



CHAPTER NINE

GEOSCIENCE AUSTRALIA FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

To the Minister for Resources and Northern Australia

Opinion

In my opinion, the financial statements of Geoscience Australia for the year ended 30 June 2017:

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

The financial statements of Geoscience Australia, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

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

Basis for Opinion

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

Accountable Authority's Responsibility for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Australian National Audit Office



Peter Kerr

Executive Director

Delegate of the Auditor-General

Canberra

6 September 2017

STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER

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

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

Signed.....

Dr James Johnson
Chief Executive Officer

06/09/2017

Signed.....

Vanessa Graham
Chief Finance and Human
Resources Officer

06/09/2017

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Statement of Comprehensive Income*for the period ended 30 June 2017*

| | Notes | 2017 \$'000 | 2016 \$'000 | Original Budget \$'000 |
|---|-------|------------------|------------------|---------------------------|
| NET COST OF SERVICES | | | | |
| Expenses | | | | |
| Employee Benefits | 1.1A | 72,557 | 75,719 | 74,392 |
| Suppliers | 1.1B | 109,902 | 93,047 | 111,908 |
| Depreciation and amortisation | 3.2A | 6,120 | 8,525 | 8,136 |
| Finance costs - unwinding of discount | 3.4A | 13 | 17 | 50 |
| Write-Down and Impairment of Assets | 1.1C | 171 | 10 | - |
| Foreign Exchange Losses | | - | 10 | - |
| Losses from asset sales | | 25 | 114 | - |
| Total expenses | | 188,788 | 177,442 | 194,486 |
| Own-Source Income | | | | |
| Own-source revenue | | | | |
| Sale of Goods and Rendering of Services | 1.2A | 38,144 | 41,236 | 41,890 |
| Interest | | - | 9 | - |
| Rental Income | 1.2B | 47 | - | - |
| Other Revenue | 1.2C | 662 | 702 | 92 |
| Total own-source revenue | | 38,853 | 41,947 | 41,982 |
| Gains | | | | |
| Reversal of write-downs and impairment | 1.2D | 6 | 5 | - |
| Total gains | | 6 | 5 | - |
| Total own-source income | | 38,859 | 41,952 | 41,982 |
| Net cost of services | | (149,929) | (135,490) | (152,504) |
| Revenue from Government | 1.2E | 142,619 | 121,258 | 139,668 |
| Deficit on continuing operations | | (7,310) | (14,232) | (12,836) |
| OTHER COMPREHENSIVE INCOME | | | | |
| Items not subject to subsequent reclassification to net cost of services | | | | |
| Changes in asset revaluation surplus | | 5,962 | (315) | - |
| Total other comprehensive income | | 5,962 | (315) | - |
| Total comprehensive loss attributed to the Australian Government | | (1,348) | (14,547) | (12,836) |

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

Variance commentary is consolidated in the Departmental Budget Variance Commentary note.

