	–	–	–	13 000 000
Cash	–	–	–	–	–	–	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>13 000 000</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>13 000 000</b>
<b>Year ended 30 June 2002</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Balance carried from previous year	–	–	2 635 000	6 439 000	–	–	9 074 000
Total annual appropriation	142 994 000	–	13 000 000	12 806 000	–	–	168 800 000
Adjustments determined by the Finance Minister	4 142 162	–	–	–	–	–	4 142 162
Administered expenses lapsed under determination	(27 089 000)	–	–	–	–	–	(27 089 000)
Available for payments 2002	120 047 162	–	15 635 000	19 245 000	–	–	154 927 162
Payments made 2002	(115 731 862)	–	(2 635 000)	(19 245 000)	–	–	(137 611 862)
<b>Balance carried forward to next year</b>	<b>4 315 300</b>	<b>–</b>	<b>13 000 000</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>17 315 300</b>
<i>Represented by:</i>							
Appropriation receivable S.8	4 315 300	–	–	–	–	–	4 315 300
Appropriation receivable	–	–	13 000 000	–	–	–	13 000 000
Cash	–	–	–	–	–	–	–
<b>Total Departmental appropriation carried forward is represented by cash at bank:</b>	<b>2002–2003</b>	<b>2001–2002</b>	<b>Total Administered appropriation carried forward is represented by:</b>				
Departmental (other than special accounts)	3 172 760	42 132 555	Bill 1 S.8 Carryover				
Quarantine Export Certification special account	3 465 983	18 622	Bill 2 S.8 Carryover				
Meat and Inspection Service special account	–	–	Forestry fund receivable				
National residue Survey	–	–	National Cattle Disease Eradication account receivable				
Strategic Ballast Water special account	–	593 958	National Resource Management fund receivable				
Capital	–	7 600 000	Total				
<b>Cash at bank</b>	<b>6 638 743</b>	<b>50 345 135</b>	<b>251 044</b>				

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	2002–2003	2001–2002
	\$	\$
<b>Note 35C Cash Basis Acquittal of Special Appropriations (Unlimited Amount)</b>		
<i>Legislation:</i> Agricultural and Veterinary Chemicals (Administration) Act 1992		
<i>Purpose:</i> An Act to establish a National Registration authority to administer such laws of the Commonwealth or of the States and Territories relating to agricultural and veterinary chemical products as confer functions and powers of the Authority.		
Budget estimate	17 493 000	17 175 000
Payments made	17 726 150	17 301 747
<i>Legislation:</i> Australia Wool Services (from 01 January 2001 to 30 June 2005)		
<i>Purpose:</i> An Act to privatise the Australian Wool Research and Promotion organisation with functions and responsibilities relating to the management of the Wool Industry.		
Budget estimate	77 776 000	79 672 000
Payments made	78 833 994	80 270 987
<i>Legislation:</i> Australian Animal Health Council (Livestock Industries) Funding Act 1996		
<i>Purpose:</i> An Act to assist the Australian animal health service system in maintaining acceptable national animal health standards aimed at meeting consumer needs and market requirements at home and overseas.		
Budget estimate	6 905 000	4 059 000
Payments made	8 004 938	7 300 014
<i>Legislation:</i> Australian Meat and Livestock Act 1997 – Marketing Body		
<i>Purpose:</i> An Act for the purpose of marketing activities for the Australian Meat and Live Stock industry.		
Budget estimate	42 090 000	41 046 000
Payments made	49 532 552	43 763 160
<i>Legislation:</i> Australian Meat and Livestock Act 1997 – Research Body		
<i>Purpose:</i> An Act for the purpose of research and development activities for the Australian Meat and Live Stock industry.		
Budget estimate	40 372 000	36 301 000
Payments made	42 778 874	40 225 824
<i>Legislation:</i> Australian Wine and Brandy Corporation Act 1979		
<i>Purpose:</i> An Act to promote and control the export of grape products from Australia.		
Budget estimate	4 528 000	4 265 000
Payments made	4 909 261	4 025 433
<i>Legislation:</i> Dairy Industry Restructure Package – Dairy Produce Act 1985		
<i>Purpose:</i> An Act to assist dairy farmers to make the transition to a deregulated environment.		
Budget estimate	220 000 000	216 000 000
Payments made	221 341 059	217 131 640
<i>Legislation:</i> Dairy Produce Act 1985		
<i>Purpose:</i> An Act to enhance the profitable production and marketing of Australian dairy produce.		
Budget estimate	21 389 000	20 484 000
Payments made	20 206 450	21 283 694
<i>Legislation:</i> Farm Household Support Act 1991		
<i>Purpose:</i> An Act to provide assistance to farmers who are unable to meet day-to-day living expenses and cannot obtain commercial loans.		
Budget estimate	22 970 000	23 441 000
Payments made	45 372 223	19 761 778
<i>Legislation:</i> Fisheries Administration Act 1991		
<i>Purpose:</i> An Act to establish and maintain an Australian Fisheries Management Authority with functions and responsibilities relating to the management of fisheries.		
Budget estimate	11 000 000	8 498 000
Payments made	11 305 905	9 500 000
<i>Legislation:</i> Horticultural Marketing and Research and Development Corporation Act 2000		
<i>Purpose:</i> An Act to establish and maintain an industry services body for the Australian horticultural industry with functions and responsibilities relating to the management of horticultural marketing and research and development activities.		
Budget estimate	50 178 000	34 910 000
Payments made	53 484 187	46 866 151

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	2002–2003	2001–2002
	\$	\$
<b>Note 35C (continued)</b>		
<i>Legislation: Lamb Industry Development Program – levy alleviation – Australian Meat and Live-Stock Industry Act 1997</i>		
<i>Purpose: An Act to fund industry development and marketing activity.</i>		
Budget estimate	–	8 000 000
Payments made	–	7 706 211
<i>Legislation: National Cattle Disease Eradication Trust Account Act 1991</i>		
<i>Purpose: An act for the purpose of the eradication of any disease of cattle that is endemic in Australia.</i>		
Budget estimate	5 000	4 359 000
Payments made	5 433	3 058
<i>Legislation: National Residue Survey Administration Act 1991</i>		
<i>Purpose: An Act for purposes related to the monitoring and reporting of the level of contaminants in food products produced in Australia, or produced from animals or plants produced in Australia</i>		
Budget estimate	7 932 000	7 943 000
Payments made	8 481 098	8 501 172
<i>Legislation: Pig Industry Act 2001</i>		
<i>Purpose: An Act for the purposes of marketing and research and development activities in the Pig industry.</i>		
Budget estimate	15 033 000	15 970 000
Payments made	17 165 408	14 963 405
<i>Legislation: Primary Industries and Energy Research and Development Act 1989</i>		
<i>Purpose: An Act to involve industry more closely in the determination of the objectives of R&amp;D and to make R&amp;D more efficient and effective in addressing industry, government, and community needs.</i>		
Budget estimate	186 426 000	192 737 000
Payments made	206 923 395	214 937 011
<i>Legislation: Wool International Act 1992</i>		
<i>Purpose: An Act is to foster the long-term profitability and efficiency of the Australian wool industry.</i>		
Budget estimate	–	21 000
Payments made	–	–
<i>Legislation: Egg Industry Service Provision Act 2002</i>		
<i>Purpose: An Act for the purposes of promotion and research and development activities into the Egg industry.</i>		
Budget estimate	–	–
Payments made	768 324	–
<i>Miscellaneous Levies – Primary industries and energy research and development act 1989</i>		
<i>Purpose: An Act to involve industry more closely in the determination of the objectives of R&amp;D and to make R&amp;D more efficient and effective in addressing industry, government, and community needs.</i>		
Budget estimate	–	–
Payments made	32 677	115 143
<b>Totals for unlimited special appropriations</b>		
Budget estimate	<b>724 097 000</b>	<b>714 881 000</b>
Payments made	<b>786 871 928</b>	<b>753 656 428</b>

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	2002–2003	2001–2002
	\$	\$

**NOTE 35D Cash Basis Acquittal Special accounts**

Opening balances for special accounts have been restated to reflect only the cash position of the account and no longer includes amounts of appropriation receivable.

**Australian Quarantine and Inspection Service (AQIS) Reserve**

Under the authority of the *Financial Management and Accountability Act 1997*, for the purpose of expenditure relating to the provision of quarantine and inspection services and payment of moneys to the Consolidated Revenue Fund as agreed to by the relevant Minister and Minister for Finance:

<b>Balance carried from previous period</b>	<b>18 622</b>	<i>15 430</i>
Appropriation for reporting period	<b>96 393 007</b>	<i>92 332 461</i>
Capital appropriation	<b>511 175</b>	<i>–</i>
Costs recovered	<b>106 952 016</b>	<i>81 501 205</i>
Other receipts	<b>18 272 567</b>	<i>3 559 448</i>
GST credits (FMA s30A)	<b>5 966 155</b>	<i>3 334 095</i>
Available for payments	<b>228 113 542</b>	<i>180 742 639</i>
Payments made	<b>206 381 277</b>	<i>180 724 017</i>
<b>Balance carried to next period</b>	<b>21 732 265</b>	<i>18 622</i>
<i>Represented by:</i>		
<b>Cash held in OPA</b>	<b>18 266 282</b>	<i>–</i>
<b>Cash in Departmental bank account</b>	<b>3 465 983</b>	<i>18 622</i>

**Meat Inspection Service Reserve**

Under the authority of the *Financial Management and Accountability Act 1997*, for the purpose of expenditure relating to the provision of meat inspection service and payment of moneys to the Consolidated Revenue Fund as agreed to by the relevant Minister and Minister for Finance:

<b>Balance carried from previous period</b>	<b>–</b>	<i>–</i>
Appropriation for reporting period	<b>830 049</b>	<i>22 602 423</i>
Capital appropriation	<b>1 584 825</b>	<i>–</i>
Costs recovered	<b>38 649 920</b>	<i>48 392 485</i>
Other receipts	<b>18 433 177</b>	<i>1 626 596</i>
GST credits (FMA s30A)	<b>788 617</b>	<i>905 514</i>
Available for payments	<b>60 286 588</b>	<i>73 527 018</i>
Payments made	<b>60 286 588</b>	<i>73 527 018</i>
<b>Balance carried to next period</b>	<b>–</b>	<i>–</i>
<i>Represented by:</i>		
<b>Cash in Departmental bank account</b>	<b>–</b>	<i>–</i>

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	<b>2002–2003</b>	<b>2001–2002</b>
	\$	\$
<b>NOTE 35D Special accounts (continued)</b>		
<b><u>National Residue Survey (NRS)</u></b>		
Under the authority of the <i>National Residue Survey Administration Act 1992</i> , section 6 (1), for the purposes of conducting national residue surveys and to provide for collection of the NRS levy imposed by various acts:		
<b>Balance carried from previous period</b>		
<b>Investments</b>	<b>14 000 000</b>	<i>12 700 000</i>
Appropriation for reporting period	253 688	31 649
Costs recovered	8 342 285	8 979 211
Other receipts	1 671 881	893 596
GST credits (FMA s30A)	659 884	663 768
Available for payments	<b>24 927 738</b>	<i>23 268 224</i>
Payments made		
for operations	10 143 984	9 268 224
for investment	500 000	1 300 000
<b>Balance carried to next period</b>	<b>14 783 754</b>	<i>14 000 000</i>
<i>Represented by:</i>		
<b>Cash held in the OPA</b>	283 754	–
<b>Negotiable Certificates of Deposits</b>	14 500 000	14 000 000
	<b>14 783 754</b>	<i>14 000 000</i>

**Strategic Ballast Water Research and Development Account**

During 2002–03, the Department became aware, based on advice from the Australian Government Solicitor, that a special account known as the *Strategic Ballast Water Research and Development Account* did not have the appropriate legal determination to exist. This was due to a defect in the enabling legislation *Ballast Water Research and Development Funding Levy Collection Act 1998* section 11(1) which caused this account to cease to exist in 2000 after levies, collected from industry, had reached the required limit. Since 2000–01 \$0.486 million has been spent (including \$0.085 million in 2002–03 or 0.03% of appropriation revenue) on designated Ballast Water Research and Development (R&D) activities in accordance with the purpose outlined in the repealed Act. A consultative committee, including industry representatives, considers and approves each of the R&D activities. The Department immediately ceased Ballast Water R&D payments when it originally became aware of the legislation issue in November 2002. Monies expended for the purpose of Ballast Water R&D activities were covered by unspent Bill 1 departmental appropriation. This has been determined to be in breach of Section 48 of the FMA Act.

