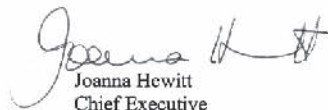


Department of Agriculture, Fisheries and Forestry
AUSTRALIAN QUARANTINE AND INSPECTION SERVICE
For the year ended 30 June 2005

Statement by the Chief Executive and Chief Finance Officer

In our opinion, the attached financial statements for the year ended 30 June 2005 are based on properly maintained financial records and 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*, as amended.



Joanna Hewitt
Chief Executive

31 August 2005



Allan Gaukroger
Chief Finance Officer

31 August 2005



INDEPENDENT AUDIT REPORT

To the Minister for Agriculture, Fisheries and Forestry

Matters relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the financial statements published in both the annual report and on the website of the Australian Quarantine and Inspection Service for the year ended 30 June 2005. The Department of Agriculture, Fisheries and Forestry's Chief Executive is responsible for the integrity of both the annual report and its web site.

The audit report refers only to the financial statements, schedules and notes named below. It does not provide an opinion on any other information, which may have been hyperlinked to/from, the audited financial statements.

If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements in the Department's annual report.

Scope

The financial statements and Chief Executive's responsibility

The financial statements comprise:

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

of the Australian Quarantine and Inspection Service for the year ended 30 June 2005.

The Department's Chief Executive is responsible for preparing financial statements that give a true and fair presentation of the financial position and performance of the Australian Quarantine and Inspection Service, and that comply with accounting standards, other mandatory financial reporting requirements in Australia, and the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*. The Chief Executive is also responsible for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

Audit approach

I have conducted an independent audit of the financial statements in order to express an opinion on them to you. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. The nature of an audit is influenced by factors such as the use of

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professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive, rather than conclusive, evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

While the effectiveness of management's internal controls over financial reporting was considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

I have performed procedures to assess whether, in all material respects, the financial statements present fairly, in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, accounting standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Australian Quarantine and Inspection Service's financial position, and of its performance as represented by the statements of financial performance and cash flows.

The audit opinion is formed on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements; and
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the Chief Executive.

Independence

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the ethical requirements of the Australian accounting profession.

Audit Opinion

In my opinion, the financial statements of the Australian Quarantine and Inspection Service:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*; and
- (b) give a true and fair view of the Australian Quarantine and Inspection Service's financial position as at 30 June 2005 and of its performance and cash flows for the year then ended, in accordance with:
 - (i) the matters required by the Finance Minister's Orders; and
 - (ii) applicable accounting standards and other mandatory financial reporting requirements in Australia.

Australian National Audit Office



Richard Rundle
Executive Director

Delegate of the Auditor-General

Canberra
31 August 2005

AUSTRALIAN QUARANTINE AND INSPECTION SERVICE
 STATEMENT OF FINANCIAL PERFORMANCE
 as at 30 June 2005

	Notes	2004-2005 \$'000	2003-2004 \$'000
Revenues from Ordinary Activities			
Revenues from Government	4A	153 299	138 231
Goods and services	4B	150 370	146 673
Interest	4C	143	129
Grants		13	333
Revenue from sale of assets	5E	6	48
Other revenue	4D	12 354	6 712
Revenues from ordinary activities		316 185	292 126
Expenses from Ordinary Activities (excluding Borrowing Costs Expense)			
Employees	5A	206 586	184 869
Suppliers	5B	102 282	98 662
Depreciation and amortisation	5C	5 536	5 550
Write-down and impairment of assets	5D	207	1 227
Value of assets sold	5E	281	56
Expenses from ordinary activities (excluding borrowing costs expense)		314 892	290 364
Borrowing costs expense	5F	131	212
Net surplus from ordinary activities		1 161	1 550
Net increment/(decrement) to asset revaluation reserve	19	2 142	(411)
Total revenues, expenses and valuation adjustments recognised directly in equity		2 142	(411)
Total changes in equity other than those resulting from transactions with the Australian Government as owner		3 303	1 139

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 2005

	Notes	2004-2005 \$'000	2003-2004 \$'000
ASSETS			
Financial Assets			
Cash	6, 20	111	1 060
Receivables	7	58 635	69 611
Accrued revenue	8	5 716	5 771
Total financial assets		64 462	76 442
Non-Financial Assets			
Land and buildings	9, 14	15 703	12 503
Infrastructure, plant and equipment	10, 14	7 163	5 592
Inventories	11	998	1 705
Intangibles	12, 14	10 374	8 924
Other non-financial assets	13	1 131	931
Total non-financial assets		35 369	29 656
Total Assets		99 831	106 098
LIABILITIES			
Provisions			
Employees	15	54 029	54 639
Total provisions		54 029	54 639
Payables			
Suppliers	16	5 541	7 030
Other payables	17	12 643	21 606
Total payables		18 184	28 636
Interest Bearing Liabilities			
Leases	18	2 858	1 366
Total interest bearing liabilities		2 858	1 366
Total Liabilities		75 071	84 641
NET ASSETS		24 760	21 457
EQUITY			
Contributed equity		1 159	1 159
Reserves		3 517	1 375
Retained surpluses		20 084	18 923
Total Equity	19	24 760	21 457
Current assets		58 358	70 043
Non-current assets		41 473	36 055
Current liabilities		34 750	50 245
Non-current liabilities		40 321	34 396
Net assets		24 760	21 457

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

AUSTRALIAN QUARANTINE AND INSPECTION SERVICE

STATEMENT OF CASH FLOWS

as at 30 June 2005

	Notes	2004-2005 \$'000	2003-2004 \$'000
OPERATING ACTIVITIES			
Cash Received			
Appropriations		148 381	134 207
Goods and services		140 695	143 289
Interest		143	129
Grants received		13	333
GST received from Australian Taxation Office		7 410	7 655
Cash transferred from the Official Public Account		10 420	-
Other receipts		11 420	5 685
Total cash received		318 482	291 298
Cash Used			
Employees		207 197	175 174
Suppliers		109 411	102 483
Borrowing costs		131	212
Cash transferred to the Official Public Account		-	28 429
GST paid to Australian Taxation Office		124	476
Other		-	2 380
Total cash used		316 863	309 154
Net cash from or (used by) operating activities	20	1 619	(17 856)
INVESTING ACTIVITIES			
Cash Received			
Proceeds from sales of infrastructure, plant and equipment		6	48
Total cash received		6	48
Cash Used			
Purchase of land and buildings		2 982	8 625
Purchase of infrastructure, plant and equipment		1 232	1 176
Purchase of intangibles		3 218	4 826
Total cash used		7 432	14 627
Net cash from or (used by) investing activities		(7 426)	(14 579)
FINANCING ACTIVITIES			
Cash Received			
Capital appropriation		5 860	32 180
Total cash received		5 860	32 180
Cash Used			
Finance lease capital payments		1 002	2 150
Total cash used		1 002	2 150
Net cash from or (used by) financing activities		4 858	30 030
Net increase / (decrease) in cash held		(949)	(2 405)
Cash at the beginning of the reporting period		1 060	3 466
Cash at the end of the reporting period	6, 20	111	1 060