Statement of Financial Position*as at 30 June 2017*

| | | 2017 | 2016 | Original Budget |
|-----------------------------------|-------|----------------|----------------|-----------------|
| | Notes | \$'000 | \$'000 | \$'000 |
| ASSETS | | | | |
| Financial assets | | | | |
| Cash and Cash Equivalents | | 2,253 | 2,447 | 2,500 |
| Trade and Other Receivables | 3.1A | 77,425 | 82,049 | 51,772 |
| Accrued revenue | | 2,172 | 1,441 | 1,270 |
| Total financial assets | | 81,850 | 85,937 | 55,542 |
| Non-financial assets | | | | |
| Land | 3.2A | 1,255 | 1,240 | 765 |
| Buildings | 3.2A | 365 | 365 | 325 |
| Leasehold improvements | 3.2A | 9,840 | 2,737 | 9,369 |
| Heritage and cultural | 3.2A | 2,254 | 2,254 | 2,365 |
| Plant and equipment | 3.2A | 30,975 | 26,323 | 28,439 |
| Computer software | 3.2A | 305 | 1,306 | 1,644 |
| Prepayments | | 7,051 | 4,449 | 4,896 |
| Total non-financial assets | | 52,045 | 38,674 | 47,803 |
| Total assets | | 133,895 | 124,611 | 103,345 |
| LIABILITIES | | | | |
| Payables | | | | |
| Suppliers | 3.3A | 32,731 | 23,613 | 30,818 |
| Other Payables | 3.3B | 51,459 | 57,882 | 34,205 |
| Total payables | | 84,190 | 81,495 | 65,023 |
| Provisions | | | | |
| Employee Provisions | 5.1A | 26,071 | 27,635 | 26,898 |
| Other Provisions | 3.4A | 1,990 | 728 | 700 |
| Total provisions | | 28,061 | 28,363 | 27,598 |
| Total liabilities | | 112,251 | 109,858 | 92,621 |
| Net assets | | 21,644 | 14,753 | 10,724 |
| EQUITY | | | | |
| Contributed equity | | 45,731 | 37,492 | 45,732 |
| Reserves | | 13,775 | 7,813 | 8,128 |
| Accumulated deficit | | (37,862) | (30,552) | (43,136) |
| Total equity | | 21,644 | 14,753 | 10,724 |

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

Variance commentary is consolidated in the Departmental Budget Variance Commentary note.

Statement of Changes in Equity*for the period ended 30 June 2017*

| | Notes | 2017 \$'000 | 2016 \$'000 | Original Budget \$'000 |
|---------------------------------------|-------|-----------------|-----------------|---------------------------|
| CONTRIBUTED EQUITY | | | | |
| Opening balance | | 37,492 | 32,926 | 37,494 |
| Transactions with owners | | | | |
| Contributions by owners | | | | |
| Equity injection - Appropriations | 4.1A | 3,700 | 10 | 3,700 |
| Departmental capital budget | 4.1A | 4,539 | 4,556 | 4,539 |
| Total transactions with owners | | 8,239 | 4,566 | 8,239 |
| Other movements | | - | - | (1) |
| Closing balance as at 30 June | | 45,731 | 37,492 | 45,732 |
| RETAINED EARNINGS | | | | |
| Opening balance | | (30,552) | (16,320) | (30,300) |
| Comprehensive income | | | | |
| Deficit for the period | | (7,310) | (14,232) | (12,836) |
| Total comprehensive income | | (7,310) | (14,232) | (12,836) |
| Closing balance as at 30 June | | (37,862) | (30,552) | (43,136) |
| ASSET REVALUATION RESERVE | | | | |
| Opening balance | | 7,813 | 8,128 | 8,128 |
| Comprehensive income | | | | |
| Other comprehensive income | | | | |
| Change in make good provision | 3.4A | (1,150) | (111) | - |
| Revaluation and impairments | 3.2A | 7,112 | (204) | - |
| Total comprehensive income | | 5,962 | (315) | - |
| Closing balance as at 30 June | | 13,775 | 7,813 | 8,128 |
| TOTAL EQUITY | | | | |
| Opening balance | | 14,753 | 24,734 | 15,322 |
| Comprehensive income | | | | |
| Deficit for the period | | (7,310) | (14,232) | (12,836) |
| Other comprehensive income | | | | |
| Change in make good provision | 3.4A | (1,150) | (111) | - |
| Revaluation and impairments | 3.2A | 7,112 | (204) | - |
| Total comprehensive income | | (1,348) | (14,547) | (12,836) |
| Transactions with owners | | | | |
| Contributions by owners | | | | |
| Equity injection - Appropriations | 4.1A | 3,700 | 10 | 3,700 |
| Departmental capital budget | 4.1A | 4,539 | 4,556 | 4,539 |
| Total transactions with owners | | 8,239 | 4,566 | 8,239 |
| Other movements | | - | - | (1) |
| Closing balance as at 30 June | | 21,644 | 14,753 | 10,724 |

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

Variance commentary is consolidated in the Departmental Budget Variance Commentary note.