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	2002–2003	2001–2002
	\$	\$
<b>NOTE 35D Special accounts (continued)</b>		
<b>Forestry Fund</b>		
Under the authority of the <i>Forestry and Timber Bureau Act 1989</i> , section 5, for the purpose of the furtherance of forestry:		
<b>Balance carried from previous period</b>		
Opening cash	303	967
Opening investments	121 000	115 000
Other sources of revenue	5 887	5 336
Realisation of investments	–	–
Available for payments	127 190	121 303
<b>Payments made</b>		
for purchase of investments	6 000	6 000
Closing cash	190	303
Closing investments	127 000	121 000
Closing balance	127 190	121 303
<b>National Cattle Disease Eradication Account</b>		
Under the authority of the <i>Livestock Slaughter Levy Collection Act 1984</i> , section 10A, for the purpose of section 10C of the Act:		
<b>Balance carried from previous period</b>		
Opening cash	19 936	28 787
Opening investments	17 655 000	18 343 000
Correction to prior year closing balance	–	( 73 514)
Appropriations for reporting period	–	–
Other sources	792 593	815 342
Realisation of investments	3 648 000	2 219 000
Available for payments	22 115 529	21 332 615
<b>Payments made</b>		
for operations	4 348 896	1 438 679
for purchase of investments	–	1 531 000
Closing cash	111 633	19 936
Closing investments	14 007 000	17 655 000
Closing balance	14 118 633	17 674 936

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	<b>2002–2003</b>	<i>2001–2002</i>
	\$	\$
<b>NOTE 35D Special accounts (continued)</b>		
<b><u>Natural Resources Management Fund</u></b>		
Under the authority of the <i>Natural Resources Management (Financial Assistance) Act 1992</i> , for the purposes of granting financial assistance in connection with projects relating to natural resources management:		
<b>Balance carried from previous period</b>		
Opening cash	222 228	513 052
Opening investments	362 000	219 000
Opening adjustment	–	73 514
Appropriations for reporting period	3 870 064	2 100 000
Other sources	23 719	32 480
Realisation of investments	–	1 999 000
Available for payments	4 478 011	4 937 046
<b>Payments made</b>		
for operations	3 750 790	2 353 818
for purchase of investments	226 000	2 142 000
Closing cash	139 221	222 228
Closing investments	588 000	362 000
Closing balance	727 221	584 228

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	2002–2003	2001–2002
	\$	\$
<b>NOTE 36 Trust moneys</b>		
<b>Private monies</b>		
<b>Services and projects for other government and non-departmental bodies</b>		
Under the authority of the <i>Financial Management and Accountability Act 1997</i> , for the purpose of payment of costs in connection with services performed on behalf of other Government and non-departmental bodies:		
Opening cash	2 835 149	3 450 070
Transferred to the Departmental balance sheet	(2 815 087)	–
Opening balance	20 062	3 450 070
Receipts:		
from other sources	60 250	722 902
Available for payments	80 312	4 172 972
Expenditure:		
for operations	45 990	1 337 823
<b>Closing cash</b>	<b>34 322</b>	<b>2 835 149</b>
<b>Closing balance</b>	<b>34 322</b>	<b>2 835 149</b>

**Other monies**

Under the authority of the *Financial Management and Accountability Act 1997*, for the purpose of the receipt of monies temporarily held in trust for other persons:

Opening cash	864 315	864 315
Transferred to the Departmental statement of financial position	( 864 315)	–
	–	864 315
Receipts:		
from other sources	–	–
from realisation of investments	–	–
Available for payments	–	864 315
Expenditure:		
for operations	–	–
Closing cash	–	864 315
Closing balance	–	864 315

During 2002-03, all documentation relating to monies held in Trust Funds by the Department was reviewed. The review revealed that most monies held in trust accounts did not have a Trust Deed or other trust document as required by section 3G of the *Financial Ministers Orders*. These monies represent monies held on behalf of the States for joint Commonwealth and State projects. Consequently, these funds have been transferred to the Departmental statement of financial position and are represented as unearned income until such time as the recognition criteria for revenue is met.

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**Note 37 Reporting of Outcomes**

**Note 37A—Total Cost/Contribution of Outcomes (Whole of Government)**

Comparative balances for this note have been amended to recognise an identified error of \$14,833m, resulting in a reduction of total cost/contribution of outcomes for 2001–2002.

Particulars	Outcome 1	
	2003 \$'000	2002 \$'000
<b>Year ended 30 June 2003</b>		
Administered expenses	1 174 521	1 119 441
Departmental expenses	445 849	412 437
<b>Total expenses</b>	<b>1 620 370</b>	<b>1 531 878</b>
<i>Costs recovered from provision of goods and services to the non-government sector</i>		
Administered	7	910
Departmental	166 132	166 569
<b>Total costs recovered</b>	<b>166 139</b>	<b>167 479</b>
<b>Other external revenues</b>		
Administered		
Interest on loans	3 087	3 340
Other	664 948	560 360
<b>Total administered other revenue</b>	<b>668 035</b>	<b>563 700</b>
<b>Other external revenues</b>		
Departmental		
Interest on cash deposits	3 152	2 792
Revenue from disposal of assets	156	33
Goods and services revenue from related entities	8 796	3 648
Other	6 275	6 050
<b>Total departmental other revenue</b>	<b>18 379</b>	<b>12 523</b>
<b>Total other external revenues</b>	<b>686 414</b>	<b>576 223</b>
<b>Total revenue</b>	<b>852 553</b>	<b>743 702</b>
<b>Net cost to budget outcome</b>	<b>(767 817)</b>	<b>(788 176)</b>

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NOTE 37B Major Department Revenues and Expenses by Output Group

Particulars	Output 1 Natural resources access and management		Output 2 Rural policy and innovation		Output 3 Industry development		Output 4 Market access and biosecurity		Output 5 Product integrity, animal and plant health	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>Operating revenues</b>										
Revenues from government	27 445	24 658	32 764	9 312	31 827	39 251	27 631	25 032	15 288	12 636
Sales of goods and services	14 991	15 631	1 340	1 312	5 097	3 661	1 703	684	10 579	10 121
Other non-taxation revenue	812	-	148	1	378	1	376	359	2 490	1 903
<b>Total operating revenue</b>	<b>43 248</b>	<b>40 289</b>	<b>34 252</b>	<b>10 625</b>	<b>37 302</b>	<b>42 913</b>	<b>29 710</b>	<b>26 075</b>	<b>28 357</b>	<b>24 660</b>
<b>Operating expenses</b>										
Employees	18 289	18 313	10 129	5 521	14 627	18 846	18 208	15 153	11 743	10 396
Suppliers	16 014	17 447	18 270	4 054	12 305	15 542	9 816	9 059	14 053	13 406
Depreciation and amortisation	563	178	512	29	1 006	103	418	62	643	373
Other	7 467	4 311	29	133	5 871	5 395	62	9	105	21
<b>Total operating expenses</b>	<b>42 333</b>	<b>40 249</b>	<b>28 940</b>	<b>9 737</b>	<b>33 809</b>	<b>39 886</b>	<b>28 504</b>	<b>24 283</b>	<b>26 544</b>	<b>24 196</b>

Particulars	Output 6 Quarantine and export services		Output 7 Scientific Advice		Output 8 Economic Research		Total	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>Operating revenues</b>								
Revenues from government	125 973	118 528	9 623	4 489	5 752	3 870	276 303	238 076
Sales of goods and services	132 015	128 275	4 023	2 796	5 180	7 737	174 928	170 217
Other non-taxation revenue	5 164	6 608	81	-	134	3	9 583	8 875
<b>Total operating revenue</b>	<b>263 152</b>	<b>253 411</b>	<b>13 727</b>	<b>7 285</b>	<b>11 066</b>	<b>11 610</b>	<b>460 814</b>	<b>417 168</b>
<b>Operating expenses</b>								
Employees	158 956	144 721	8 922	5 060	6 711	7 678	247 585	225 688
Suppliers	93 308	100 343	3 432	1 891	4 143	2 521	171 341	164 263
Depreciation and amortisation	7 790	8 683	368	160	508	288	11 808	9 876
Other	1 111	2 508	283	161	187	72	15 115	12 610
<b>Total operating expenses</b>	<b>261 165</b>	<b>256 255</b>	<b>13 005</b>	<b>7 272</b>	<b>11 549</b>	<b>10 559</b>	<b>445 849</b>	<b>412 437</b>

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NOTE 37C Major Administered Revenues and Expenses by Outcomes

Particulars	Outcome 1	
	2003 \$'000	2002 \$'000
<b>Operating revenues</b>		
Sales of goods and services	7	910
Other non-taxation revenue	668 035	563 700
<b>Total operating revenue</b>	<b>668 042</b>	<b>564 610</b>
<b>Operating expenses</b>		
Grants	1 012 281	1 038 693
Personal benefits	136 012	37 779
Suppliers	22 426	13 085
Other	3 802	9 884
<b>Total operating expenses</b>	<b>1 174 521</b>	<b>1 119 441</b>

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**Note 38 Investments in associates**

<b>Name</b>	<b>Murray-Darling Basin Commission</b>		
Principal activities	The MDBC is the executive arm of the Ministerial Council and is responsible for managing the River Murray and the Menindee Lakes system of the lower Darling River, and for advising the Ministerial Council on matters to the use of the water, land and other environmental resources of the Murray-Darling Basin.		
Ownership interest	20%		
Carrying amount of investment	\$325.427m		
MDBC reporting date	30-Jun-03		
Share of contingent liabilities	\$70.6m		
Capital commitments	\$5.6m		
Share of operating results	\$8.551m		

	<b>Balance as at 30/6/97</b>	<b>Balance as at 30/6/02</b>	<b>Balance as at 30/6/03</b>	<b>Increase in investment</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
MDBC Net Assets	1 286 575	1 583 799	1 627 137	340 562
20% interest	257 315	316 760	325 427	68 112

This note has been prepared based on unaudited financial statements of the Commission.  
There are no material differences in accounting policy between the Department and MDBC.

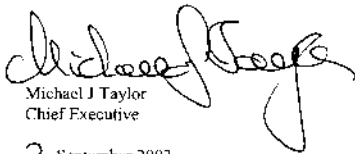
**Department of Agriculture, Fisheries and Forestry**  
AUSTRALIAN QUARANTINE AND INSPECTION SERVICE

**Financial Statements**  
**For the year ended 30 June 2003**

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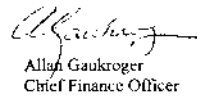
**Statement by the Chief Executive and Chief Finance Officer**

In our opinion, the attached financial statements for the year ended 30 June 2003 give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*.



Michael J Taylor  
Chief Executive

2 September 2003



Allan Gaukroger  
Chief Finance Officer

2 September 2003



## INDEPENDENT AUDIT REPORT

To the Minister for Agriculture, Fisheries and Forestry

### Scope

I have audited the financial statements of the Australian Quarantine Inspection Service for the year ended 30 June 2003. The financial statements comprise:

- Statement by the Chief Executive and Chief Finance Officer;
- Statements of Financial Performance, Financial Position and Cash Flows;
- Schedules of Contingencies and Commitments; and
- Notes to and forming part of the Financial Statements.

The Department's Chief Executive is responsible for the preparation and presentation of the financial statements and the information they contain. I have conducted an independent audit of the financial statements in order to express an opinion on them to you.

The audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with my understanding of the entity's financial position, its financial performance and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

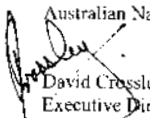
### Audit Opinion

In my opinion the financial statements:

- (i) have been prepared in accordance with Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*; and

GPO Box 707 CANBERRA ACT 2601  
 Centenary House 19 National Circuit  
 BARTON ACT  
 Phone (02) 6203 7300 Fax (02) 6203 7777

(ii) give a true and fair view, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Finance Minister's Orders, of the financial position of the Australian Quarantine Inspection Service as at 30 June 2003, and its financial performance and cash flows for the year then ended.

 Australian National Audit Office  
David Crossley  
Executive Director

Delegate of the Auditor-General

Canberra  
8 September 2003

**AUSTRALIAN QUARANTINE AND INSPECTION SERVICE**  
**STATEMENT OF FINANCIAL PERFORMANCE**

*for the year ended 30 June 2003*

	Notes	2002–2003 \$'000	2001–2002 \$'000
<b>Revenues from ordinary activities</b>			
Revenues from Government	3A	128 954	108 030
Sales of goods and services	3B	131 410	127 610
Interest		1 742	1 338
Grants		47	130
Revenue from sale of assets	4E	150	8
Other operating revenues	3C	2 948	3 889
<b>Total revenues from ordinary activities</b>		<b>265 251</b>	<b>241 005</b>
<b>Expenses from ordinary activities</b>			
Employees	4A	155 786	136 105
Suppliers	4B	101 778	96 373
Depreciation and amortisation	4C	6 309	5 320
Write down of assets	4D	564	2 108
Value of assets sold	4E	234	21
<b>Total expenses from ordinary activities (excluding borrowing cost expense)</b>		<b>264 671</b>	<b>239 927</b>
Borrowing costs expense		250	231
<b>Net surplus</b>		<b>330</b>	<b>847</b>
Net change to asset revaluation reserve	18	14	101
<b>Total revenues, expenses and valuation adjustments attributable to the Commonwealth Government and recognised directly in equity</b>		<b>14</b>	<b>101</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>344</b>	<b>948</b>

The above statement should be read in conjunction with the accompanying notes

**AUSTRALIAN QUARANTINE AND INSPECTION SERVICE**  
**STATEMENT OF FINANCIAL POSITION**

as at 30 June 2003

	Notes	2002–2003 \$'000	2001–2002 \$'000
<b>ASSETS</b>			
Financial assets			
Cash	5,19	3 466	19
Receivables	6	71 002	56 914
Accrued revenue	7	5 820	6 803
<b>Total financial assets</b>		<b>80 288</b>	<b>63 736</b>
<b>Non-financial assets</b>			
Land and buildings	8,13	5 777	8 485
Infrastructure, plant and equipment	9,13	6 515	6 843
Inventories	10	2 510	3 357
Intangibles	11,13	5 971	6 383
Other	12	1 173	1 075
<b>Total non-financial assets</b>		<b>21 946</b>	<b>26 143</b>
<b>Total assets</b>		<b>102 234</b>	<b>89 879</b>
<b>LIABILITIES</b>			
<b>Interest bearing liabilities</b>			
Leases	17	2 819	3 593
<b>Total interest bearing liabilities</b>		<b>2 819</b>	<b>3 593</b>
<b>Provisions</b>			
Employees	14	44 943	39 136
<b>Total provisions</b>		<b>44 943</b>	<b>39 136</b>
<b>Payables</b>			
Suppliers	15	7 702	10 620
Other	16	26 452	14 209
<b>Total payables</b>		<b>34 154</b>	<b>24 829</b>
<b>Total liabilities</b>		<b>81 916</b>	<b>67 558</b>
<b>NET ASSETS</b>		<b>20 318</b>	<b>22 321</b>
<b>EQUITY</b>			
Contributed equity		1 159	1 159
Asset revaluation reserve		1 786	1 772
Retained surpluses		17 373	19 390
Total equity	18	20 318	22 321
<b>Total liabilities and equity</b>		<b>102 234</b>	<b>89 879</b>
<b>Current liabilities</b>		<b>54 077</b>	<b>37 928</b>
<b>Non-current liabilities</b>		<b>27 839</b>	<b>29 630</b>
<b>Current assets</b>		<b>74 837</b>	<b>58 584</b>
<b>Non-current assets</b>		<b>27 397</b>	<b>31 295</b>
<b>Net assets</b>		<b>20 318</b>	<b>22 321</b>