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

AUSTRALIAN QUARANTINE AND INSPECTION SERVICE
SCHEDULE OF COMMITMENTS
as at 30 June 2005

	2004-2005 \$'000	2003-2004 \$'000
BY TYPE		
Capital Commitments		
Land and buildings ¹	1 258	2 590
Infrastructure, plant and equipment	13	-
Total capital commitments	1 271	2 590
Other Commitments		
Operating leases ²	59 140	62 997
Project commitments ³	-	7 339
Goods and services contracts ⁴	2 028	-
Other commitments ⁵	1 695	-
GST payable	183	-
Total other commitments	63 046	70 336
Commitments Receivable		
Project commitments	2 108	-
GST receivable	5 814	6 629
Total commitments receivable	7 922	6 629
Net commitments by type	56 395	66 297
BY MATURITY		
Capital Commitments		
One year or less	1 271	2 590
Total capital commitments	1 271	2 590
Operating Lease Commitments		
One year or less	19 453	11 771
From one to five years	27 837	33 438
Over five years	11 849	17 788
Total operating lease commitments	59 139	62 997
Other Commitments		
One year or less	1 918	7 339
From one to five years	1 989	-
Total other commitments	3 907	7 339
Total commitments receivable	7 922	6 629
Net commitments by maturity	56 395	66 297

NB: Commitments are GST inclusive where relevant.

AUSTRALIAN QUARANTINE AND INSPECTION SERVICE
SCHEDULE OF COMMITMENTS (continued)
as at 30 June 2005

¹ Being the costs associated with the fit out of regional premises.

² Operating leases included are effectively non-cancellable and comprise:

Nature of lease	General description of leasing arrangement
-----------------	--

The above schedule should be read in conjunction with the accompanying notes.

Agreement 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.	AQIS 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.

³ Project commitments recognise contractual obligations in relation to achieving departmental outcomes.

⁴ Goods and services commitments comprise contractual obligations of AQIS and include the provision of Human Resource and Legal Services.

⁵ Other commitments include subscriptions to international associations.

The above schedule should be read in conjunction with the accompanying notes.

AUSTRALIAN QUARANTINE AND INSPECTION SERVICE

SCHEDULE OF CONTINGENCIES

as at 30 June 2005

	Guarantees		Indemnities		Claims for damages/costs		Warranties		Letters of comfort		Total	
	2004-2005	2003-2004	2004-2005	2003-2004	2004-2005	2003-2004	2004-2005	2003-2004	2004-2005	2003-2004	2004-2005	2003-2004
Contingent Liabilities	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance from previous period	-	-	-	-	-	-	-	-	-	-	-	-
New	-	-	-	-	3 118	-	-	-	-	-	3 118	-
Re-measurement	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities crystallised	-	-	-	-	-	-	-	-	-	-	-	-
Obligations expired	-	-	-	-	-	-	-	-	-	-	-	-
Total Contingent Liabilities	-	-	-	-	3 118	-	-	-	-	-	3 118	-
Contingent Assets												
Balance from previous period	-	-	-	-	-	-	-	-	-	-	-	-
New	-	-	-	-	283	-	-	-	-	-	283	-
Re-measurement	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities crystallised	-	-	-	-	-	-	-	-	-	-	-	-
Obligations expired	-	-	-	-	-	-	-	-	-	-	-	-
Total Contingent Assets	-	-	-	-	283	-	-	-	-	-	283	-
Net Contingencies	-	-	-	-	2 835	-	-	-	-	-	2 835	-

Note: Details of each class of contingent liabilities and contingent assets, including those not included above because they cannot be quantified, or are considered remote are shown at Note 27.

The above schedule should be read in conjunction with the accompanying notes.

AUSTRALIAN QUARANTINE AND INSPECTION SERVICE
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

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NOTE 1 Objectives of the 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, food, fisheries and forestry industries that are based on 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

2.1 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 (FMOs), being the *Financial Management and Accountability Orders (Financial Statements for reporting periods ending on or after 30 June 2005)*;
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board; and
- Consensus Views of the Urgent Issues Group.

The Statements of Financial Performance and Financial Position 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, no allowance is made 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 and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an

Accounting Standard. Liabilities and assets that 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.

2.2 Changes in Accounting Policy

The accounting policies used in the preparation of these financial statements are consistent with those used in 2003-04.

All property, plant and equipment assets have been re-valued to current fair value as at 30 June 2005. Intangible assets have not been re-valued and are reported at cost.

2.3 Revenue

I. Revenues from Government

Amounts appropriated for departmental outputs appropriations for the year (less any current year savings and reductions) are recognised as revenue, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Savings are amounts offered up in Portfolio Additional Estimates Statements. Reductions are amounts by which appropriations have been legally reduced by the Finance Minister under either Appropriation Act (No.3) or Appropriation Act (No.4) of 2004-05.

Appropriations receivable are recognised at their nominal amounts.

II. Resources Received Free of Charge

Services received free of charge are recognised 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 those resources is recognised as an expense. Contributions of assets at no cost of acquisition or for nominal consideration are recognised as revenue 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.

2.4 Other Revenue

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

Revenue from rendering of services 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.

Receivables for goods and services 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 collectability of the debt is judged to be less rather than more likely.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the relevant asset.

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

Quarantine Infringement Notices may be issued for certain breaches of the *Quarantine Act 1908*. Revenue generated from the Quarantine Infringement Notices is collected by the Australian Customs Service on behalf of AQIS and credited to the Consolidated Revenue Fund.