Accounting PolicyEquity Injections

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

Cash Flow Statement*for the period ended 30 June 2017*

| | 2017 | 2016 | Original Budget |
|---|----------------|----------------|--------------------|
| | \$'000 | \$'000 | \$'000 |
| OPERATING ACTIVITIES | | | |
| Cash received | | | |
| Appropriations | 191,719 | 167,032 | 188,667 |
| Sale of goods and rendering of services | 36,799 | 39,974 | 35,330 |
| Interest | - | 9 | - |
| Net GST received | 7,765 | 7,281 | 7,927 |
| Other | 689 | 612 | - |
| Total cash received | 236,972 | 214,908 | 231,924 |
| Cash used | | | |
| Employees | 73,612 | 77,610 | 73,619 |
| Suppliers | 114,528 | 97,742 | 108,338 |
| Net GST paid | - | - | 7,927 |
| Section 74 receipts transferred to OPA | 47,039 | 39,934 | 35,330 |
| Total cash used | 235,179 | 215,286 | 225,214 |
| Net cash from operating activities | 1,793 | (378) | 6,710 |
| INVESTING ACTIVITIES | | | |
| Cash received | | | |
| Proceeds from sales of property, plant and equipment | 2 | 1 | - |
| Total cash received | 2 | 1 | - |
| Cash used | | | |
| Purchase of property, plant and equipment | 8,938 | 4,146 | 13,549 |
| Purchase of intangibles | 126 | 267 | 1,400 |
| Total cash used | 9,064 | 4,413 | 14,949 |
| Net cash used by investing activities | (9,062) | (4,412) | (14,949) |
| FINANCING ACTIVITIES | | | |
| Cash received | | | |
| Other | 19 | - | - |
| Appropriations - Contributed equity | 2,517 | 10 | 3,700 |
| Appropriations - Departmental capital budget | 4,539 | 4,556 | 4,539 |
| Total cash received | 7,075 | 4,566 | 8,239 |
| Net cash from financing activities | 7,075 | 4,566 | 8,239 |
| Net decrease in cash held | (194) | (224) | - |
| Cash and cash equivalents at the beginning of the reporting period | 2,447 | 2,671 | 2,500 |
| Cash and cash equivalents at the end of the reporting period | 2,253 | 2,447 | 2,500 |

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

Variance commentary is consolidated in the Departmental Budget Variance Commentary note.

Administered Schedule of Comprehensive Income*for the period ended 30 June 2017*

| | | 2017 | 2016 | Original Budget |
|---------------------------------|-------|--------|--------|-----------------|
| | Notes | \$'000 | \$'000 | \$'000 |
| NET COST OF SERVICES | | | | |
| Expenses | | | | |
| Grants | 2.1A | 20 | 20 | 20 |
| Total expenses | | 20 | 20 | 20 |
| Net cost of services | | (20) | (20) | (20) |
| Total comprehensive loss | | (20) | (20) | (20) |

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

| Administered Reconciliation Schedule | | | |
|--|-------|----------------|----------------|
| | Notes | 2017 \$'000 | 2016 \$'000 |
| Opening assets less liabilities as at 1 July | | - | - |
| Net cost of services | | | |
| Expenses | | | |
| Payments to entities other than corporate Commonwealth entities | | (20) | (20) |
| Transfers from the Australian Government | | | |
| Appropriation transfers from Official Public Account | | | |
| Annual appropriations | | | |
| Payments to entities other than corporate Commonwealth entities | | 20 | 20 |
| Closing assets less liabilities as at 30 June | | - | - |
| The above schedule should be read in conjunction with the accompanying notes. | | | |
| Accounting Policy <u>Administered Cash Transfers from the Official Public Account</u> Cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by the entity on behalf of the Government and reported as such in the schedule of administered cash flows and in the administered reconciliation schedule. | | | |