The above statement should be read in conjunction with the accompanying notes

**AUSTRALIAN QUARANTINE AND INSPECTION SERVICE**  
**STATEMENT OF CASH FLOWS**

for the year ended 30 June 2003

	Notes	2002–2003 \$'000	2001–2002 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations for outputs		97 223	114 935
Sales of goods and services		145 602	129 893
Interest		1 742	1 338
Grants		47	130
GST refunds		6 755	4 240
Transfer from the Department		33 053	–
Other		1 713	3 710
<b>Total cash received</b>		<b>286 135</b>	<b>254 246</b>
<b>Cash used</b>			
Employees		149 979	131 927
Suppliers		110 614	96 957
Borrowing costs		250	231
Transfer to the Department		–	20 158
Cash transferred to the OPA		18 266	–
<b>Total cash used</b>		<b>279 109</b>	<b>249 273</b>
<b>Net cash from/(used by) operating activities</b>	19	<b>7 026</b>	<b>4 973</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of land and buildings		145	–
Proceeds from sales of property, plant and equipment		5	8
<b>Total cash received</b>		<b>150</b>	<b>8</b>
<b>Cash used</b>			
Purchase of land and buildings		245	–
Purchase of property, plant and equipment		988	1 472
Purchase of intangibles		2 688	2 299
<b>Total cash used</b>		<b>3 921</b>	<b>3 771</b>
<b>Net cash from/(used by) investing activities</b>		<b>(3 771)</b>	<b>(3 763)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Capital appropriation		2 096	–
<b>Total cash received</b>		<b>2 096</b>	<b>–</b>
<b>Cash used</b>			
Finance lease capital payments		1 904	1 206
<b>Total cash used</b>		<b>1 904</b>	<b>1 206</b>
<b>Net cash from/(used by) financing activities</b>		<b>192</b>	<b>(1 206)</b>
<b>Net increase in cash held</b>		<b>3 447</b>	<b>4</b>
Cash at beginning of the year		19	15
<b>Cash at end of the year</b>	19	<b>3 466</b>	<b>19</b>

The above statement should be read in conjunction with the accompanying notes

## AUSTRALIAN QUARANTINE AND INSPECTION SERVICE SCHEDULE OF COMMITMENTS

as at 30 June 2003

	2002–2003 \$'000	2001–2002 \$'000
<b>BY TYPE</b>		
<b>Capital commitments</b>		
Infrastructure, plant and equipment	232	12
<b>Total capital commitments</b>	<u>232</u>	<u>12</u>
<b>Other commitments</b>		
Operating leases	46 102	29 921
Project commitments	694	–
Goods and services contracts	4 373	115
Other commitments	13	45
<b>Total other commitments</b>	<u>51 182</u>	<u>30 081</u>
<b>Total commitments</b>	<u>51 414</u>	<u>30 093</u>
<b>Commitments receivable</b>		
Other commitments	4 674	–
<b>Total commitments receivable</b>	<u>4 674</u>	<u>–</u>
<b>Net commitments</b>	<u>46 740</u>	<u>30 093</u>
<b>BY MATURITY</b>		
<b>All net commitments</b>		
One year or less	9 114	6 264
From one to five years	21 811	15 218
Over five years	15 815	8 611
<b>Net commitments</b>	<u>46 740</u>	<u>30 093</u>
<b>Operating lease commitments</b>		
One year or less	8 344	6 146
From one to five years	20 362	15 164
Over five years	17 397	8 611
<b>Net commitments</b>	<u>46 103</u>	<u>29 921</u>

All commitments are inclusive of the Goods and Services Tax (GST) where relevant.

<i>Nature of Lease</i>	<i>General description of leasing arrangement</i>
Agreements for the provision of motor vehicles to senior executive officers. Leases for motor vehicles for operations.	AQIS is a party to a tied contract for the provision of vehicles. No contingent rentals exist. An individual fixed rate is defined for each sub agreement (vehicle). Retention of the vehicle past the expiry date will result in a new lease sub agreement.
Leases for office, laboratory or other accommodation.	The Department has leases for accommodation that are subject to adjustments on an annual fixed basis, to market values and to CPI increases. Renewal options vary from 1 to 5 years.
Leases for office or scientific equipment.	There are no purchases or renewal options on these leases. Contracts for lease of X-ray machines have no escalation clauses. Most photocopier leases have a clause allowing increases in line with CPI.

The above statement should be read in conjunction with the accompanying notes

**AUSTRALIAN QUARANTINE AND INSPECTION SERVICE  
SCHEDULE OF CONTINGENCIES**

*as at 30 June 2003*

	<b>2002–2003</b>	<i>2001–2002</i>
	<b>\$'000</b>	<i>\$'000</i>
<b>Contingent losses</b>		
Claims for damages/costs	–	293
<b><i>Total contingent losses</i></b>	<u>–</u>	<u>293</u>
<b>Contingent gains</b>		
Claims for damages/costs	–	–
<b><i>Total contingent gains</i></b>	<u>–</u>	<u>–</u>
<b>Total contingent losses</b>	<u>–</u>	<u>293</u>

In the event that the contingent losses disclosed above are realised the Australian Quarantine and Inspection Services has a reasonable expectation that a substantial proportion of them will be reimbursed through appropriations.

The above statement should be read in conjunction with the accompanying notes

**AUSTRALIAN QUARANTINE AND INSPECTION SERVICE  
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## AUSTRALIAN QUARANTINE AND INSPECTION SERVICE NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

### NOTE 1 Objectives of Australian Quarantine and Inspection Service

The Australian Quarantine and Inspection Service (AQIS) provides improved quarantine services, food and agricultural export certification, and imported food inspection services to protect the safety and health of Australia's agricultural, food and forestry industries. AQIS also works to achieve greater access to overseas markets for Australian agricultural commodities and processed food as well as improving efficiency of service delivery to industry. AQIS contributes to the outcome of the Department of Agriculture, Fisheries and Forestry ('the Department').

The Departmental outcome is as follows:

"Australian agricultural, fisheries, food and forestry industries that are based on the sustainable management of and access to natural resources, are more competitive, self reliant and innovative, have increased access to markets, are protected from diseases and are underpinned by scientific advice and economic research."

AQIS is a reporting entity within the Department, an agency controlled by the Government of the Commonwealth of Australia.

### NOTE 2 Summary of significant accounting policies

#### (a) Basis of accounting

The financial statements are required by section 49 of the *Financial Management and Accountability Act 1997* and are a general purpose financial report.

The statements have been prepared in accordance with:

- Finance Minister's Orders (or FMOs, being the Financial Management and Accountability (*Financial Statements for reporting periods ending on or after 30 June 2003*) Orders);
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board; and
- Consensus Views of the Urgent Issues Group.

The statements have also been prepared having regard to:

- Statements of Accounting Concepts; and
- the Explanatory Notes to Schedule 1, and Finance Briefs issued by the Department of Finance and Administration.

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets, which, as noted, are at valuation. Except where stated, AQIS does not account for the effect of changing prices on the results for the financial position.

Assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow to the entity and the amounts of the assets or liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are however not recognised unless required by an Accounting Standard. Liabilities and assets, which are unrecognised, are reported in the Schedule of Commitments and the Schedule of Contingencies.

Revenues and expenses are recognised in the Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

The continued existence of the AQIS in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament to fund the Department's administration and programs.

In the past, general purpose financial statements have been prepared by each of AQIS' defined Business Operations (Meat Inspection Services and Quarantine & Export Certification). In 2001/02, due to a change in the Finance Minister's Orders, separate reporting was not required and financial statements were only prepared for AQIS as a whole. Although the

## AUSTRALIAN QUARANTINE AND INSPECTION SERVICE NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

requirement for reporting each Business Operation was reinstated for 2002/03, the Determination for Meat Inspection Services ('MIS') was revoked as at 30 June 2002. The activities of MIS will continue to be reported as part of the AQIS Financial Statements.

### (b) Changes in accounting policies

The accounting policies used in the preparation of these financial statements are consistent with those used in 2001–02, except in respect of:

- I. The accounting for output appropriation (refer to Note 2 (c) I);
- I. Measurement of certain employee benefits at nominal amounts (refer to Note 2(d));
- II. The initial revaluation of property, plant and equipment on a fair value basis (refer to Note 2(j)); and
- III. The imposition of an impairment test for non-current assets carried at cost (refer to Note 2(k))

### (c) Revenues

The revenues described in this Note are revenues relating to the core operating activities of AQIS.

#### I. Revenues from Government.

Departmental output appropriations for the year (less any savings offered up in Portfolio Additional Estimates) are recognised as revenue, except for certain amounts which relate to activities that are reciprocal in nature, in which case revenue is recognised only when it is earned. This is a change in accounting policy caused by the introduction of a new requirement to this effect in the Finance Minister's Orders. (In 2001–02, the full amount of the appropriation for departmental outputs is recognised as revenue).

#### II. Resources received free of charge

Services received free of charge are recognised in the Statement of Financial Performance as revenue when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of these resources is recognised as an expense.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised at their fair value when the asset qualifies for recognition, unless received from another government agency as a consequence of a restructuring of administrative arrangements.

#### III. Other revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from disposal of non-current assets is recognised when control of the asset has passed to the buyer.

AQIS revenue from the rendering of a service is recognised by reference to the stage of completion of contracts or other agreements to provide services. The stage of completion is determined according to the proportion that costs incurred to date compare to the estimated total costs of the transaction.

### (d) Employee benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for wages and salaries (including non-monetary benefits), annual leave and sick leave are measured at their nominal amounts. Other employee benefits expected to be settled within 12 months of the reporting date are also measured at their nominal amounts.

## AUSTRALIAN QUARANTINE AND INSPECTION SERVICE NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability. This is a change in accounting policy from last year required by the initial application of a new Accounting Standard AASB 1028 from 1 July 2002.

### *I. Leave*

The liability for employee entitlements includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Department is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration, including the Department'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 work of an actuary as at 30 June 2003. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

### *II. Separation and redundancy*

Provision is made for separation and redundancy benefits. The Department has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

### *III. Superannuation*

AQIS staff primarily contribute to the Commonwealth Superannuation Scheme, the Public Sector Superannuation Scheme and the State Government Superannuation Scheme. The liability for their superannuation benefits is recognised in the financial statements of the Commonwealth and is settled by the Commonwealth in due course.

The Department makes employer contributions to the Commonwealth at rates determined by an actuary to be sufficient to meet the cost to the Commonwealth of the superannuation entitlements of the agency.

Employer contributions amounting to **\$14,272,028** (2001–02: \$13,379,042) in relation to these schemes have been expensed in these financial statements.

Employer Superannuation Productivity Benefit contributions totalled **\$3,030,510** (2001–02: \$2,691,042).

The liability for superannuation recognised as at 30 June 2003 represents outstanding contributions for the final fortnight of the financial year.

### **(e) Leases**

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at the present value of minimum lease payments at the inception of the lease and a liability recognised for the same amount. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

### **(f) Cash and cash equivalents**

Cash means notes and coins held and any deposits held at call with a bank or financial institution. The same definition is applied for the purposes of the Statement of Cash Flows.

### **(g) Financial instruments**

Accounting policies for financial instruments are disclosed in note 24.

## AUSTRALIAN QUARANTINE AND INSPECTION SERVICE NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

### (h) Provision for doubtful debts

AQIS calculates its provision for doubtful debts by assessing the probability of collection of each amount that is overdue by 30 days or greater. Irrecoverable debts are written off in full in the year in which they are identified.

### (i) Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

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

### (j) Property, plant and equipment

#### I. Asset recognition threshold

Purchases of property, plant and equipment are initially recognised at cost, except for purchases costing less than \$2,000, 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).

#### II. Revaluations

Land, buildings, infrastructure, plant and equipment are carried at valuation. Revaluations undertaken up to 30 June 2002 were performed in accordance with the 'deprival' method of valuation in successive 3-year cycles; revaluations since that date are at fair value. This change in accounting policy is required by Australian Accounting Standard AASB 1041 *Revaluation of Non-Current Assets*.

Fair and deprival values for each class of assets are determined as shown below.

<i>Asset class</i>	<i>Fair value measured at:</i>	<i>Deprival value measured at:</i>
Land	Market buying price	Market selling price
Buildings	Depreciated replacement cost/Market selling price	Depreciated replacement cost
Leasehold improvements	Depreciated replacement cost/Market selling price	Depreciated replacement cost
Plant & equipment	Market selling price	Depreciated replacement cost

Under both deprival and fair value, assets which are surplus to requirements, are measured at their net realisable value.

The financial effects for 2002-03 of this change in accounting policy relates to those assets to be recognised at fair value at 30 June 2003. The financial effect of the change is given by the difference between the carrying amounts at 30 June 2002 of these assets and their fair values as at 1 July 2002. The effect by class is as follows.

<i>Asset class</i>	<i>Adjustment</i>	<i>Contra Account</i>
Leasehold improvements	\$14,000Dr	Revaluation reserve

## AUSTRALIAN QUARANTINE AND INSPECTION SERVICE NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

The total financial effect was to increase the carrying amount of Leasehold improvements by \$14,000 and increase revaluation reserves by \$14,000.