2.5 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) and annual 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. All other employee benefit liabilities are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

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 AQIS is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration, including AQIS 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 as at 30 June 2005, has been determined by reference to the work of an actuary, KPMG Australia. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

II. Superannuation

Staff of AQIS are members of either the Commonwealth Superannuation Scheme or the Public Sector Superannuation Scheme. The liability for their superannuation benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course.

AQIS makes employer contributions to the Australian Government at rates determined by the Australian Government Actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of its employees.

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

2.6 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets. In operating leases, 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 beginning of the lease term and a liability recognised at the same time and for the same amount. The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

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

2.7 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.

AQIS has no qualifying assets.

2.8 Cash

Cash means notes and coins held and any deposits held at call with a bank or financial institution. Cash is recognised at its nominal amount.

2.9 Other Financial Instruments

I. Trade Creditors

Trade 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.

II. Contingent Liabilities and Contingent Assets

Contingent liabilities/assets are not recognised in the Statement of Financial Position but are disclosed in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability/asset, or represent an existing liability/asset in respect of which settlement is not probable or the amount cannot be reliably measured. Where settlement becomes probable, a liability/asset is recognised. A liability/asset is recognised when its existence is confirmed by a future event, settlement becomes probable or reliable measurement becomes possible.

2.10 Acquisition of Assets

Assets are recorded at cost of 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 of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

2.11 Property, Plant and Equipment (PP&E)

I. Asset Recognition Threshold

Assets are recognised in the Statement of Financial Position where the purchase cost is \$2,000 or more or where the purchase forms part of a group of similar items that are significant in total. Items costing less than \$2,000 are expensed in the year of acquisition.

II. Re-valuation Basis

Land, buildings, plant and equipment assets are carried at fair value. These assets are re-valued with sufficient frequency such that the carrying amount of each asset class is not materially different, at reporting date, to its fair value. Valuations undertaken in each year are as at 30 June. All assets were re-valued to fair value as at 30 June 2005 in accordance with relevant accounting standards. Re-valuation of asset values has been performed by an independent valuer, except where the asset has been acquired during the current financial year. Where an asset has been acquired during the current financial

year, the asset is re-valued to its carrying amount, which is considered to reasonably reflect its current fair value. Intangible assets are not re-valued and are reported at cost.

Fair values for each class of asset are determined as shown below.

<i>Asset class</i>	<i>Fair value measured at:</i>
Land	Market selling price
Buildings	Depreciated replacement cost/Market selling price
Leasehold improvements	Depreciated replacement cost/Market selling price
Infrastructure, plant and equipment	Market selling price

Depreciated replacement cost refers to the cost of replacing depreciated assets with assets in a similar condition. Market selling price refers to assets whose values have been assessed and adjusted by reference to current market values.

Under fair value, assets that are surplus to requirements are measured at their net realisable value. At 30 June 2005, AQIS reported no assets in this situation (2003-04: Nil).

III. Frequency

Land and buildings assets are subject to a formal re-valuation every three years. Plant and equipment assets are subject to formal re-valuation every four years. Formal valuations are conducted by an independent qualified valuer. Between formal valuations, property, plant and equipment assets are re-valued using an appropriate index reflecting movements in the value of similar assets.

Freehold land, buildings on freehold land and leasehold improvements subject to formal valuations are each re-valued on a class basis. Between formal valuations, these assets are re-valued using an appropriate index reflecting movements in the value of similar assets.

The financial effect by class is as follows:

<i>Asset class</i>	<i>Adjustment</i> (\$)	<i>Contra Account</i>
Land and buildings	2,600,660	Revaluation reserve
Infrastructure, plant and equipment	(458,001)	Revaluation reserve
All classes	2,142,659	Revaluation reserve

The total financial effect was to increase the carrying amount of property, plant and equipment by \$2,142,659 and increase revaluation reserves by \$2,142,659.

IV. *Threshold*

A re-valuation threshold of \$2,000 and a remaining useful life of one year or more was used to identify assets requiring re-valuation at 30 June 2005. This threshold was adopted on previous occasions where asset re-valuations were completed.

V. *Depreciation*

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to AQIS using, in all cases, the straight-line method of depreciation. Leasehold improvements are depreciated on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation 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:

<i>Asset class</i>	<i>2004-05</i>	<i>2003-04</i>
Buildings	40 to 50 years	40 to 50 years
Leasehold improvements	Lease term	Lease term
Information technology	3 to 4 years	4 years
Other plant and equipment	3 to 15 years	3 to 15 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 5C.

VI. *Impairment of Non-Current Assets*

Non-current assets carried at up-to-date fair value at the reporting date are not subject to impairment testing. Non-current assets carried at cost have been assessed for indications of impairment at reporting date. Where indications of impairment exist, the carrying amount of the asset is compared to the higher of its net selling price and depreciated replacement cost and is written down to that value if greater. No write-down to recoverable amount was required (2003-04: Nil).

Non-current assets carried at cost, which are not held to generate cash inflows, have been assessed for indications of impairment. No assets were found to be carried above their cost of replacement or to be impaired at 30 June 2005.

2.12 Intangibles

Intangibles include computer software and assets such as patents, copyrights, computer models (for economic and scientific analysis) and other intellectual property. Computer

software that 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.

All software assets were assessed for impairment as at 30 June 2005.

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

<i>Asset group</i>	<i>2004-05</i>	<i>2003-04</i>
Purchased software	3 years	3 years
Internally developed software	5 years	5 years

2.13 Inventories

Inventories held for resale are valued at the lower of cost and 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.

2.14 Industry Rebates and Program Results

AQIS cost recovered activities are maintained on a program basis with each program aligning to an industry group. The management of each program, including the establishment of the level and structure of fees and charges, is conducted in consultation with an Industry Consultative Committee (ICC). AQIS has agreed with each ICC that where the fees and charges collected for the program exceeds its costs during a financial year, the excess revenue will be returned to the industry.

The ICC is consulted on the method and distribution on any over-recovered funds. AQIS has also agreed with each ICC that a proportion of over-recovered funds up to an agreed limit should be held by AQIS, on behalf of the industry, to meet the cost of the program where there are changes in industry activity or other factors affecting cost recovery. Agreements are reached with each ICC to return funds as soon as practicable where over-recoveries exceed this agreed limit.

ICC's receive regular financial reports on the operations of each program and the end of financial year outcomes for each program are also reported in the annual AQIS Report to Clients.

2.15 Special Account Balances

AQIS operates through two special accounts, being the Australian Quarantine Inspection Service Account and the Meat and Inspection Service Account.