Administered Cash Flow Statement*for the period ended 30 June 2017*

| | 2017 | 2016 |
|--|--------|--------|
| Notes | \$'000 | \$'000 |
| OPERATING ACTIVITIES | | |
| Cash used | | |
| Grants | 20 | 20 |
| Total cash used | 20 | 20 |
| Net cash used by operating activities | (20) | (20) |
| Cash from Official Public Account | | |
| Appropriations | 20 | 20 |
| Total cash from official public account | 20 | 20 |
| Cash and cash equivalents at the end of the reporting period | - | - |
| This schedule should be read in conjunction with the accompanying notes. | | |

Departmental Budget Variance Commentary

The financial statements provide a comparison of the original budget as presented in the 2016-17 Portfolio Budget Statements (PBS) to the 2016-17 final outcome as presented in accordance with Australian Accounting Standards for Geoscience Australia. The Budget is not audited.

Variances are considered to be 'major' based on the following criteria:

- (a) the variance between budget and actual is greater than +/-10% of the budget for the line item; or
- (b) the variance between budget and actual is greater than +/-2% of the sub-total (i.e. total expenses, total income, total assets or total liabilities); or
- (c) the variance between budget and actual is below this threshold but is considered important for the reader's understanding, or it is sensitive or relates to a large offsetting movement.

In some instances, a budget has not been provided for in the PBS, for example non-cash items such as asset revaluations, foreign exchange and sale of asset adjustments.

Unless the variance is considered 'major' no explanation has been provided.

Statement of Comprehensive Income

Depreciation and amortisation expenses are lower than budget (25%) as a result of delays in anticipated capital expenditure on the Symonston Building Refresh Project, equipment purchases and antenna upgrade.

Total expenses are lower than budget (3%) primarily due to lower depreciation and amortisation expenses (explained above).

Sales of goods and rendering of services income is lower than budget (9%) due to delays in some anticipated work, including Lord Howe Rise offshore surveys and drilling projects, offset by new projects not anticipated in the budget.

Other revenue reflects salary sacrifice contributions from employees not included in the budget.

Total own-source revenue is lower than budget (8%) largely due to delays in some anticipated work (explained above).

The **Deficit on continuing operations** is an improvement on budget (\$5.5 million) mainly due to lower total expenses and additional revenue from Government included in 2016-17 Portfolio Additional Estimates Statements for the National Positioning Infrastructure Program (\$3.0 million), offset by lower sales of goods and rendering of services revenue.

Statement of Financial Position

Cash and cash equivalents are lower than budget reflecting the cash held position at 30 June 2017.

Trade and other receivables are significantly higher than budget largely as a result of increases in unearned revenue from Commonwealth and State Government income streams which were not anticipated in the budget and higher GST receivable and Trade receivables due to a greater volume of services completed and invoiced than estimated in the budget.

Accrued revenue is higher than budget (\$0.9 million) mainly due to a greater volume of completed services not invoiced than estimated in the budget.

Total financial assets are higher than budget primarily as a result of higher receivables and accrued revenue (explained above).

Non-financial assets are higher than budget by (9%) mainly as a result of increases to land, buildings, leasehold improvements and plant and equipment due to the asset revaluation undertaken at 30 June 2017, offset by delays in anticipated capital expenditure on the Symonston Building Refresh Project, equipment purchases and antenna upgrade.

Computer software is lower than budget (\$1.3 million) due to lower than anticipated capital spending for 2016-17.

Prepayments are higher than budget (\$2.2 million) largely due to a greater volume of services paid in advance of completion.

Total payables are higher than budget (29%) primarily due to an increase in other payables (51%) predominately reflecting increases in unearned revenue from Commonwealth and State Government income streams not anticipated in the budget.

Other provisions are higher than budget (\$1.3 million) due to the revaluation of make good provisions at 30 June 2017.

Statement of Changes in Equity

Equity is significantly higher than budget, mainly due to:

- a) **Reserves** being higher as a result of the revaluation at 30 June 2017 of property, plant and equipment assets, offset by the increase in make good provision, none of which was anticipated in the budget; and
- b) **Accumulated deficit** having improved on the budget, reflecting the improvement in the deficit on continuing operations (as explained in Statement of Comprehensive Income section).