Accounting standard AAS 6 *Accounting Policies* requires, where practicable, presentation of the information that would have been disclosed in the 2001–02 financial statements had the new accounting policy always have been applied. It is impracticable to present this information due to fair value valuation not being available for that period.

### III. Transition to fair value

Where a partially completed progressive revaluation of a class of property, plant and equipment on a deprival value has occurred, the fair value basis will be applied for the remainder of the progressive revaluation, being from 1 July 2002 to 30 June 2005.

### IV. Frequency

From 1 July 2002, assets of the classes listed below will be revalued on the fair value basis:

- Land
- Buildings
- Infrastructure plant and equipment

Assets included in the above classes will be the subject of a formal valuation at least once every five years. A formal valuation is one:

- (a) carried out by an independent qualified expert; or
- (b) carried out in accordance with a methodology approved by an independent qualified expert.

### V. Threshold

A revaluation threshold of \$2,000 and remaining useful life of 1 year or more was used for revaluation effective 1 July 2002.

### VI. Conduct

All valuations are conducted by an independent qualified valuer.

### VII. Recoverable amount test

From 1 July 2002, Schedule 1 no longer requires the application of the recoverable amount test in Australian Accounting Standard AAS 10 *Recoverable Amount of Non-Current Assets* to the assets of agencies when the purpose of the asset is not the generation of net cash inflows.

No property, plant and equipment assets have been written down to recoverable amount as per AAS 10. Accordingly, the change in accounting policy has had no financial effect.

### VIII. Depreciation and amortisation

Property, plant and equipment assets, other than land, are depreciated over their useful economic lives using, in all cases, the straight-line method of depreciation. Leasehold improvements are amortised on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease. Depreciation and amortisation rates and methods are reviewed at each balance date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

**AUSTRALIAN QUARANTINE AND INSPECTION SERVICE  
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Depreciation and amortisation rates applying to each class of depreciable asset are based on the following useful lives:

	<b>2002–03</b>	2001–02
Buildings	<b>40 to 50 years</b>	40 to 50 years
Leasehold improvements	<b>Lease term</b>	Lease term
Information technology	<b>4 years</b>	4 years
Other plant and equipment	<b>3 to 15 years</b>	3 to 15 years

The aggregate amount of depreciation allocated for each class of assets during the reporting period is disclosed in Note 4C.

**(k) Intangibles**

Intangibles include computer software and assets such as patents, copyrights, computer models (for economic and scientific analysis) and other intellectual property. Computer software which has been purchased at a value over \$2,000 is brought to account on the historical cost basis. Other intangibles costing \$2,000 or more with a useful life of greater than one year are brought to account when the historical cost can be reliably determined. Internally developed software is brought to account where the amount capitalised exceeds \$50,000 for a new project and \$20,000 for an enhancement to existing software.

From 1 July 2002, Schedule 1 no longer requires the application of the recoverable amount test in Australian Accounting Standard AAS 10 *Recoverable Amount of Non-Current Assets* to the assets of agencies when the primary purpose of the asset is not the generation of net cash inflows.

However, Schedule 1 now requires such assets, if carried on the cost basis, to be assessed for indications of impairment. The carrying amount of impaired assets must be written down to the higher of its net market selling price or depreciated replacement cost.

All software assets were assessed for impairment as at 1 July 2003.

Intangible assets are amortised over their estimated useful lives using the straight-line method. The average useful lives are:

	<b>2002–03</b>	2001–02
Purchased software	<b>3 years</b>	3 years
In-house developed software	<b>5 years</b>	5 years

**(l) Inventories**

Inventories held for resale are valued at the lower of cost or net realisable value.

Inventories not held for resale, are valued at cost unless they are no longer required, in which case they are valued at net realisable value.

Inventories are brought to account if they are individually greater than \$1,000 or where the aggregate value of a particular store exceeds \$5,000. Costs are assigned to individual items of stock on either a first in first out or weighted average basis.

**(m) Investments**

Investments are recognised at cost less any discount on purchase plus any unamortised premium on purchase.

**(n) Industry rebates and program results**

Where commercial revenue exceeds the cost of services provided by AQIS for each program, the excess will be returned to industry. Such excesses are recognised as liabilities and included in the balance of other payables.

Detailed information in respect of specific program results are not provided in these general purpose financial statements but can be obtained from the *Report to Clients* published by AQIS.

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**(o) Special account balances**

Special accounts represent public money, which has been set-aside for future purposes, under an enactment, or as determined by the Finance Minister.

Accounting treatments and disclosures for AQIS special accounts used for business operations have been included in AQIS assets, liabilities, revenues and expenditure.

**(p) Taxation**

AQIS is exempt from all forms of Commonwealth taxation except fringe benefits tax and the goods and services tax. AQIS fees and charges are exempt from GST in accordance with the 'A new tax system (Goods and services tax) – Exempt taxes, fees and charges' Determination 2003.

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

- where the amount of GST incurred is not recoverable from the Australian Tax Office; and
- for receivables and payables.

**(q) Foreign currency transactions**

Amounts payable to and by AQIS in foreign currencies have been translated to Australian currency at exchange rates as at 30 June 2003. Foreign currency transactions during the year have been converted at the exchange rate prevailing at the date of settlement of the transaction.

**(r) Insurance**

AQIS, through the Department, has insured for risks through the Government's insurable risk managed fund, called 'Comcover'. Workers compensation is insured through the Government's Comcare Australia.

**(s) Comparative figures**

Comparative figures have been adjusted to conform to changes in presentation on these financial statements where required.

**(t) Rounding**

Amounts have been rounded to the nearest \$1,000 except in relation to the following:

- act of grace payments, waivers and defective administration scheme;
- remuneration of executives; and
- remuneration of auditors.

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for the year ended 30 June 2003

	2002–2003 \$'000	2001–2002 \$'000
<b>NOTE 3 Operating revenues</b>		
<u>Note 3A – Revenues from Government</u>		
Appropriations for outputs	<u>128 954</u>	<u>108 030</u>
Revenues from government in 2002–03 includes \$5,323,244 (2001–02: \$5,115,884) to match the allocation of certain corporate expenses for the Department business activities, as part of the cost allocation process.		
<u>Note 3B – Sales of goods and services</u>		
Goods	7	13
Services	131 224	127 414
Ballast water levy	179	183
	<u>131 410</u>	<u>127 610</u>
Provision of goods to:		
External entities	7	13
	<u>7</u>	<u>13</u>
Provision of services to:		
Related entities	526	408
External entities	130 877	127 189
	<u>131 403</u>	<u>127 597</u>
<u>Note 3C – Other operating revenues</u>		
Resources received free of charge from independent bodies:		
Rent on international airport buildings	730	1 197
Northern Territory Treasury corporate services support	168	194
Reduction in industry rebates	901	186
Assets first found	454	–
Other	695	2 312
	<u>2 948</u>	<u>3 889</u>

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for the year ended 30 June 2003

	2002–2003 \$'000	2001–2002 \$'000
<b>NOTE 4 Operating expenses</b>		
<u>Note 4A – Employee Expenses</u>		
Remuneration and on-costs	116 064	100 226
Superannuation	17 303	16 262
Leave and other entitlements	11 706	11 920
Separation and redundancy	1 093	212
Other employee expenses	7 536	5 106
<b>Total employee benefits expense</b>	<b>153 702</b>	<b>133 726</b>
Workers compensation premium	2 084	2 379
<b>Total employee expenses</b>	<b>155 786</b>	<b>136 105</b>
<u>Note 4B – Suppliers</u>		
Supply of goods and services	89 401	84 800
Operating lease rentals	12 377	11 573
<b>Total supplier expense</b>	<b>101 778</b>	<b>96 373</b>
<u>Note 4C – Depreciation and amortisation</u>		
The aggregate amounts of depreciation or amortisation expensed during the year for each class of depreciable asset are as follows:		
<i>Depreciation</i>		
Buildings	41	124
Leasehold improvements	752	418
Infrastructure, plant and equipment	2 402	1 806
<b>Total depreciation</b>	<b>3 195</b>	<b>2 348</b>
<i>Amortisation</i>		
Computer software, purchased	40	25
Computer software, in-house developed	3 074	2 947
<b>Total amortisation</b>	<b>3 114</b>	<b>2 972</b>
<b>Total depreciation and amortisation</b>	<b>6 309</b>	<b>5 320</b>
<u>Note 4D – Write down of assets</u>		
Financial assets		
Receivables	429	1 711
Non-financial assets		
Land and buildings	127	296
Infrastructure, plant & equipment	7	88
Intangibles	–	6
Inventories	1	7
<b>Total write down of assets</b>	<b>564</b>	<b>2 108</b>
<u>Note 4E – Net loss from sale of assets</u>		
Land and buildings		
Proceeds from disposal of buildings	145	–
Net book value of buildings disposed	176	–
	(31)	–
Infrastructure, plant and equipment		
Proceeds from disposal of infrastructure, plant and equipment	5	8
Net book value of infrastructure, plant and equipment disposed	58	21
	(53)	(13)

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	2002–2003 \$'000	2001–2002 \$'000
Total proceeds from disposal	150	8
Total value of assets disposed	234	21
	<u>(84)</u>	<u>(13)</u>
<b>Note 5 Cash</b>		
Cash at bank and on hand	<u>3 466</u>	<u>19</u>
<p>During the financial year 2002–2003 a bank account was established for AQIS as a sub account of the Department bank account. AQIS's cash balance was previously held in the Department bank account. The cash balance represents cash on hand. Net cash flows generated by AQIS are reflected in a single cash balance for the Department, and are included in the Receivable from the Department (refer note 6)</p>		
<b>Note 6 Receivables</b>		
Goods and services	9 191	10 566
less: provision for doubtful debts	(1 872)	(2 250)
	<u>7 319</u>	<u>8 316</u>
Goods and services tax receivable	855	442
Receivable from the Department	2 382	35 493
Appropriation receivable	59 581	11 680
Other debtors	865	983
<b>Total receivables (net)</b>	<u>71 002</u>	<u>56 914</u>
All receivables are current assets		
Receivables (gross) which are overdue are aged as follows:		
Not overdue	59 789	44 556
Overdue by less than 30 days	928	1 556
Overdue by 30 to 60 days	288	500
Overdue by 60 to 90 days	153	238
Overdue by greater than 90 days	2 582	2 730
Non current receivable	9 134	9 584
<b>Total receivables (gross)</b>	<u>72 874</u>	<u>59 164</u>
The provision for doubtful debt is as follows:		
Not overdue	1	1
Overdue by less than 30 days	2	2
Overdue by 30 to 60 days	3	4
Overdue by 60 to 90 days	2	2
Overdue by greater than 90 days	1 864	2 241
<b>Total provision for doubtful debts</b>	<u>1 872</u>	<u>2 250</u>
<b>NOTE 7 Accrued revenue</b>		
Goods & services	<u>5 820</u>	<u>6 803</u>
	<u>5 820</u>	<u>6 803</u>
All accrued revenues are current assets		

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	2002–2003 \$'000	2001–2002 \$'000
<b>NOTE 8 Land and buildings</b>		
Land – at cost	20	20
Land – at valuation 30/6/01 (deprival)	746	784
	<u>766</u>	<u>804</u>
Buildings – at cost	100	449
less accumulated depreciation	( 3)	( 8)
	<u>97</u>	<u>441</u>
Buildings – at valuation 30/6/01 (deprival)	1 546	4 923
less accumulated depreciation	( 75)	( 118)
	<u>1 471</u>	<u>4 805</u>
Leasehold improvements – at cost	154	2 133
less accumulated depreciation	( 7)	( 206)
	<u>147</u>	<u>1 927</u>
Leasehold improvements – at valuation 30/6/00 (deprival)	–	1 052
less accumulated depreciation	–	( 544)
	<u>–</u>	<u>508</u>
Leasehold improvements – at fair value (01/07/03)	3 996	–
less accumulated depreciation	( 700)	–
	<u>3 296</u>	<u>–</u>
	<u>5 777</u>	<u>8 485</u>

The revaluations were in accordance with the revaluation policy stated at Note 2 and were completed by the Australian Valuation Office. All land and buildings are non current assets

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	2002–2003 \$'000	2001–2002 \$'000
<b>NOTE 9 Infrastructure, plant and equipment</b>		
Infrastructure, plant and equipment – at cost	2 451	2 481
less accumulated depreciation	( 1 021)	( 1 331)
	<u>1 430</u>	<u>1 150</u>
Infrastructure, plant and equipment – at valuation 30/6/99 (deprival)	428	–
less accumulated depreciation	( 400)	–
	<u>28</u>	<u>–</u>
Infrastructure, plant and equipment – at valuation 30/6/01 (deprival)	1 718	1 627
less accumulated depreciation	( 415)	( 234)
	<u>1 303</u>	<u>1 393</u>
Infrastructure, plant and equipment – at valuation 30/6/02 (deprival)	785	797
less accumulated depreciation	( 130)	–
	<u>655</u>	<u>797</u>
Infrastructure, plant and equipment – work in progress	374	–
	<u>374</u>	<u>–</u>
Leased IT equipment	5 616	4 799
less accumulated depreciation	( 2 891)	( 1 296)
	<u>2 725</u>	<u>3 503</u>
	<u>6 515</u>	<u>6 843</u>

The revaluations were in accordance with the revaluation policy stated at Note 2 and were completed by the Australian Valuation Office. All infrastructure, plant and equipment are non current assets

**NOTE 10 Inventories**

Inventories not held for sale	<u>2 510</u>	<u>3 357</u>
All inventories are current assets		