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, which are used for business operations, have been included in the Department's assets, liabilities, revenues and expenditure.

2.16 Taxation / Competitive Neutrality

Taxation

AQIS is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST). Revenues, expenses and assets are recognised net of GST:

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

Competitive Neutrality

AQIS provides cost recovered services to industry which include a component for competitive neutrality. As a business operation of an Australian Government Department, AQIS is not subject to taxation other than the GST and FBT. However, under competitive neutrality arrangements, AQIS is required to make payments, for services rendered by the Australian National Audit Office, to the Commonwealth.

2.17 Foreign Currency

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 rates current as at balance date. Associated currency gains and losses are not material.

2.18 Insurance

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

2.19 Economic Dependency

AQIS 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.

2.20 Comparative Figures

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

2.21 Rounding

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

- Note 21 Act of Grace Payments, Waivers and Defective Administration Scheme;
- Note 22 Executive Remuneration; and
- Note 23 Remuneration of Auditors.

NOTE 3 Adoption of AASB Equivalents to International Financial Reporting Standards from 2005-2006

The Australian Accounting Standards Board has issued replacement Australian Accounting Standards to apply from 2005-06. The new standards are the Australian Equivalents to International Financial Reporting Standards (AEIFRS). The International Financial Reporting Standards are issued by the International Accounting Standards Board. The new standards cannot be adopted early. The standards being replaced are to be withdrawn with effect from 2005-06, but continue to apply in the meantime, including reporting periods ending on 30 June 2005.

The purpose of issuing AEIFRS is to enable Australian reporting entities reporting under the Corporations Act 2001 to be able to more readily access overseas capital markets by preparing their financial reports according to accounting standards more widely used overseas.

AEIFRS contain certain additional provisions that will apply to not-for-profit entities, including Australian Government agencies. Some of these provisions are in conflict with IFRS, and therefore the AQIS will only be able to assert that the financial report has been prepared in accordance with Australian Accounting Standards.

AAS 29 Financial Reporting by Government Departments will continue to apply under AEIFRS.

Accounting Standard AASB 1047 Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards requires that the financial statements for 2004-05 disclose:

- an explanation of how the transition to AEIFRS is being managed;
- narrative explanations of the key policy differences arising from the adoption of AEIFRS;
- any known or reliably estimable information about the impacts on the financial report had it been prepared using AEIFRS; and
- if the impacts of the above are not known or reliably estimable, a statement to that effect.

The purpose of this Note is to make these disclosures.

3.1 Management of the Transition to AEIFRS

AQIS has taken the following steps for the preparation towards the implementation of AEIFRS:

The Department's Finance Sub-committee of the Audit Committee is tasked with oversight of the transition to and implementation of AEIFRS. The Chief Finance Officer is formally responsible for the project and reports regularly to the Finance Sub-committee of the Audit Committee on progress against the formal plan approved by the Committee.

The plan requires the following key steps to be undertaken and sets deadlines for their achievement:

- All major accounting policy differences between current AASB standards and AEIFRS were identified by 30 June 2004.
- A transitional balance sheet as at 1 July 2004 under AEIFRS was completed and reviewed by the ANAO as part of the audit of the 2004-05 financial statements.
- An AEIFRS compliant balance sheet as at 30 June 2005 was also prepared during the preparation of the 2004-05 statutory financial reports.
- The plan also addresses the risks to successful achievement of the above objectives and includes strategies to keep implementation on track to meet deadlines.

3.2 Major Changes in Accounting Policy

AQIS believes that the first financial report prepared under AEIFRS, that is, at 30 June 2006, will be prepared on the basis that AQIS will be a first time adopter under AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. Changes in accounting policies under AEIFRS are applied retrospectively as if the new policy had always applied except in relation to

the exemptions available and prohibitions under AASB 1. This means that an AEIFRS compliant balance sheet has to be prepared as at 1 July 2004. This will enable the 2005-06 financial statements to report comparatives under AEIFRS.

A first time adopter of AEIFRS may elect to use exemptions under paragraphs 13 to 25E. When developing the accounting policies applicable to the preparation of the 1 July opening balance sheet, no exemptions were applied by AQIS. Changes to major accounting policies are discussed in the following paragraphs.

Management's review of the quantitative impacts of AEIFRS represents the best estimates of the impacts of the changes as at reporting date. The actual effects of the impacts of AEIFRS may differ from these estimates due to:

- continuing review of the impacts of AEIFRS on AQIS's operations;
- potential amendments to the AEIFRS and AEIFRS Interpretations; and
- emerging interpretation as to the accepted practice in the application of AEIFRS and the AEIFRS Interpretations.

Property Plant and Equipment

It is expected that the 2005-06 Finance Minister's Orders will continue to require property plant and equipment assets to be valued at fair value in 2005-06. Historically, the AQIS has progressively valued property, plant and equipment at fair value. All property, plant and equipment other than internal use software has been reported at fair value for 2004-05.

Intangible Assets

Internally developed software and internal use software is currently reported at cost and so there will be no requirement for adjustment on the implementation of AEIFRS.

Impairment of Intangibles and Property, Plant and Equipment

AQIS's policy on impairment of non-current assets is at Note 2.11 VI. Under AEIFRS these assets will be subject to assessment for impairment and, if there are indications of impairment, an assessment of the degree of impairment. The impairment test is that the carrying amount of an asset must not exceed the greater of its fair value less costs to sell and its value in use. As AQIS is a not-for-profit entity, value in use will be assessed as the depreciated replacement cost in accordance with paragraph Aus 32.1 of AASB 136.

Decommissioning, Restoration and Make-good

When assessing accommodation leases for the preparation of the opening balance sheet, no obligations for make-good were determined. In relation to non-financial

assets, AQIS is still assessing at reporting date whether any obligation for decommissioning, restoration or make-good is reliably estimable.

Inventory

AQIS recognises inventory not held for sale at cost, except where no longer required, in which case net realisable value is applied. The new Australian Equivalent standard will require inventory held for distribution for no consideration or at a nominal amount to be carried at the lower of cost or current replacement cost. An assessment was made and it was found that in all instances the current replacement cost of inventory was equal or greater than the original cost. Therefore no adjustment is required.

Employee Benefits

The provision for long service leave is measured at the present value of estimated future cash outflows using market yields as at the reporting date on national government bonds.