Cash Flow Statement

Total cash received from operating activities is higher than budget (2%) primarily reflecting increased **appropriations** from Government included in 2016-17 Portfolio Additional Estimates Statements for the National Positioning Infrastructure Program (\$3.0 million).

Total cash used for operating activities is higher than budget (4%) mainly due to increased section 74 receipts returned to the OPA and GST received and used being separated in the budget instead of being reported as a net amount.

Total cash used for investing activities is lower than budget (39%) mainly due to lower **purchases of property, plant and equipment** as a result of: delays in anticipated capital expenditure on the Symonston Building Refresh Project, equipment purchases and antenna upgrade (\$4.6 million); and lower **purchases of intangibles** (\$1.3 million) than anticipated.

Appropriations - Contributed equity is lower than budget due to delays with equipment purchases for the Exploring for the Future measure and the deferral of the Trans-Pacific Partnership measure changes to procurement systems.

Overview

Objectives of the Entity

Geoscience Australia (GA) is an Australian Government controlled entity. It is a not-for-profit entity. The objective of GA is to assist government and the community to make informed decisions about the use of natural resources, the management of the environment and community safety.

GA is structured to meet a single outcome: to inform government, industry and community decisions on the economic, social and environmental management of the nation's natural resources through enabling access to geoscientific and spatial information.

The continued existence of the entity in its present form and with its present programmes is dependent on Government policy and on continued funding by Parliament for the entity's administration and programmes.

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

GA administers a grant to the International Geological Correlation Program on behalf of the Government.

The Basis of Preparation

The financial statements are general purpose financial statements and are required by subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The financial statements have been prepared in accordance with:

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

GA's financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars and values are rounded to the nearest thousand, unless disclosure of the full amount is specifically required.

New Accounting Standards Requirements

Adoption of New Australian Accounting Standard Requirements

The following new standards, revised standards, interpretations and amending standards issued by the Australian Accounting Standards Board are applicable and adopted in this reporting period.

AASB 124 Related Party Disclosures

AASB 13 Fair Value Measurement

Future Australian Accounting Standard Requirements

The following new standards, revised standards, interpretations and amending standards issued by the Australian Accounting Standards Board are applicable and are expected to have a material impact on GA's financial statements for the future reporting periods.

AASB 9 Financial Instruments (effective date 1 January 2018)

AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (effective date 1 January 2018)

AASB 15 Revenue from Contracts with Customers (effective date 1 January 2018)

AASB 16 Leases (effective date 1 January 2019)

AASB 1058 Income of Not-for-Profit Entities (effective date 1 January 2019)

Taxation

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

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

Reporting of Administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes.

Except where otherwise stated, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

Events After the Reporting Period

There were no events occurring after 30 June 2017 that would have material impact on both departmental and administered financial statements.

Departmental Financial Performance

This section analyses the financial performance of Geoscience Australia for the year ended 2017.

1.1 Expenses

| | 2017 | 2016 |
|--------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| 1.1A: Employee Benefits | | |
| Wages and salaries | 55,561 | 55,103 |
| Superannuation | | |
| Defined contribution plans | 4,746 | 4,497 |
| Defined benefit plans | 5,551 | 7,704 |
| Leave and other entitlements | 4,580 | 6,924 |
| Separation and redundancies | 2,119 | 1,491 |
| Total employee benefits | 72,557 | 75,719 |

Accounting Policy

Accounting policies for employee related expenses are contained in 5.1A Employee Provisions

1.1B: Suppliers

Goods and services supplied or rendered

| | | |
|--|---------------|---------------|
| Consultants | 532 | 628 |
| Contractors | 38,995 | 27,778 |
| Travel | 4,543 | 3,846 |
| IT services | 22,985 | 16,962 |
| Property operating | 5,695 | 6,495 |
| Office supplies | 971 | 972 |
| Direct operational costs | 3,990 | 3,928 |
| Other | 5,082 | 5,979 |
| Total goods and services supplied or rendered | 82,793 | 66,588 |

| | | |
|--|---------------|---------------|
| Goods supplied | 3,505 | 3,687 |
| Services rendered | 79,288 | 62,901 |
| Total goods and services supplied or rendered | 82,793 | 66,588 |