**NOTE 11 Intangibles**

Computer Software, purchased – at cost	707	735
less accumulated amortisation	( 636)	( 678)
	<u>71</u>	<u>57</u>
Computer Software, internally developed – at cost	17 889	16 656
less accumulated amortisation	( 13 211)	( 10 330)
	<u>4 678</u>	<u>6 326</u>
Computer software, internally developed – work in progress	1 222	–
	<u>1 222</u>	<u>–</u>
	<u>5 971</u>	<u>6 383</u>

All intangibles are non current assets

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for the year ended 30 June 2003

	2002–2003 \$'000	2001–2002 \$'000
<b>NOTE 12 Other non-financial assets</b>		
Prepayments	638	541
Advances	535	534
	1 173	1 075

All other non financial assets are current assets

**Note 13 Analysis of property, plant, equipment and intangibles**

**Table A – Movement summary 2002–03 for all assets irrespective of valuation basis**

Item	Land	Buildings – on freehold land	Buildings – leasehold improvements	Total Buildings	Land and buildings	Infrastructure plant and equipment	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Gross value as at 1 July 2002</b>	804	5 372	3 185	8 557	9 361	9 704	17 392	36 457
Additions	–	68	631	699	699	2 115	2 688	5 502
Revaluations	–	–	( 602)	( 602)	( 602)	–	–	( 602)
Disposals	( 38)	( 142)	–	( 142)	( 180)	( 357)	–	( 537)
Write offs	–	–	( 173)	( 173)	( 173)	( 90)	( 262)	( 525)
Write offs recognised directly in equity	–	–	( 2 543)	( 2 543)	( 2 543)	–	–	( 2 543)
Transfers in (out)	–	( 3 652)	3 652	–	–	–	–	–
<b>Gross value as at 30 June 2003</b>	<b>766</b>	<b>1 646</b>	<b>4 150</b>	<b>5 796</b>	<b>6 562</b>	<b>11 372</b>	<b>19 818</b>	<b>37 752</b>
<b>Accumulated depreciation as at 1 July 2002</b>	–	127	749	876	876	2 861	11 009	14 746
Depreciation for the year	–	41	752	793	793	2 402	3 114	6 309
Revaluations	–	–	( 616)	( 616)	( 616)	–	–	( 616)
Disposals	–	( 4)	–	( 4)	( 4)	( 299)	–	( 303)
Write offs	–	–	( 46)	( 46)	( 46)	( 83)	( 262)	( 391)
Write offs recognised directly in equity	–	–	( 196)	( 196)	( 196)	–	–	( 196)
Transfers in (out)	–	( 86)	64	( 22)	( 22)	( 24)	( 14)	( 60)
<b>Accumulated depreciation as at 30 June 2003</b>	<b>–</b>	<b>78</b>	<b>707</b>	<b>785</b>	<b>785</b>	<b>4 857</b>	<b>13 847</b>	<b>19 489</b>
<b>Net book value as at 30 June 2003</b>	<b>766</b>	<b>1 568</b>	<b>3 443</b>	<b>5 011</b>	<b>5 777</b>	<b>6 515</b>	<b>5 971</b>	<b>18 263</b>
Net book value as at 1 July 2002	804	5 245	2 436	7 681	8 485	6 843	6 383	21 711

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*for the year ended 30 June 2003*

**Table B – Summary of balance of assets at valuation as at 30 June 2003**

Item	Land	Buildings – on freehold land	Buildings – leasehold improvements	Total Buildings	Land and buildings	Infrastructure plant and equipment	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 30 June 2003</b>								
Gross value	746	1 546	3 996	5 542	6 288	2 931	–	9 219
Accumulated depreciation/ amortisation	–	( 75)	( 700)	( 775)	( 775)	( 945)	–	( 1 720)
Net book value	746	1 471	3 296	4 767	5 513	1 986	–	7 499
<b>As at 30 June 2002</b>								
Gross value	784	4 923	1 052	5 975	6 759	2 424	–	9 183
Accumulated depreciation/ amortisation	–	( 118)	( 544)	( 662)	( 662)	( 234)	–	( 896)
Net book value	784	4 805	508	5 313	6 097	2 190	–	8 287

**Table C – Summary of assets held under finance lease as at 30 June 2003**

Item	Land	Buildings – on freehold land	Buildings – leasehold improvements	Total Buildings	Land and buildings	Infrastructure plant and equipment	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 30 June 2003</b>								
Gross value	–	–	–	–	–	5 616	–	5 616
Accumulated depreciation/ amortisation	–	–	–	–	–	( 2 891)	–	( 2 891)
Net book value	–	–	–	–	–	2 725	–	2 725
<b>As at 30 June 2002</b>								
Gross value	–	–	–	–	–	4 799	–	4 799
Accumulated depreciation/ amortisation <sup>a</sup>	–	–	–	–	–	( 1 296)	–	( 1 296)
Net book value	–	–	–	–	–	3 503	–	3 503

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for the year ended 30 June 2003

**Table D – Summary of assets under construction as at 30 June 2003**

Item	Land	Buildings – on freehold land	Buildings – leasehold improvements	Total Buildings	Land and buildings	Infrastructure plant and equipment	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 June 2003								
Gross value	–	–	–	–	–	374	1 222	1 596
Accumulated depreciation/ amortisation	–	–	–	–	–	–	–	–
Net book value	–	–	–	–	–	374	1 222	1 596
As at 30 June 2002								
Gross value	–	–	–	–	–	–	–	–
Accumulated depreciation/ amortisation	–	–	–	–	–	–	–	–
Net book value	–	–	–	–	–	–	–	–

2002–2003  
\$'000

2001–2002  
\$'000

**NOTE 14 Provisions – employees**

Salaries and wages	4 675	3 667
Separations and redundancy payments	169	–
Leave	38 439	35 469
<b>Aggregate employee entitlement liability</b>	<b>43 283</b>	<b>39 136</b>
Workers' compensation	173	–
Superannuation on cost	1 487	–
<b>Aggregate employee benefits liability and related on-costs</b>	<b>44 943</b>	<b>39 136</b>
Current	18 237	11 510
Non current	26 706	27 626
	<b>44 943</b>	<b>39 136</b>

**NOTE 15 Payables – suppliers**

Trade creditors	7 702	10 620
-----------------	-------	--------

All payables – suppliers are current liabilities.

**NOTE 16 Payables – other**

Industry rebates	23 699	12 978
Unearned revenue	2 753	1 231
	<b>26 452</b>	<b>14 209</b>

All payables – other are current liabilities.

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*for the year ended 30 June 2003*

	<b>2002–2003</b>	<i>2001–2002</i>
	<b>\$'000</b>	<i>\$'000</i>
<b>NOTE 17 Leases</b>		
Finance lease commitments		
Payable:		
Within one year	<b>1 849</b>	<i>1 805</i>
In one to five years	<b>1 201</b>	<i>2 150</i>
Minimum lease payments	<b>3 050</b>	<i>3 955</i>
Deduct: future finance charges	<b>( 231)</b>	<i>( 362)</i>
Lease Liability	<b>2 819</b>	<i>3 593</i>
Lease liability is represented by:		
Current	<b>1 686</b>	<i>1 589</i>
Non-current	<b>1 133</b>	<i>2 004</i>
	<b>2 819</b>	<i>3 593</i>

Finance leases exist in relation to computer equipment provided under an outsourced IT service contract. The leases are for periods of three or four years depending on the equipment. AQIS does not guarantee the residual values of the leased assets.

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for the year ended 30 June 2003

**NOTE 18 Equity**

Item	Contributed equity		Accumulated results		Asset revaluation reserve		TOTAL EQUITY	
	2002-2003 \$'000	2001-2002 \$'000	2002-2003 \$'000	2001-2002 \$'000	2002-2003 \$'000	2001-2002 \$'000	2002-2003 \$'000	2001-2002 \$'000
Opening balance as at 1 July	1 159	1 519	19 390	17 029	1 772	3 185	22 321	21 373
Net surplus	-	-	330	847	-	-	330	847
Asset written off directly in equity	-	-	(2 347)	-	-	-	(2 347)	-
Net revaluation increments	-	-	-	-	14	101	14	101
Reversal of revaluation reserve on disposal of assets (a)	-	-	-	1 514	-	(1 514)	-	-
<b>Balance at 30 June</b>	<b>1 159</b>	<b>1 159</b>	<b>17 373</b>	<b>19 390</b>	<b>1 786</b>	<b>1 772</b>	<b>20 318</b>	<b>22 321</b>

2002-2003 2001-2002  
\$'000 \$'000

**Asset revaluation reserve**

The net revaluation change in the asset revaluation reserve comprises:

Revaluation increment – buildings 14 –  
 Revaluation increment – infrastructure, plant and equipment – 101  
 Reversal of revaluation reserve on disposal of assets (a) – (1 514)

14 (1 413)

(a)

A review of the revaluation reserve was conducted during 2001-02 and reserves that relate to disposed assets have been transferred from the asset revaluation reserve into accumulated results.

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for the year ended 30 June 2003

	2002–2003 \$'000	2001–2002 \$'000
<b>NOTE 19 Cash flow reconciliation</b>		
<b>(a) Reconciliation of cash</b>		
Cash at year end as per Statement of Cash Flows	3 466	19
Statement of Financial Position items comprising above cash:		
Financial Asset – Cash	3 466	19
<b>(b) Reconciliation of operating result to net cash provided by operating activities</b>		
Operating surplus	330	847
Depreciation and amortisation	6 309	5 320
Net write-down of non current assets	134	390
Loss on sale of property, plant and equipment	84	13
Assets first found	( 454)	–
Adjustment to property, plant and equipment	( 57)	( 84)
Capital appropriation	( 2 096)	–
Changes in assets and liabilities:		
Decrease/(increase) in receivables	( 14 088)	( 11 115)
Decrease/(increase) in other financial assets	983	( 1 351)
Decrease/(increase) in inventories	847	( 3 053)
Decrease/(increase) in other non-financial assets	( 98)	( 462)
Increase/(decrease) in employee liabilities	5 807	4 175
Increase/(decrease) in supplier liabilities	( 2 918)	6 131
Increase/(decrease) in other liabilities	12 243	4 162
Net cash from/(used by) operating activities	<u>7 026</u>	<u>4 973</u>

**NOTE 20 Remuneration of executives**

The number of Executives who received or were due to receive total remuneration of \$100,000 or more:

	2002–2003 Number	2001–2002 Number
\$100 000 to \$110 000	–	2
\$110 001 to \$120 000	–	1
\$120 001 to \$130 000	–	–
\$130 001 to \$140 000	2	–
\$140 001 to \$150 000	3	3
\$150 001 to \$160 000	2	1
\$160 001 to \$170 000	1	–
\$170 001 to \$180 000	1	1
\$180 001 to \$190 000	–	2
\$210 001 to \$220 000	–	1
\$230 001 to \$240 000	1	–
	<u>10</u>	<u>11</u>
	\$	\$
The aggregate amount of total remuneration of executive officers shown above	<u>1 585 136</u>	<u>1 696 536</u>
The aggregate amount of performance pay paid during the year to executive officers shown above	<u>71 100</u>	<u>72 351</u>

**AUSTRALIAN QUARANTINE AND INSPECTION SERVICE  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

	<b>2002–2003</b>	<i>2001–2002</i>
	<b>\$'000</b>	<i>\$'000</i>
<b>NOTE 21 Auditor's remuneration</b>		
The auditing services are provided by the Australian National Audit Office (ANAO) free of charge. AQIS is required to pay to the Government an amount equal to the cost of the audit in compliance with competitive neutrality principles. No other services were provided by the Auditor-General during the reporting period.		
Cost of auditing the financial statements for the reporting period	<b>175 000</b>	<i>170 000</i>
	<b>2002–2003</b>	<i>2001–2002</i>
<b>NOTE 22 Average staffing levels</b>	<b>Number</b>	<b>Number</b>
The average staffing levels for AQIS during the year were	<b>2 270</b>	<i>2 251</i>
<b>NOTE 23 Events occurring after balance date</b>		
There were no significant events occurring after balance date.		

**AUSTRALIAN QUARANTINE AND INSPECTION SERVICE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

**NOTE 24 Financial instruments**  
**(a) Terms, conditions & accounting policies**

Financial instrument	Notes	Accounting policies and methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms & conditions affecting the amount, timing and certainty of cash flows)
<b>Financial assets</b>		Financial assets are recognised when control over future economic benefits is established and the amount of benefit can be reliably measured.	
Cash balances	5	Balances are recognised at their nominal amounts.	Cash balances represent cash on hand and investments.
Receivables for goods and services	6	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely.	Normal credit terms are net 28 days (2001–2002: 28 days).
Accrued revenue	7	Accrued revenue is recognised in respect of services provided which have not been invoiced.	Accrued revenue is amounts due from receivers of services.
<b>Financial liabilities</b>		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Trade creditors	15	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).	Settlement is usually made net 28 days (2001–2002: 28 days).
Industry rebates	16	Industry rebates are recognised at their nominal amounts, being the amounts at which the liabilities will be settled.	Industry rebates arise in certain cost-recovery programs and represent an excess of charges over program expenses. There are agreements with relevant industry sectors about the purposes for which these funds may be used. This includes reducing future charging rates, buffering revenue shortfalls and research and development.
Finance leases	17	Liabilities are recognised at the present value of the minimum lease payments at the beginning of the lease. The discount rate used is the incremental borrowing rate	At reporting date, AQIS had finance leases for computer equipment provided under an outsourced information technology infrastructure service contract. The lease terms are for three or four years depending on the item.
Contingencies	Schedule of Contingencies	Contingencies relate to litigation action pending against the Commonwealth and other liabilities the future materialisation of which is uncertain, and are disclosed in the Schedule of Contingencies.	Legal action pending against and contested by the Commonwealth, and other contingent liabilities.