The 2003-04 Financial Report noted that the AEIFRS standards may require the market yield on corporate bonds to be used. The AASB has decided that a deep market in high quality corporate bonds does not exist and therefore national government bonds will be referenced.

AEIFRS require that annual leave that is not expected to be taken within 12 months of balance date is to be discounted. After assessing the staff leave profile, AQIS expects to make an adjustment for annual leave balances that will not be taken in the next 12 months.

Administered Items

AQIS does not conduct Administered activities.

Financial Instruments

AEIFRS include an option for entities not to restate comparative information in respect of financial instruments in the first AEIFRS report. It is expected that Finance Minister's Orders will require entities to use this option. Therefore, the amounts for financial instruments presented in AQIS's 2004-05 primary financial statements are not expected to change as a result of the adoption of AEIFRS.

AQIS will be required by AEFIRS to review the carrying amounts of financial instruments at 1 July 2005 to ensure they align with the accounting policies required by AEIFRS. It is expected that the carrying amounts of financial instruments held by AQIS will not materially change as a result of this process.

Reconciliation of Impacts – AGAAP to AEIFRS

	30 June 2005 \$'000 \$	<i>30 June 2004 \$'000 \$</i>
Reconciliation of Departmental Equity		
Total Departmental Equity under AGAAP	24,760	<i>21,457</i>
Adjustments to accumulated results	-284	-
Adjustments to other reserves	1,440	-
<i>Total Equity under AEIFRS</i>	<u>25,916</u>	<i><u>21,457</u></i>
Reconciliation of Departmental Accumulated Results		
Total Departmental Accumulated Results under AGAAP	20,084	<i>18,923</i>
Adjustments:		
Work in progress	-	-
Assets – Carrying Value	-	-
Asset Revaluation Reserves	-	-
Depreciation	-	-
Employee Provisions	-284	-
<i>Total Accumulated Results under AEIFRS</i>	<u>19,800</u>	<i><u>18,923</u></i>
Reconciliation of Departmental Reserves		
Total Departmental Reserves under AGAAP	3,517	<i>1,375</i>
Adjustment:		
Asset Revaluation Reserve	1,440	-
<i>Total Departmental Reserves under AEIFRS</i>	<u>4,957</u>	<i><u>1,375</u></i>
Reconciliation of Departmental Contributed Equity		
Total Departmental Contributed Equity under AGAAP	1,159	<i>1,159</i>
Adjustments	-	-
<i>Total Contributed Equity under AEIFRS</i>	<u>1,159</u>	<i><u>1,159</u></i>

AUSTRALIAN QUARANTINE AND INSPECTION SERVICE
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2005

2004-2005
 \$'000

NOTE 4 Operating Revenues

Note 4A - Revenues from Government

Appropriations for outputs:

Appropriations - annual appropriation

153 299

Total appropriations for outputs

153 299

Resources received free of charge

-

Total revenues from Government

153 299

Note 4B - Goods and Services

Goods

-

Services

150 191

Levies, fees and charges

179

Total goods and services

150 370

Provision of goods to:

Related entities

-

External entities

-

Total provision of goods

-

Rendering of services to:

Related entities

5 743

External entities

144 448

Total rendering of services

150 191

Note 4C - Interest Revenue

Interest on fees

143

Note 4D - Other Revenues

Resources received free of charge from independent bodies:

Rent on international airport buildings

909

Northern Territory Treasury corporate services support

25

Reduction in industry rebates

10 264

Other

1 156

Total other revenues

12 354

2003-2004

\$'000

138 231

138 231

-

138 231

3
146 491

179

146 673

-

3

3

2 352

144 139

146 491

129

921
91
4 976

724

6 712

AUSTRALIAN QUARANTINE AND INSPECTION SERVICE
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

2004-2005 2003-2004
\$'000 \$'000

NOTE 5 Operating Expenses

Note 5A - Employee Expenses

Remuneration	156 152	136 078
Superannuation	25 143	22 162
Leave and other entitlements	15 232	17 017
Separation and redundancies	244	523
Other employee expenses	6 651	6 779
Total employee benefits expense	203 422	182 559
Workers' compensation expenses	3 164	2 310
Total employee expenses	206 586	184 869

Note 5B - Supplier Expenses

Goods from related entities	14 854	993
Goods from external entities	20 261	40 637
Services from related entities	3 891	290
Services from external entities	40 647	37 143
	79 653	79 063
Operating lease rentals	22 629	19 599
Total supplier expenses	102 282	98 662

Note 5C - Depreciation and Amortisation

The aggregate amounts and depreciation or amortisation expensed during the year for each class of depreciable asset are as follows:

Depreciation

Buildings	44	30
Leasehold improvements	2 026	1 443
Infrastructure, plant and equipment	1 699	2 204
Total depreciation	3 769	3 677

Amortisation

Intangibles:

Computer software - purchased	126	73
Computer software - internally developed	1 641	1 800
Total amortisation	1 767	1 873
Total depreciation and amortisation	5 536	5 550

Note 5D - Write-Down and Impairment of Assets

Financial assets:

Doubtful debts expense	130	617
Other financial assets	47	28

Non-financial assets:

Land and buildings	-	420
Infrastructure, plant and equipment	30	131

AUSTRALIAN QUARANTINE AND INSPECTION SERVICE
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 for the year ended 30 June 2005

	2004-2005 \$'000	2003-2004 \$'000
Inventories write down	-	31
<i>Total write-down of assets</i>	207	1 227
 <u>Note 5E - Net Loss from Sale of Assets</u>		
Land and buildings:		
Proceeds from disposal of buildings	-	-
Net book value of buildings disposed	-	6
<i>Net loss on disposal of land and buildings</i>	-	(6)
 Infrastructure, plant and equipment:		
Proceeds from disposal of infrastructure, plant and equipment	6	48
Net book value of infrastructure, plant and equipment disposed	281	50
<i>Net loss on disposal of infrastructure, plant and equipment</i>	(275)	(2)
Total proceeds from disposal	6	48
Total value of assets disposed	281	56
<i>Total net loss from sale of assets</i>	(275)	(8)
 <u>Note 5F - Borrowing Costs Expense</u>		
Interest payments	131	212
Interest payments relate to outsourced IT equipment.		