Other suppliers

| | | |
|-------------------------------|----------------|---------------|
| Operating lease rentals | 26,660 | 26,124 |
| Workers compensation expenses | 449 | 335 |
| Total other suppliers | 27,109 | 26,459 |
| Total suppliers | 109,902 | 93,047 |

Leasing commitments

GA's operating lease commitments are primarily for accommodation which are under operating lease agreements. The major lease is for the Symonston Office in Canberra with a lease expiry date of 31 May 2032.

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

| | | |
|--|----------------|----------------|
| Within 1 year | 23,943 | 25,264 |
| Between 1 to 5 years | 110,068 | 106,777 |
| More than 5 years | 335,322 | 364,064 |
| Total operating lease commitments | 469,333 | 496,105 |

Accounting Policy

All leases in GA are operating leases, as the risks and benefits are substantially retained with the lessor.

Operating lease payments are expensed on a straight line basis which is representative of the pattern of benefits derived from the leased assets. Lease incentives are recognised as other payables and amortised over the life of the lease on a straight line basis.

1.1C: Write-Down and Impairment of Assets

| | | |
|--|------------|-----------|
| Impairment of financial instruments | - | 2 |
| Impairment of intangible assets | - | 8 |
| Revaluation decrements | 171 | - |
| Total write-down and impairment of assets | 171 | 10 |

1.2 Own-Source Revenue and gains

| | 2017 | 2016 |
|--|--------|--------|
| | \$'000 | \$'000 |

Own-Source Revenue**1.2A: Sale of Goods and Rendering of Services**

| | | |
|--|---------------|---------------|
| Sale of goods | 505 | 492 |
| Rendering of services | 37,639 | 40,744 |
| Total sale of goods and rendering of services | 38,144 | 41,236 |

Accounting Policy

Revenue from the sale of goods is recognised when:

- a) the risks and rewards of ownership have been transferred to the buyer;
- b) GA retains no managerial involvement or effective control over the goods;
- c) the revenue and transaction costs incurred can be reliably measured; and
- d) it is probable that the economic benefits associated with the transaction flow to GA.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- a) the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- b) the probable economic benefit associated with the transaction will flow to GA.

The stage of completion of contracts at the reporting date is determined by reference to:

- a) surveys of work performed;
- b) services performed to date as a percentage of total services to be performed; or
- c) the proportion of costs incurred to date to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any allowance for impairment. Collectability of debts is reviewed at end of the reporting period. Allowances are made when the collectability of the debt is no longer probable.

1.2B: Rental Income

| | | |
|----------------------------|-----------|----------|
| Operating lease | | |
| Other | 47 | - |
| Total rental income | 47 | - |

Subleasing rental income commitments

GA has subleased the childcare centre area at GA's Symonston Office in Canberra. The underlease has a 10 year initial term expiring on 30 April 2027, with the option to extend for a further 5 years.

Commitments for sublease rental income receivables are as follows:

| | | |
|---|------------|----------|
| Within 1 year | 39 | - |
| Between 1 to 5 years | 931 | - |
| More than 5 years | - | - |
| Total sublease rental income commitments | 970 | - |

1.2C: Other Revenue

| | | |
|--|------------|------------|
| Audit fees | 94 | 90 |
| Employee Contributions (Salary sacrifice arrangements) | 510 | 538 |
| Other | 58 | 74 |
| Total other revenue | 662 | 702 |

Accounting Policy**Resources Received Free of Charge**

Resources 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. Resources received free of charge are recorded as either revenue or gains depending on their nature.

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Gains | | |
| <u>1.2D: Reversal of write-downs and impairment</u> | | |
| Reversal of impairment losses | 6 | 5 |
| Total reversals of previous asset write-downs and impairments | 6 | 5 |
| <u>1.2E: Revenue from Government</u> | | |
| Appropriations | | |
| Departmental appropriations | 142,619 | 121,258 |
| Total revenue from Government | 142,619 | 121,258 |

Accounting Policy*Revenue from Government*

Amounts appropriated for departmental expenses for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when GA gains control of the appropriation, 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.