**AUSTRALIAN QUARANTINE AND INSPECTION SERVICE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

**NOTE 24 Financial instruments (continued)**

**(b) Interest rate risk – agency**

Financial instrument	Notes	Floating interest rate	Fixed interest rate					Non interest bearing	Total	Weighted average effective interest rate		
			1 year or less		2 – 5 years		5 years			02–03	01–02	
			02–03	01–02	02–03	01–02	02–03			01–02	\$'000	%
<b>Financial assets</b>												
Cash	5	–	–	–	–	–	3 466	19	3 466	19	n/a	
Receivables for goods and services	6	–	–	–	–	–	7 319	8 316	7 319	8 316	n/a	
Other debtors	6	–	–	–	–	–	865	983	885	983	n/a	
Appropriation receivable	6	–	–	–	–	–	59 581	11 680	59 581	11 680	n/a	
Accrued revenue	7	–	–	–	–	–	5 820	6 803	5 820	6 803	n/a	
<b>Total financial assets (recognised)</b>		–	–	–	–	–	77 051	27 801	77 051	27 801		
<b>Total assets</b>									102 234	89 879		
<b>Financial liabilities</b>												
Trade creditors	15	–	–	–	–	–	7 702	10 620	7 702	10 620	n/a	
Industry liabilities	16	–	–	–	–	–	23 699	12 978	23 699	12 978	n/a	
Leases	17	–	1 618	1 201	1 366	–	–	–	2 819	3 593	6.00	
<b>Total financial liabilities (recognised)</b>		–	1 618	1 201	1 366	–	31 401	23 598	34 220	27 191		
<b>Total liabilities</b>									81 916	67 558		
<b>Liabilities not recognised</b>												
Claims for damages/costs		–	–	–	–	–	–	293	–	293	n/a	
<b>Total liabilities (unrecognised)</b>		–	–	–	–	–	–	293	–	293		

**AUSTRALIAN QUARANTINE AND INSPECTION SERVICE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

**NOTE 24 Financial instruments (continued)**

**(c) Net fair value of financial assets and liabilities**

	Note	2002–2003		2001–2002	
		Total carrying amount	Aggregate net fair value	Total carrying amount	Aggregate net fair value
		\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>					
Cash	5	3 466	3 466	19	19
Receivables for goods and services	6	7 319	7 319	8 316	8 316
Other debtors	6	865	865	983	983
Accrued revenue	7	5 820	5 820	6 803	6 803
<b>Total financial assets</b>		<b>17 470</b>	<b>17 470</b>	<b>16 121</b>	<b>16 121</b>
<b>Financial liabilities (recognised)</b>					
Trade creditors	15	7 702	7 702	10 620	10 620
Industry liabilities	16	23 699	23 699	12 978	12 978
Leases	17	2 819	2 819	3 593	3 593
<b>Total financial liabilities (recognised)</b>		<b>34 220</b>	<b>34 220</b>	<b>27 191</b>	<b>27 191</b>
<b>Financial liabilities (unrecognised)</b>					
Claims for damages/costs		–	–	293	293
<b>Total financial liabilities (unrecognised)</b>		<b>–</b>	<b>–</b>	<b>293</b>	<b>293</b>

**Financial assets**

The net fair values of all monetary financial assets approximate their carrying amounts. None of the classes of financial assets are readily traded on organised markets in standardised form.

**Financial liabilities**

The net fair values of all monetary financial liabilities are approximated by their carrying amounts. None of the classes of financial liabilities are readily traded on organised markets in standardised form.

**(d) Credit risk exposures**

AQIS' maximum exposures to credit risk at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position. AQIS has no significant exposures to any concentrations of credit risk.

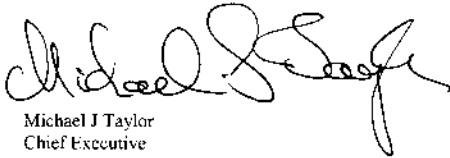
**Department of Agriculture, Fisheries and Forestry**  
NATIONAL RESIDUE SURVEY

**Financial Statements**  
**For the year ended 30 June 2003**

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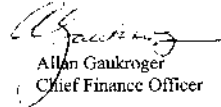
**Statement by the Chief Executive and Chief Finance Officer**

In our opinion, the attached financial statements for the year ended 30 June 2003 give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*.



Michael J Taylor  
Chief Executive

2 September 2003



Allan Gaukroger  
Chief Finance Officer

2 September 2003



## INDEPENDENT AUDIT REPORT

To the Minister for Agriculture, Fisheries and Forestry

### Scope

I have audited the financial statements of the National Residue Survey for the year ended 30 June 2003. The financial statements comprise:

- Statement by the Chief Executive and Chief Finance Officer;
- Statements of Financial Performance, Financial Position and Cash Flows;
- Schedules of Contingencies and Commitments; and
- Notes to and forming part of the Financial Statements.

The Department's Chief Executive is responsible for the preparation and presentation of the financial statements and the information they contain. I have conducted an independent audit of the financial statements in order to express an opinion on them to you.

The audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with my understanding of the entity's financial position, its financial performance and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

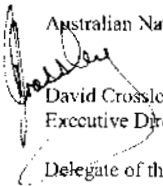
### Audit Opinion

In my opinion the financial statements:

- (i) have been prepared in accordance with Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*; and

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 Centenary House 19 National Circuit  
 BARTON ACT  
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- (ii) give a true and fair view, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Finance Minister's Orders, of the financial position of the National Residue Survey as at 30 June 2003, and its financial performance and cash flows for the year then ended.



Australian National Audit Office  
David Crossley  
Executive Director  
Delegate of the Auditor-General

Canberra  
8 September 2003

**NATIONAL RESIDUE SURVEY  
STATEMENT OF FINANCIAL PERFORMANCE**

*for the year ended 30 June 2003*

	Notes	2002–2003 \$'000	2001–2002 \$'000
<b>Revenues from ordinary activities</b>			
Revenues from Government	3A	254	294
Sales of goods and services	3B	7 752	7 544
Interest		739	670
Other operating revenues	3C	960	581
<b>Total revenues from ordinary activities</b>		<b>9 705</b>	<b>9 089</b>
<b>Expenses from ordinary activities</b>			
Employees	4A	1 516	1 757
Suppliers	4B	8 058	7 157
Depreciation and amortisation	4C	128	155
Write down of assets	4D	–	2
Value of assets sold	4E	–	1
<b>Total expenses from ordinary activities</b>		<b>9 702</b>	<b>9 072</b>
Borrowing costs expense		3	3
<b>Net surplus</b>		<b>–</b>	<b>14</b>
<b>Total revenues, expenses and valuation adjustments attributed to the Commonwealth Government and recognised directly in equity</b>		<b>–</b>	<b>–</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>–</b>	<b>14</b>

The above statement should be read in conjunction with the accompanying notes

**NATIONAL RESIDUE SURVEY  
STATEMENT OF FINANCIAL POSITION**

as at 30 June 2003

	Notes	2002–2003 \$'000	2001–2002 \$'000
<b>ASSETS</b>			
<b>Financial assets</b>			
Receivables	5	426	166
Investments	6	14 500	14 000
Accrued revenue	7	644	1 153
<b>Total financial assets</b>		<b>15 570</b>	<b>15 319</b>
<b>Non-financial assets</b>			
Land and buildings	8,12	–	120
Infrastructure, plant and equipment	9,12	43	61
Inventories	10	61	85
Intangibles	11,12	203	307
Other		–	3
<b>Total non-financial assets</b>		<b>307</b>	<b>576</b>
<b>Total assets</b>		<b>15 877</b>	<b>15 895</b>
<b>LIABILITIES</b>			
<b>Interest bearing liabilities</b>			
Leases	16	23	46
<b>Total interest bearing liabilities</b>		<b>23</b>	<b>46</b>
<b>Provisions</b>			
Employees	13	471	469
<b>Total Provisions</b>		<b>471</b>	<b>469</b>
<b>Payables</b>			
Suppliers	14	604	817
Other	15	14 452	14 236
<b>Total payables</b>		<b>15 056</b>	<b>15 053</b>
<b>Total liabilities</b>		<b>15 550</b>	<b>15 568</b>
<b>NET ASSETS</b>		<b>327</b>	<b>327</b>
<b>EQUITY</b>			
Contributed equity		158	158
Retained surpluses		169	169
<b>Total equity</b>	17	<b>327</b>	<b>327</b>
<b>Current liabilities</b>		<b>15 208</b>	<b>15 306</b>
<b>Non-current liabilities</b>		<b>342</b>	<b>262</b>
<b>Current assets</b>		<b>15 631</b>	<b>15 407</b>
<b>Non-current assets</b>		<b>246</b>	<b>488</b>
<b>Net assets</b>		<b>327</b>	<b>327</b>

The above statement should be read in conjunction with the accompanying notes

**NATIONAL RESIDUE SURVEY  
STATEMENT OF CASH FLOWS**

*for the year ended 30 June 2003*

	Notes	2002–2003 \$'000	2001–2002 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriation for outputs		254	32
Sales of goods and services		8 342	8 979
Interest		713	731
GST refunds		660	664
Other		962	162
<b>Total cash received</b>		<b>10 931</b>	<b>10 568</b>
<b>Cash used</b>			
Employees		1 513	1 748
Suppliers		8 194	7 354
Borrowing costs		3	3
Transfer to the Department		408	86
Cash returned to the OPA		284	–
<b>Total cash used</b>		<b>10 402</b>	<b>9 191</b>
<b>Net cash from/(used by) operating activities</b>	18	<b>529</b>	<b>1 377</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash used</b>			
Purchase of property, plant and equipment		5	61
Purchase of investments		500	1 300
<b>Total cash used</b>		<b>505</b>	<b>1 361</b>
<b>Net cash from/(used by) investing activities</b>		<b>( 505)</b>	<b>(1 361)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash used</b>			
Finance lease capital payments		24	16
<b>Total cash used</b>		<b>24</b>	<b>16</b>
<b>Net cash used by financing activities</b>		<b>( 24)</b>	<b>( 16)</b>
<b>Net decrease in cash held</b>		<b>–</b>	<b>–</b>
Cash at beginning of the year		–	–
<b>Cash at end of the year</b>	18	<b>–</b>	<b>–</b>

The above statement should be read in conjunction with the accompanying notes

**NATIONAL RESIDUE SURVEY  
SCHEDULE OF COMMITMENTS AND CONTINGENCIES**

as at 30 June 2003

SCHEDULE OF COMMITMENTS	2002–2003 \$'000	2001–2002 \$'000
<b>BY TYPE</b>		
<b>Other Commitments</b>		
Operating leases	33	232
<b>Total other commitments</b>	<u>33</u>	<u>232</u>
<b>Commitments receivable</b>		
Other commitments	3	–
<b>Total commitments receivable</b>	<u>3</u>	<u>–</u>
<b>Net commitments</b>	<u><u>30</u></u>	<u><u>232</u></u>
<b>BY MATURITY</b>		
<b>All net commitments</b>		
One year or less	13	152
From one to five years	17	80
<b>Net commitments</b>	<u><u>30</u></u>	<u><u>232</u></u>
<b>Operating lease commitments</b>		
One year or less	13	152
From one to five years	17	80
<b>Net commitments</b>	<u><u>30</u></u>	<u><u>232</u></u>

All commitments are inclusive of the Goods and Services Tax (GST) where relevant.

<i>Nature of lease</i>	<i>General description of leasing arrangement</i>
Agreements for the provision of motor vehicles to senior executive officers.	The NRS is a party to a tied contract for the provision of vehicles. No contingent rentals exist. An individual fixed rate is defined for each sub agreement (vehicle). Retention of the vehicle past the expiry date will result in a new lease sub agreement.
Lease for office equipment.	There is no purchase or renewal option on this lease. The lease has a clause allowing increases in line with CPI.

**SCHEDULE OF CONTINGENCIES**

The National Residue Survey has no contingent gains or losses at either 30 June 2003 or 30 June 2002.

The above statement should be read in conjunction with the accompanying notes

**NATIONAL RESIDUE SURVEY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS***for the year ended 30 June 2003***INDEX**

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<b>NOTE 23</b>	<b>Financial instruments</b>

## NATIONAL RESIDUE SURVEY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

### NOTE 1 Objective of National Residue Survey

The National Residue Survey (NRS) was established under *the National Residue Survey Administration Act 1992* for the purpose of monitoring and reporting the level of contaminants in food, inputs to production and or the environment.

The NRS contributes to the outcome of the Department of Agriculture, Fisheries and Forestry ('the Department').

The Department's Departmental Outcome is as follows:

"Australian agricultural, fisheries, food and forestry industries that are based on the sustainable management of and access to natural resources, are more competitive, self reliant and innovative, have increased access to markets, are protected from diseases and are underpinned by scientific advice and economic research."

The NRS is a reporting entity within the Department, an agency controlled by the Government of the Commonwealth of Australia.

### NOTE 2 Summary of significant accounting policies

#### (a) Basis of accounting

The financial statements are required by section 49 of the *Financial Management and Accountability Act 1997* and are a general purpose financial report.

The statements have been prepared in accordance with:

- Finance Minister's Orders (or FMOs, being the *Financial Management and Accountability (Financial Statements for reporting periods ending on or after 30 June 2003) Orders*);
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board; and
- Consensus Views of the Urgent Issues Group.

The statements have also been prepared having regard to:

- Statements of Accounting Concepts; and
- the Explanatory Notes to Schedule 1, and Finance Briefs issued by the Department of Finance and Administration.

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets, which, as noted, are at valuation. Except where stated, the NRS does not account for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow to the entity and the amounts of the assets or liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are however not recognised unless required by an Accounting Standard. Liabilities and assets, which are unrecognised, are reported in the Schedule of Commitments and the Schedule of Contingencies.