AUSTRALIAN QUARANTINE AND INSPECTION SERVICE
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2005

2004-2005 2003-2004
 \$'000 \$'000

NOTE 6 Cash

Cash at bank	111	1 060
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Under the new Budget and Estimates Framework agencies are required to transfer to the Department of Finance and Administration (Finance) all cash deposits above a pre defined threshold. No AQIS cash was held by Finance as at 30 June 2005 (2004: Nil).

NOTE 7 Receivables

Goods and services	8 364	8 016
Other debtors	2 446	2 578
Less: Provision for doubtful debts	(1 731)	(2 279)
	<u>9 079</u>	<u>8 315</u>
Goods and services tax receivable from the ATO	1 064	1 443
Appropriation receivable	48 492	59 853
Total receivables (net)	<u><u>58 635</u></u>	<u><u>69 611</u></u>

Receivables (gross) are aged as follows:

Not overdue	49 880	58 858
Overdue by less than 30 days	924	1 147
Overdue by 30 to 60 days	250	365
Overdue by 61 to 90 days	95	133
Overdue by greater than 90 days	982	2 351
Non-current receivable	8 234	9 036
Total receivables (gross)	<u><u>60 366</u></u>	<u><u>71 890</u></u>

The provision for doubtful debts is aged as follows:

Not overdue	-	37
Overdue by less than 30 days	404	32
Overdue by 30 to 60 days	250	33
Overdue by 61 to 90 days	95	16
Overdue by greater than 90 days	982	2 161
Total provision for doubtful debts	<u><u>1731</u></u>	<u><u>2 279</u></u>

AUSTRALIAN QUARANTINE AND INSPECTION SERVICE
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2005

	2004-2005 \$'000	2003-2004 \$'000
NOTE 8 Accrued Revenue		
Accrued interest	-	-
Goods and services	5 716	5 771
Total accrued revenue	5 716	5 771
All accrued revenues are current assets.		
NOTE 9 Land and Buildings		
Land - at valuation 30/06/01 (deprival)	-	705
Land - at valuation 01/07/02 (fair value)	-	20
Land - at valuation 30/06/05 (fair value)	1 190	-
	1 190	725
Buildings - at valuation 30/06/01 (deprival)	-	1 147
less accumulated depreciation	-	(83)
	-	1 064
Buildings - at valuation 01/07/02 (fair value)	-	100
less accumulated depreciation	-	(5)
	-	95
Buildings - at valuation 30/06/05 (fair value)	1 625	-
less accumulated depreciation	-	-
	1 625	-
Leasehold improvements - at cost	-	8 215
less accumulated depreciation	-	(805)
	-	7 410
Leasehold improvements - at valuation 01/07/02 (fair value)	-	4 112
less accumulated depreciation	-	(1 314)
	-	2 798
Leasehold improvements - at valuation 30/06/05 (fair value)	12 888	411
less accumulated depreciation	-	-
	12 888	411
Total land and buildings	15 703	12 503

The revaluations were in accordance with the revaluation policy stated at Note 2 and were completed by the Australian Valuation Office and Dominion (ACT) Valuers and Auctioneers.

AUSTRALIAN QUARANTINE AND INSPECTION SERVICE
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

	2004-2005	2003-2004
	\$'000	\$'000
NOTE 10 Infrastructure, Plant and Equipment		
Infrastructure, plant and equipment - at cost	-	1 240
less accumulated depreciation	-	(432)
	<u>-</u>	<u>808</u>
Infrastructure, plant and equipment - at valuation 30/06/02 (deprival)	-	1 330
less accumulated depreciation	-	(339)
	<u>-</u>	<u>991</u>
Infrastructure, plant and equipment - at valuation 30/06/04 (fair value)	-	2 320
less accumulated depreciation	-	(841)
	<u>-</u>	<u>1 479</u>
Infrastructure, plant and equipment - at valuation 30/06/05 (fair value)	3 610	-
less accumulated depreciation	-	-
	<u>3 610</u>	<u>-</u>
Work in progress - infrastructure, plant and equipment	728	606
Infrastructure, plant and equipment - under finance lease	7 203	6 229
less accumulated depreciation	(4 378)	(4 521)
	<u>2 825</u>	<u>1 708</u>
Total infrastructure, plant and equipment	<u>7 163</u>	<u>5 592</u>
The revaluations were in accordance with the progressive revaluation policy stated at Note 2 and were completed by the Australian Valuation Office and Dominion (ACT) Valuers and Auctioneers.		
NOTE 11 Inventories		
Inventories held for sale	-	-
Inventories not held for sale	998	1 705
Total inventories	<u>998</u>	<u>1 705</u>
All departmental inventories are current assets.		
NOTE 12 Intangibles		
Computer software, purchased - at cost	890	829
less accumulated amortisation	(675)	(706)
	<u>215</u>	<u>121</u>
Computer software, internally developed - at cost	10 169	19 110
less accumulated amortisation	(6 149)	(15 012)
	<u>4 020</u>	<u>4 098</u>
Work in progress - computer software, internally developed	6 139	4 705
Total intangibles	<u>10 374</u>	<u>8 924</u>
NOTE 13 Other Non-Financial Assets		
Prepayments	938	737
Advances	193	195
Total other non-financial assets	<u>1 131</u>	<u>932</u>

AUSTRALIAN QUARANTINE AND INSPECTION SERVICE
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for the year ended 30 June 2005

2004-2005	2003-2004
\$'000	\$'000

All other non-financial assets are current assets.

AUSTRALIAN QUARANTINE AND INSPECTION SERVICE
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

2004-2005 2003-2004
\$'000 \$'000

NOTE 15 Provisions - Employees

Salaries and wages	1 604	6 917
Leave	49 033	44 274
Separations and redundancies	-	56
Aggregate employee entitlement liability	50 637	51 247
Employee entitlement on-costs	3 392	3 392
Aggregate employee benefit liability and related on-costs	54 029	54 639
Current	15 345	20 713
Non-current	38 684	33 926
	54 029	54 639

NOTE 16 Payables - Suppliers

Trade creditors	5 541	7 030
-----------------	-------	-------

All supplier payables are current liabilities.

NOTE 17 Payables - Other

Industry rebates	10 198	19 403
Unearned revenues	2 426	2 179
Lease incentives	19	24
Total other payables	12 643	21 606

All other payables are current liabilities.

NOTE 18 Leases

Finance lease commitments

Payable:

Within one year	1 391	972
In one to five years	1 761	502
Minimum lease payments	3 152	1 474
Deduct: future finance charges	(294)	(108)
Net lease liability	2 858	1 366

Lease liability is represented by:

Current	1 221	896
Non-current	1 637	470
Net lease liability	2 858	1 366

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.