Revenues and expenses are recognised in the Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

The continued existence of the NRS in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament to fund the Department's administration and programs.

**NATIONAL RESIDUE SURVEY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

**(b) Changes in accounting policies**

The accounting policies used in the preparation of these financial statements are consistent with those used in 2001-02, except in respect of:

- I. Measurement of certain employee benefits at nominal amounts (refer to Note 2(d));
- II. The initial revaluation of property, plant and equipment on a fair value basis (refer to Note 2(k)); and
- III. The imposition of an impairment test for non-current assets carried at cost (refer to Note 2(l))

**(c) Revenues**

The revenues described in this Note are revenues relating to the core operating activities of the NRS.

*I. Revenues from Government*

Departmental output appropriations for the year (less any savings offered up in Portfolio Additional Estimates) are recognised as revenue, except for certain amounts which relate to activities that are reciprocal in nature, in which case revenue is recognised only when it is earned. This is a change in accounting policy caused by the introduction of a new requirement to this effect in the Finance Minister's Orders. (In 2001-02, the full amount of the appropriation for departmental outputs is recognised as revenue).

The change in policy had no material financial effect in 2002-03, as there were no amounts that relate to reciprocal activities for 2001-02 or 2002-03.

*II. Resources received free of charge*

Services received free of charge are recognised in the Statement of Financial Performance as revenue when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of these resources is recognised as an expense.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised at their fair value when the asset qualifies for recognition, unless received from another government agency as a consequence of a restructuring of administrative arrangements.

*III. Other revenue*

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from disposal of non-current assets is recognised when control of the asset has passed to the buyer.

The NRS revenue from the rendering of a service is recognised by reference to the stage of completion of contracts or other agreements to provide services. The stage of completion is determined according to the proportion that costs incurred to date bear to the estimated total costs of the transactions.

**(d) Employee benefits**

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for wages and salaries (including non-monetary benefits, annual leave, sick leave) are measured at their nominal amounts. Other employee benefits expected to be settled within 12 months of the reporting date are also measured at their nominal amounts.

**NATIONAL RESIDUE SURVEY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability. This is a change in accounting policy from last year required by the initial application of a new Accounting Standard AASB 1028 from 1 July 2002.

*I. Leave*

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the NRS is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration, including the Department'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 with reference to the work of an actuary as at 30 June 2003. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

*II. Separation and redundancy*

Provision is made for separation and redundancy benefits. The Department has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

*III. Superannuation*

The NRS staff contribute to the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. The liability for their superannuation benefits is recognised in the financial statements of the Commonwealth and is settled by the Commonwealth in due course.

The Department makes employer contributions to the Commonwealth at rates determined by an actuary to be sufficient to meet the cost to the Commonwealth of the superannuation entitlements of the agency.

Employer contributions amounting to **\$150,619** (2001-02: \$195,280) in relation to these schemes have been expensed in these financial statements.

Employer Superannuation Productivity Benefit contributions totalled **\$28,119** (2001-02: \$30,867).

The liability for superannuation recognised as at 30 June 2003 represents outstanding contributions for the final fortnight of the financial year.

**(e) Leases**

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at the present value of minimum lease payments at the inception of the lease and a liability recognised for the same amount. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a basis, which is representative of the pattern of benefits derived from the leased assets. The net present value of future net outlays in respect of surplus asset space under non-cancellable lease agreements is expensed in the period in which the space becomes surplus.

**NATIONAL RESIDUE SURVEY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

**(f) Borrowing costs**

All borrowing costs are expenses as incurred except to the extent that they are directly attributable to qualifying assets, in which case they are capitalised. The amount capitalised in a reporting period does not exceed the amounts of costs incurred in that period.

The Department has no qualifying assets.

**(g) Cash and cash equivalents**

Cash means notes and coins held and any deposits held at call with a bank or financial institution. The same definition is applied for the purposes of the Statement of Cash Flows.

**(h) Financial instruments**

Accounting policies for financial instruments are disclosed in Note 23.

**(i) Provision for doubtful debts**

The NRS calculates its provision for doubtful debts by assessing the probability of collection for each amount outstanding that is overdue by 30 days or greater. Irrecoverable debts are written off in full in the period in which they are identified.

**(j) Acquisition of assets**

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

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

**(k) Property, plant and equipment***I. Asset recognition threshold*

Purchases of property, plant and equipment are initially recognised at cost, except for purchases costing less than \$2,000, 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).

*II. Revaluations*

Land, buildings, infrastructure, plant and equipment are carried at valuation. Revaluations undertaken up to 30 June 2002 were performed in accordance with the 'deprival' method of valuation in successive 3-year cycles; revaluations since that date are at fair value. This change in accounting policy is required by Australian Accounting Standard AASB 1041 *Revaluation of Non-Current Assets*.

**NATIONAL RESIDUE SURVEY  
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*for the year ended 30 June 2003*

Fair and deprival values for each class of assets are determined as shown below.

<i>Asset class</i>	<i>Fair value measured at:</i>	<i>Deprival value measured at:</i>
Land	Market buying price	Market selling price
Buildings	Depreciated replacement cost/Market selling price	Depreciated replacement cost
Leasehold improvements	Depreciated replacement cost/Market selling price	Depreciated replacement cost
Plant & equipment	Market selling price	Depreciated replacement cost

Under both deprival and fair value, assets, which are surplus to requirements, are measured at their net realisable value.

The financial effects for 2002-03 of this change in accounting policy relates to those assets to be recognised at fair value at 30 June 2003. There was no financial effect for the NRS.

*III. Transition to Fair Value*

Where a partially completed progressive revaluation of a class of property, plant and equipment on a deprival basis has occurred, the fair value basis will be applied for the remainder of the progressive revaluation, being from 1 July 2002 to 30 June 2005.

*IV. Frequency*

From 1 July 2002, assets of the classes listed below will be revalued on the fair value basis:

- Land
- Buildings
- Infrastructure plant and equipment

Assets included in the above classes will be the subject of a formal valuation at least once every five years. A formal valuation is one:

- (a) carried out by an independent qualified expert; or
- (b) carried out in accordance with a methodology approved by an independent qualified expert.

*V. Threshold*

A revaluation threshold of \$2,000 and remaining useful life of 1 year or more was used for revaluation effective 1 July 2002.

*VI. Conduct*

All valuations are conducted by an independent qualified valuer.

*VII. Recoverable amount test*

From 1 July 2002, the Schedule 1 no longer requires the application of the recoverable amount test in Australian Accounting Standard AAS 10 *Recoverable Amount of Non-Current Assets* to the assets of agencies when the purpose of the asset is not the generation of net cash inflows.

No property, plant and equipment assets have been written down to recoverable amount as per AAS 10. Accordingly, the change in accounting policy has had no financial effect.

**NATIONAL RESIDUE SURVEY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the year ended 30 June 2003

*VIII. Depreciation and amortisation*

Property, plant and equipment assets, other than land, are depreciated over their useful economic lives using, in all cases, the straight-line method of depreciation. Leasehold improvements are amortised on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease. Depreciation and amortisation rates and methods are reviewed at each balance date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

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

	<b>2002-03</b>	2001-02
Leasehold improvements	<b>Lease term</b>	Lease term
Information technology	<b>3-4 years</b>	3-4 years
Other plant and equipment	<b>3 to 15 years</b>	3 to 15 years

The aggregate amount of depreciation allocated for each class of assets during the reporting period is disclosed in Note 4C.

**(l) Intangibles**

Intangibles include computer software and assets such as patents, copyrights, computer models (for economic and scientific analysis) and other intellectual property. Computer software which has been purchased at a value over \$2,000 is brought to account on the historical cost basis. Other intangibles costing \$2,000 or more with a useful life of greater than one year are brought to account when the historical cost can be reliably determined. Internally developed software is brought to account where the amount capitalised exceeds \$50,000 and \$20,000 for an enhancement to existing software.

From 1 July 2002, Schedule 1 no longer requires the application of the recoverable amount test in Australian Accounting Standard AAS 10 *Recoverable Amount of Non-Current Assets* to the assets of agencies when the primary purpose of the asset is not the generation of net cash inflows.

However Schedule 1 now requires such assets, if carried on the cost basis, to be assessed for indications of impairment. The carrying amount of impaired assets must be written down to the higher of its net market selling price or depreciated replacement cost.

All software assets were assessed for impairment as at 30 June 2003.

Intangible assets are amortised over their estimated useful lives using the straight-line method. The average useful lives are:

	<b>2002-03</b>	2001-02
Purchased software	<b>3 years</b>	3 years
In-house developed software	<b>5 years</b>	5 years

**(m) Inventories**

Inventories held for resale, are valued at the lower of cost or net realisable value.

Inventories not held for resale, are valued at cost, unless they are no longer required, in which case they are valued at net realisable value.

Inventories are brought to account if they are individually greater than \$1,000 or where the aggregate value of a particular store exceeds \$5,000. Costs are assigned to individual items of stock on either a first in first out or weighted average basis.

**(n) Investments**

Investments are recognised at cost less any discount on purchase plus any unamortised premium on purchase.

**NATIONAL RESIDUE SURVEY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

**(o) Unspent industry funds**

Industry funds for the NRS activities are generally received by way of commodity levies. The balance of monies standing to the credit of the National Residue Survey special account will be applied to future expenditure programs as agreed under the *National Residue Survey (Administration) Act 1992*. As such unspent funds are recognised as an unearned revenue liability. Agreements have been reached with industry to apply unspent funds to new or enhanced programs or to reducing future levy rates.

**(p) Special account balances**

Special accounts represent public money, which has been set-aside for future purposes, under an enactment, or as determined by the Finance Minister.

Accounting treatments and disclosures for the NRS special accounts used for business operations have been included in the NRS assets, liabilities, revenues and expenditure.

**(q) Taxation**

The NRS is exempt from all forms of Commonwealth taxation except fringe benefits tax and the goods and services tax.

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

- where the amount of GST incurred is not recoverable from the Australian Tax Office; and
- for receivables and payables.

**(r) Foreign currency transactions**

Amounts payable to and by the NRS in foreign currencies have been translated to Australian currency at exchange rates as at 30 June 2003. Foreign currency transactions during the year have been converted at the exchange rate prevailing at the date of settlement of the transaction.

**(s) Insurance**

The NRS, through the Department, has insured for risks through the Government's insurable risk managed fund, called 'Comcover'. Workers compensation is insured through the Government's Comcare Australia.

**(t) Comparative figures**

Comparative figures have been adjusted to conform to changes in presentation on these financial statements where required.

**(u) Rounding**

Amounts have been rounded to the nearest \$1,000 except in relation to the following:

- act of grace payments, waivers and write-offs;
- remuneration of executives; and
- remuneration of auditors.

**(v) Dividends**

The Memorandum of Understanding between the National Residue Survey and the Department of Finance and Administration specifies that the NRS is not required to pay a dividend.

**(w) Economic Dependency**

The NRS operates on a full cost recovery basis in respect of its industry clients. However, as a Commonwealth Agency it has Community Service Obligations and is dependent on annual appropriation to enable it to meet these obligations.

**NATIONAL RESIDUE SURVEY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

	<b>2002–2003</b>	<i>2001–2002</i>
	<b>\$'000</b>	<i>\$'000</i>
<b>NOTE 3 Operating revenues</b>		
<u>Note 3A – Revenues from Government</u>		
Appropriations for outputs	254	32
Resources received free of charge	–	262
	<u>254</u>	<u>294</u>
 <u>Note 3B - Sales of goods and services</u>		
Services	255	–
Taxes levies fees and charges	7 497	7 544
	<u>7 752</u>	<u>7 544</u>
Provision of services to:		
Related entities	<u>7 752</u>	<u>7 544</u>
 <u>Note 3C - Other operating revenue</u>		
Community service obligations	430	419
Other	530	162
	<u>960</u>	<u>581</u>

**NATIONAL RESIDUE SURVEY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the year ended 30 June 2003

	2002–2003 \$'000	2001–2002 \$'000
<b>NOTE 4 Operating expenses</b>		
<u>Note 4A – Employees</u>		
Remuneration and oncost	1 134	1 293
Superannuation	179	226
Leave and other entitlements	155	170
Other employee expenses	36	48
	<u>1 504</u>	<u>1 737</u>
Workers compensation	12	20
	<u>1 516</u>	<u>1 757</u>
<u>Note 4B – Suppliers</u>		
Sampling and analytical testing	4 176	4 268
Supply of other goods and services	3 865	2 880
Operating lease rentals	17	9
	<u>8 058</u>	<u>7 157</u>
<u>Note 4C – Depreciation and amortisation</u>		
The aggregate amounts of depreciation or amortisation expensed during the year for each class of depreciable asset are as follows:		
<i>Depreciation</i>		
Leasehold improvement	–	24
Infrastructure, plant and equipment	24	23
	<u>24</u>	<u>47</u>
<i>Amortisation</i>		
Computer software, purchased	2	2
Computer software, inhouse developed	102	106
	<u>104</u>	<u>108</u>
	<u>128</u>	<u>155</u>
<u>Note 4D – Write down of assets</u>		
Non-financial assets		
Infrastructure, plant and equipment	–	2
	<u>–</u>	<u>2</u>
<u>Note 4E – Net loss from sale of assets</u>		
Infrastructure, plant and equipment		
Net book value of infrastructure, plant and equipment disposed	–	1
	<u>–</u>	<u>(1)</u>
Total proceeds from disposal	–	–
Total value of assets disposed	–	1
	<u>–</u>	<u>(1)</u>