AUSTRALIAN QUARANTINE AND INSPECTION SERVICE
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 as at 30 June 2005

NOTE 19 Equity

Item	Retained surpluses		Reserves		Contributed equity		TOTAL EQUITY	
	2004-2005 \$'000	2003-2004 \$'000	2004-2005 \$'000	2003-2004 \$'000	2004-2005 \$'000	2003-2004 \$'000	2004-2005 \$'000	2003-2004 \$'000
Opening balance as at 1 July	18 923	17 373	1 375	1 786	1 159	1 159	21 457	20 318
Net surplus (deficit)	1 161	1 550	-	-	-	-	1 161	1 550
Net revaluation increment/(decrement)	-	-	2 142	(411)	-	-	2 142	(411)
<i>Closing balance as at 30 June</i>	20 084	18 923	3 517	1 375	1 159	1 159	24 760	21 457

Asset revaluation reserve

The net revaluation change in the asset revaluation reserve comprises:

Revaluation increment/(decrement) - land

Revaluation increment/(decrement) - buildings

Revaluation increment/(decrement) - infrastructure, plant and equipment

	2004-2005 \$'000	2003-2004 \$'000
Revaluation increment/(decrement) - land	465	-
Revaluation increment/(decrement) - buildings	1 937	-
Revaluation increment/(decrement) - infrastructure, plant and equipment	(260)	(411)
	<u>2 142</u>	<u>(411)</u>

AUSTRALIAN QUARANTINE AND INSPECTION SERVICE
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 as at 30 June 2005

2004-2005
 \$'000

NOTE 20 Cashflow Reconciliation

(a) Reconciliation of Cash per Statement of Financial Position to Statement of Cash Flows

Cash at year end per Statement of Cash Flows	111
Statement of Financial Position items comprising above cash:	
Financial Asset - Cash	111

(b) Reconciliation of Net Surplus to Net Cash from Operating Activities

Net surplus (deficit)	1 161
Depreciation and amortisation	5 536
Loss on disposal of assets	281
Net write-down of non-financial assets	30
Proceeds from disposal of assets	(6)
Capital appropriation	(5 860)

Changes in assets and liabilities:

Decrease/(increase) in net receivables	10 978
Decrease/(increase) in other financial assets	54
Decrease/(increase) in inventories	707
Decrease/(increase) in other non-financial assets	(200)
Increase/(decrease) in employee provisions	(610)
Increase/(decrease) in supplier payables	(1 489)
Increase/(decrease) in other payables	(8 963)

Net cash from / (used by) operating activities

1 619

(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.

2004-2005
 \$

NOTE 21 Act of Grace Payments, Waivers and Defective Administration Scheme

No Act of Grace payments were made during the reporting period (2003-04: Nil).

-

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 'Scheme for Compensation for Detriment caused by Defective Administration (CDDA)' during the reporting period (2003-04: Nil).

-

2003-2004
\$'000

1 060

1 060

1 550

5 550

-

551

8

(32 180)

1 391

49

805

242

9 696

(672)

(4 846)

(17 856)

2003-2004
\$

-

-

-

AUSTRALIAN QUARANTINE AND INSPECTION SERVICE
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
as at 30 June 2005

2004-2005

\$

NOTE 22 Executive Remuneration

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:

\$100 000 to 109 999	1
\$110 000 to 119 999	-
\$120 000 to 129 999	-
\$130 000 to 139 999	1
\$140 000 to 149 999	1
\$150 000 to 159 999	3
\$160 000 to 169 999	2
\$170 000 to 179 999	1
\$180 000 to 189 999	-
\$190 000 to 199 999	1
\$200 000 to 209 999	-
\$210 000 to 219 999	1
\$220 000 to 229 999	-
\$230 000 to 239 999	-
\$240 000 to 249 999	-
\$250 000 to 259 999	-
\$260 000 to 269 999	1
	<u>12</u>

The aggregate amount of total remuneration of executive officers shown above 2 022 092

The aggregate amount of performance pay paid during the year to executive officers shown above* 81 245

The aggregate amount of separation and redundancy payments during the year to executive officers shown above -

*Performance pay reported in 2004-05 of \$81 245 is for 2004-05 (2003-04: \$73 200). The expense has been accrued as required by the Finance Minister's Orders. Performance pay of \$135 700 reported in 2003-04 included \$62 500 that related to the 2002-03 financial year.

AUSTRALIAN QUARANTINE AND INSPECTION SERVICE
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
as at 30 June 2005

2004-2005

\$

NOTE 23 Remuneration of Auditors

Financial statement audit services are provided by the Australian National Audit Office. The Australian Quarantine and Inspection Service operates through a Special Account and is required to remit an amount equivalent to the cost of these audits to the Official Public Account. The fair value of the audit service is:

- at cost

189 000

189 000

The Australian National Audit Office provided no other services to AQIS in 2004-05.

The at cost payments made are competitive neutrality payments.

NOTE 24 Average Staffing Levels

The average staffing level for AQIS during the year was:

2 692

Average staffing levels are based on full-time equivalents.

NOTE 25 Events Occurring After Balance Date

There were no significant events occurring after balance date.

2003-2004

\$

-
-
-
-
1
1
2
2
-
-
2
-
-
-
-
1
-

9

1 650 240

135 700

-

2003-2004

\$

175 000

175 000

2 532

AUSTRALIAN QUARANTINE AND INSPECTION SERVICE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

as at 30 June 2005

NOTE 26 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	6	Cash is recognised at its nominal amount.	Monies in the AQIS bank account are swept into the Official Public Account nightly.
Receivables for goods and services	7	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 (2003-04: 28 days).
Appropriation receivable	7	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.
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.

AUSTRALIAN QUARANTINE AND INSPECTION SERVICE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

as at 30 June 2005

NOTE 26 Financial Instruments (continued)

(a) Terms, conditions & accounting policies (continued)

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 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	16, 17	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 (2003-04: 28 days).
Industry rebates	17	Industry rebates are recognised at their nominal amounts, being the amounts at which the liabilities will be settled.	See Note 2.14.
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>			
Contingencies	Schedule of Contingencies	27 contingent liabilities existed at 30 June 2005 (2003-04: Nil reported). Contingent liabilities and assets are not recognised in the Statement of Financial Position but are disclosed in the Schedule of Contingencies. They may arise from uncertainty as to the existence of a liability or asset, or represent an existing liability or asset in respect of which settlement is not probable or the amount cannot be reliably measured.	At reporting date, several legal claims and property make-good obligations existed. These obligations may not materialise. Any amounts payable are contingent on future decisions.

AUSTRALIAN QUARANTINE AND INSPECTION SERVICE
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 as at 30 June 2005

NOTE 26 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	
		2004-2005 \$'000	2003-2004 \$'000	1 year or less		1 - 2 years		2 - 5 years		> 5 years		2004-2005 \$'000	2003-2004 \$'000	2004-2005 \$'000	2003-2004 \$'000	2004-2005 %	2003-2004 %
				2004-2005 \$'000	2003-2004 \$'000	2004-2005 \$'000	2003-2004 \$'000	2004-2005 \$'000	2003-2004 \$'000	2004-2005 \$'000	2003-2004 \$'000						
Financial Assets																	
Cash	6	-	-	-	-	-	-	-	-	-	111	1 060	111	1 060	n/a	0.00	
Receivables for goods and services	7	-	-	-	-	-	-	-	-	-	6 633	5 737	6 633	5 737	n/a	n/a	
Other debtors	7	-	-	-	-	-	-	-	-	-	3 510	2 578	3 510	2 578	n/a	n/a	
Appropriation receivable	7	-	-	-	-	-	-	-	-	-	48 492	59 853	48 492	59 853	n/a	n/a	
Accrued revenue	8	-	-	-	-	-	-	-	-	-	5 716	5 771	5 716	5 771	n/a	n/a	
Total financial assets (recognised)		-	-	-	-	-	-	-	-	-	64 462	74 999	64 462	74 999			
Total assets													99 831	106 098			
Financial Liabilities																	
Trade and other creditors	16, 17	-	-	-	-	-	-	-	-	-	5 541	7 030	5 541	7 030	n/a	n/a	
Industry rebates	17	-	-	-	-	-	-	-	-	-	10 198	19 403	10 198	19 403	n/a	n/a	
Finance leases	18	-	-	1 221	896	1 637	470	-	-	-	-	-	2 858	1 366	6.00	6.00	
Total financial liabilities (recognised)		-	-	1 221	896	1 637	470	-	-	-	15 739	26 433	18 597	27 799			
Total liabilities													75 071	84 647			
Liabilities Not Recognised																	
Claims for damages/costs	Schedule of Contingencies	-	-	-	-	-	-	-	-	-	3 118	-	3 118	-	0.00	n/a	
Total liabilities (unrecognised)		-	-	-	-	-	-	-	-	-	3 118	-	3 118	-			

AUSTRALIAN QUARANTINE AND INSPECTION SERVICE
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 as at 30 June 2005

NOTE 26 Financial Instruments (continued)

(c) Net Fair Value of Financial Assets and Liabilities

	Note	2004-2005		2003-2004	
		Total carrying amount \$'000	Aggregate net fair value \$'000	Total carrying amount \$'000	Aggregate net fair value \$'000
Financial Assets					
Cash	6	111	111	1 060	1 060
Receivables for goods and services	7	6 633	6 633	5 737	5 737
Appropriation receivable	7	48 492	48 492	59 853	59 853
Other debtors	7	3 510	3 510	2 578	2 578
Accrued revenue	8	5 716	5 716	5 771	5 771
Total financial assets		64 462	64 462	74 999	74 999
Financial Liabilities (Recognised)					
Trade and other creditors	16, 17	5 541	5 541	7 030	7 030
Industry rebates	17	10 198	10 198	19 403	19 403
Finance leases	18	2 858	2 858	1 366	1 366
Total financial liabilities (recognised)		18 597	18 597	27 799	27 799
Financial Liabilities (Unrecognised)					
Claims for damages/costs		3 118	3 118	-	-
Total financial liabilities (unrecognised)		3 118	3 118	-	-

Financial assets

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

Financial liabilities

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

(d) Credit Risk Exposure

AQIS's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Performance.

AQIS 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; and
- withdrawal of services if debt recovery action is unsuccessful.

AUSTRALIAN QUARANTINE AND INSPECTION SERVICE
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
as at 30 June 2005

NOTE 27 Contingent Liabilities and Assets

Quantifiable Contingencies

The Schedule of Contingencies reported a GST inclusive contingent liability of \$3.118m as at 30 June 2005. This amount represents "make-good" provisions on properties leased by AQIS. The contingent asset reported by AQIS at 30 June 2005, represents GST receivable of \$0.283m. The "make-good" provision is considered contingent as it is unclear whether current leases will be renegotiated.

Unquantifiable Contingencies

Liabilities

At 30 June 2005, a contingent liability exists in respect of a case being considered under the Scheme for Compensation for Detriment caused by Defective Administration (CDDA). The amount of damages being sought by the claimant has not yet been quantified. In the event that the claim for damages is proven, AQIS expects that a substantial proportion will be reimbursed through appropriations.

Assets

At 30 June 2005, AQIS was pursuing a number of legal claims for damages/costs. AQIS is expecting to succeed in claims against a variety of parties, although the cases are continuing. It is not possible to estimate the amounts of any eventual payments which might be recovered in relation to these claims.

Remote Contingencies

At 30 June 2005, AQIS was involved in a number of legal claims for damages/costs as defendant or plaintiff. Insufficient progress or information for each of the respective claims prevents further commentary as to the outcome or amount.

At 30 June 2005, AQIS was liaising with the NSW Treasury and the Department of Finance and Administration on a matter pertaining to NSW Meat Inspectors' superannuation liabilities. The NSW Meat Inspection Service was transferred to the Commonwealth in July 1983. Under the terms of the transfer, officers were provided the opportunity to elect at the time either to remain in their existing superannuation scheme or to transfer their entitlement to the Commonwealth superannuation scheme. The majority chose to remain in the State scheme. This liability has not yet been quantified.

NOTE 28 Appropriations

AQIS is a Special Account and a separate reporting entity within the Department of Agriculture, Fisheries and Forestry. Amounts appropriated for AQIS outputs are included in the appropriation acts of the Department of Agriculture, Fisheries and Forestry. Please refer to Note 38 of the financial statements for the Department of Agriculture, Fisheries and Forestry for appropriation disclosures and details on the operation of the Special Account.