**NATIONAL RESIDUE SURVEY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the year ended 30 June 2003

	2002-2003 \$'000	2001-2002 \$'000	
<b>NOTE 5 Receivables</b>			
Goods and services	41	97	
Goods and services tax receivable	101	69	
	<u>142</u>	<u>166</u>	
Appropriation receivable	284	-	
<b>Total receivables (net)</b>	<b><u>426</u></b>	<b><u>166</u></b>	
Receivables (gross) which are overdue are aged as follows:			
Not overdue	426	165	
Overdue by 30 to 60 days	-	1	
<b>Total receivables (gross)</b>	<b><u>426</u></b>	<b><u>166</u></b>	
<b>NOTE 6 Investments</b>			
	<i>Market Value at 30 June 2003</i>	<i>At Cost 2002-2003 \$'000</i>	<i>At Cost 2001-2002 \$'000</i>
<b>Negotiable certificates of deposit</b>	<u>14 816</u>	<u>14 500</u>	<u>14 000</u>
<b>NOTE 7 Accrued revenue</b>			
Accrued levies revenue	335	870	
Accrued interest revenue	309	283	
	<u>644</u>	<u>1 153</u>	

## NATIONAL RESIDUE SURVEY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

	2002–2003 \$'000	2001–2002 \$'000
<b>NOTE 8 Land and buildings</b>		
Leasehold improvements at cost	–	145
less accumulated depreciation	–	( 25)
	<u>–</u>	<u>120</u>
<b>NOTE 9 Infrastructure, plant and equipment</b>		
Infrastructure, plant and equipment – at cost	34	29
less accumulated depreciation	( 15)	( 13)
	<u>19</u>	<u>16</u>
Leased IT equipment	58	62
less accumulated depreciation	( 34)	( 17)
	<u>24</u>	<u>45</u>
	<u>43</u>	<u>61</u>
The revaluations were in accordance with the revaluation policy stated at Note 2 and were completed by the Australian Valuation Office.		
<b>NOTE 10 Inventories</b>		
Inventories not held for sale	<u>61</u>	<u>85</u>
<b>NOTE 11 Intangibles</b>		
Computer Software, purchased – at cost	41	40
less accumulated amortisation	( 38)	( 37)
	<u>3</u>	<u>3</u>
Computer software, internally developed – at cost	519	520
less accumulated amortisation	( 319)	( 216)
	<u>200</u>	<u>304</u>
	<u>203</u>	<u>307</u>

**NATIONAL RESIDUE SURVEY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the year ended 30 June 2003

**NOTE 12 Analysis of property, plant, equipment and intangibles**

**Table A – Movement summary 2003–2003 for all assets irrespective of valuation basis**

Item	Land	Buildings – on freehold land	Buildings – leasehold improvements	Total Buildings	Land and buildings	Infrastructure plant and equipment	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross value as at 1 July 2002	–	–	145	145	145	91	560	796
Additions	–	–	–	–	–	6	–	6
Revaluations	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	( 5)	–	( 5)
Write offs	–	–	–	–	–	–	–	–
Transfers in (out)	–	–	( 145)	( 145)	( 145)	–	–	( 145)
<b>Gross value as at 30 June 2003</b>	–	–	–	–	–	<b>92</b>	<b>560</b>	<b>652</b>
Accumulated depreciation as at 1 July 2002	–	–	25	25	25	30	253	308
Depreciation for the year	–	–	–	–	–	24	104	128
Revaluations	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	( 5)	–	( 5)
Write offs	–	–	–	–	–	–	–	–
Transfers in (out)	–	–	( 25)	( 25)	( 25)	–	–	( 25)
<b>Accumulated depreciation as at 30 June 2003</b>	–	–	–	–	–	<b>49</b>	<b>357</b>	<b>406</b>
<b>Net book value as at 30 June 2003</b>	–	–	–	–	–	<b>43</b>	<b>203</b>	<b>246</b>
Net book value as at 1 July 2002	–	–	120	120	120	61	307	488

**Table A – Movement summary 2003–2003 for all assets irrespective of valuation basis**

Item	Land	Buildings – on freehold land	Buildings – leasehold improvements	Total Buildings	Land and buildings	Infrastructure plant and equipment	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
as at 30 June 2003								
Gross value	–	–	–	–	–	58	–	58
Accumulated depreciation/ amortisation	–	–	–	–	–	( 34)	–	( 34)
<b>Net book value</b>	–	–	–	–	–	<b>24</b>	–	<b>24</b>
As at 30 June 2002								
Gross value	–	–	–	–	–	62	–	62
Accumulated depreciation/ amortisation	–	–	–	–	–	( 17)	–	( 17)
Net book value	–	–	–	–	–	45	–	45

**NATIONAL RESIDUE SURVEY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the year ended 30 June 2003

	2002–2003 \$'000	2001–2002 \$'000
<b>NOTE 13 Provisions – employees</b>		
Salaries and wages	38	39
Leave	421	430
	<u>459</u>	<u>469</u>
<b>Aggregate employee entitlement liability</b>		
Workers' compensation	1	–
Superannuation on cost	11	–
	<u>471</u>	<u>469</u>
<b>Aggregate employee benefits liability and related on-costs</b>		
Current	135	232
Non current	336	237
	<u>471</u>	<u>469</u>
<b>NOTE 14 Payables – suppliers</b>		
Trade creditors	604	817
	<u>604</u>	<u>817</u>
<b>NOTE 15 Payables – other</b>		
Payable to the Department	41	569
NRS Industry reserve	14 411	13 667
	<u>14 452</u>	<u>14 236</u>
Net cash flows generated by NRS are reflected in a single cash balance for the Department, and included in the Payable to the Department.		
<b>NOTE 16 Leases</b>		
Finance lease commitments		
Payable:		
Within one year	20	24
In one to five years	7	26
In more than five years	–	–
Minimum lease payments	27	50
Deduct: future finance charges	( 2)	( 4)
	<u>25</u>	<u>46</u>
Lease liability		
Lease liability is represented by:		
Current	17	21
Non-current	6	25
	<u>23</u>	<u>46</u>

Finance leases exist in relation to computer equipment provided under an outsourced IT service contract. The leases are for a period of three or four years depending on the equipment. NRS does not guarantee the residual values of the leased assets.

**NATIONAL RESIDUE SURVEY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the year ended 30 June 2003

**NOTE 17 Equity**

Item	Contributed equity		Accumulated results		Asset revaluation reserve		TOTAL EQUITY	
	2002-2003 \$'000	2001-2002 \$'000	2002-2003 \$'000	2001-2002 \$'000	2002-2003 \$'000	2001-2002 \$'000	2002-2003 \$'000	2001-2002 \$'000
Opening balance at 1 July	158	158	169	140	-	15	327	313
Net surplus	-	-	-	14	-	-	-	14
Net revaluation increments	-	-	-	-	-	-	-	-
Reversal of revaluation reserve on disposal of assets (a)	-	-	-	15	-	( 15)	-	-
Closing balance at 30 June	158	158	169	169	-	-	327	327

2002-2003 2001-2002  
\$'000 \$'000

**Asset revaluation reserve**

The net revaluation change in the asset revaluation reserve comprises:

Reversal of revaluation reserve on disposal of assets (a)

(a)

A review of the revaluation reserve was conducted during 2001-02 and reserves that relate to disposed assets have been transferred from the asset revaluation reserve into accumulated results.

2002-2003 2001-2002  
\$'000 \$'000

- (15)

- (15)

**NATIONAL RESIDUE SURVEY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the year ended 30 June 2003

	2002–2003 \$'000	2001–2002 \$'000
<b>NOTE 18 Cash flow reconciliation</b>		
<b>(a) Reconciliation of cash</b>		
Cash at year end as per Statement of Cash Flows	–	–
Statement of Financial Position items comprising above cash	–	–
<b>(b) Reconciliation of operating result to net cash provided by operating activities.</b>		
Operating surplus/(deficit)	–	14
Depreciation and amortisation	128	155
Adjustments to property, plant & equipment & intangibles	120	–
Net write-down of non current assets	–	2
Value of assets sold	–	1
Changes in assets and liabilities:		
Decrease/(increase) in receivables	( 260)	( 52)
Decrease/(increase) in other financial assets	509	( 289)
Decrease/(increase) in inventories	24	( 38)
Decrease/(increase) in other non-financial assets	3	( 3)
Increase/(decrease) in employee liabilities	2	( 13)
Increase/(decrease) in supplier liabilities	( 213)	270
Increase/(decrease) in other liabilities	216	1 330
Net cash from/(used by) operating activities	<u>529</u>	<u>1 377</u>

**NOTE 19 Remuneration of executives**

The number of Executives who received or were due to receive total remuneration of \$100,000 or more:

	2002–2003 Number	2001–2002 Number
\$130 001 to \$140 000	–	1
\$140 001 to \$150 000	1	–
	<u>\$</u>	<u>\$</u>

The aggregate amount of total remuneration of executive officers shown above

<u>149 789</u>	<u>136 160</u>
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The aggregate amount of performance pay paid during the year to executive officers shown above

<u>4 900</u>	<u>2 850</u>
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**NOTE 20 Auditor's remuneration**

The auditing services are provided by the Australian National Audit Office (ANAO) free of charge. The National Residue Survey is required to pay to the Government an amount equal to the cost of the audit in compliance with competitive neutrality principles. No other services were provided by the Auditor-General during the reporting period.

**Cost of auditing the financial statements for the reporting period**

<u>15 000</u>	<u>14 000</u>
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**NATIONAL RESIDUE SURVEY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

	<b>2002–2003</b>	<i>2001–2002</i>
	<b>\$'000</b>	<i>\$'000</i>
<b>NOTE 21 Average staffing levels</b>	<b>Number</b>	<i>Number</i>
The average staffing levels for the NRS during the year were	<b>19</b>	<i>22</i>

**NOTE 22 Events occurring after balance date**

There were no significant events occurring after balance date.

**NATIONAL RESIDUE SURVEY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

**NOTE 23 Financial instruments  
(a) Terms, conditions & accounting policies**

Financial instrument	Notes	Accounting policies and methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms & conditions affecting the amount, timing and certainty of cash flows)
<i>Financial assets</i>		Financial assets are recognised when control over future economic benefits is established and the amount of benefit can be reliably measured.	
Receivables for goods & services	5	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely.	Normal credit terms are net 28 days (2001-02: 28 days).
Negotiable securities	6	Investments in negotiable certificates of deposit are recorded at cost. Any discounts or premiums on purchase are amortised over the term of the investment. Interest is credited to revenue as it accrues.	Investments in negotiable certificates of deposit are realisable in cash, but are normally held until maturity. Term to maturity is normally six to twelve months.
Accrued revenue	7	Accrued revenue is recognised in respect of services provided which have not been invoiced, taxes and levies due, and accrued interest.	Accrued revenue is amounts due from receivers of services. Accrued interest is unpaid interest on investments.
<i>Financial liabilities</i>		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Trade and other creditors	14&15	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).	Settlement is usually made net 28 days. (2001-02: 28 days)
Finance leases	16	Liabilities are recognised at the present value of the minimum lease payments at the beginning of the lease. The discount rate used is the incremental borrowing rate.	

**NATIONAL RESIDUE SURVEY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2003*

**NOTE 23 Financial instruments (continued)**

**(b) Interest rate risk – agency**

Financial instrument	Notes	Floating interest rate \$'000	Fixed interest rate				Non interest bearing \$'000	Total \$'000	Weighted average effective interest rate	
			1 year or less		2 – 5 years				02–03	
			01–02	02–03	01–02	02–03			01–02	02–03
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
<b>Financial assets</b>										
Receivables for goods and services	5	–	–	–	–	–	41	97	n/a	n/a
Appropriation receivable	5	–	–	–	–	–	284	–	n/a	n/a
Investments	6	–	14 500	–	–	–	–	14 500	14 000	4.98
Accrued revenue	7	–	–	–	–	–	644	1 153	644	n/a
<b>Total financial assets (recognised)</b>		–	14 500	–	–	–	969	1 250	15 469	15 250
<b>Total Assets</b>									15 877	15 895
<b>Financial liabilities</b>										
Trade creditors	14&15	–	–	–	–	–	604	817	604	817
Payable to the Department	15	41	569	–	–	–	–	–	41	569
Leases	16	–	19	21	6	19	–	–	25	46
<b>Total financial liabilities (recognised)</b>		41	569	19	21	6	604	817	670	1 432
<b>Total liabilities</b>									15 550	15 568

**NATIONAL RESIDUE SURVEY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the year ended 30 June 2003

**NOTE 23 Financial instruments (continued)**

**(c) Net fair value of financial assets and liabilities**

	Note	2002–2003		2001–2002	
		Total carrying amount \$'000	Aggregate net fair value \$'000	Total carrying amount \$'000	Aggregate net fair value \$'000
<b>Financial assets</b>					
Receivables for goods and services	5	41	41	97	97
Investments	6	14 500	14 500	14 000	14 000
Accrued revenue	7	644	644	1 153	1 153
<b>Total financial assets</b>		<b>15 185</b>	<b>15 185</b>	<b>15 250</b>	<b>15 250</b>
<b>Financial liabilities (recognised)</b>					
Trade creditors	14&15	604	604	817	817
Payable to the Department	15	41	41	569	569
Leases	16	25	25	46	46
<b>Total financial liabilities (recognised)</b>		<b>670</b>	<b>670</b>	<b>1 432</b>	<b>1 432</b>

**Financial assets**

The net fair values of all monetary financial assets approximate their carrying amounts.

None of the classes of financial assets are readily traded on organised markets in standardised form.

**Financial liabilities**

The net fair values of all monetary financial liabilities are approximated by their carrying amounts.

None of the classes of financial liabilities are readily traded on organised markets in standardised form.

**(d) Credit risk exposures**

The reporting entity's maximum exposures to credit risk at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet.

NRS has no significant exposures to any concentrations of credit risk.

All figures for credit risk referred to do not take into account the value of any collateral or other security.