Appropriations receivable are recognised at their nominal amounts.

| | | | |
|---|--|--|---------------|
| Income and Expenses Administered on Behalf of Government | | This section analyses the activities that Geoscience Australia does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting. | |
| 2.1 Administered - Expenses | | | |
| | | 2017 | 2016 |
| | | \$'000 | \$'000 |
| 2.1A: Grants | | | |
| Private sector | | | |
| Not-for-profit organisations | | 20 | 20 |
| Total grants | | 20 | 20 |
| Accounting Policy | | | |
| GA administers a grant to the International Geological Correlation Program on behalf of the Government. | | | |

Departmental Financial Position

This section analyses Geoscience Australia's assets used to conduct its operations and the operating liabilities incurred as a result.
Employee related information is disclosed in the People and Relationships section.

3.1 Financial Assets

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| 3.1A: Trade and Other Receivables | | |
| Goods and services receivables | | |
| Goods and services | 7,455 | 9,403 |
| Total goods and services receivables | 7,455 | 9,403 |
| Appropriations receivable | | |
| Appropriation receivable | 67,206 | 68,084 |
| Total appropriations receivable | 67,206 | 68,084 |
| Other receivables | | |
| Statutory receivables | 2,355 | 1,295 |
| Other | 409 | 3,269 |
| Total other receivables | 2,764 | 4,564 |
| Total trade and other receivables (gross) | 77,425 | 82,051 |
| Less impairment allowance | - | (2) |
| Total trade and other receivables (net) | 77,425 | 82,049 |

Credit terms for goods and services were within 30 days (2016: 30 days).

Accounting Policy

Loans and Receivables

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

Reconciliation of the Impairment Allowance

Movements in relation to 2017

| | Goods and services \$'000 |
|---|---------------------------------|
| As at 1 July 2016 | (2) |
| Amounts written off | - |
| Amounts recovered and reversed Increase/ (Decrease) recognised in net cost of services | - |
| Total as at 30 June 2017 | 2 |

Movements in relation to 2016

| | Goods and services \$'000 |
|---|---------------------------------|
| As at 1 July 2015 | (24) |
| Amounts written off | 16 |
| Amounts recovered and reversed Increase/ (Decrease) recognised in net cost of services | 8 |
| Total as at 30 June 2016 | (2) |

Accounting Policy

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

3.2 Non-Financial Assets**3.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles**

| | Land \$'000 | Buildings \$'000 | Leasehold improvements \$'000 | Heritage and cultural ¹ \$'000 | Plant and equipment \$'000 | Computer Software \$'000 | Total \$'000 |
|---|----------------|---------------------|-------------------------------------|---|----------------------------------|--------------------------------|-----------------|
| As at 1 July 2016 | | | | | | | |
| Gross book value | 1,240 | 365 | 4,428 | 2,254 | 39,601 | 9,059 | 56,947 |
| Accumulated depreciation, amortisation and impairment | - | - | (1,691) | - | (13,278) | (7,753) | (22,722) |
| Total as at 1 July 2016 | 1,240 | 365 | 2,737 | 2,254 | 26,323 | 1,306 | 34,225 |
| Additions | | | | | | | |
| Purchase | - | - | 3,147 | - | 6,698 | 126 | 9,971 |
| Revaluations and impairments recognised in other comprehensive income | 15 | 19 | 4,417 | - | 2,661 | - | 7,112 |
| Revaluations recognised in net cost of services | - | - | - | - | (171) | - | (171) |
| Reversal of impairments recognised in net cost of services | - | - | - | - | - | 4 | 4 |
| Depreciation and amortisation | - | (19) | (461) | - | (4,526) | (1,114) | (6,120) |
| Disposals - Other | - | - | - | - | (10) | (17) | (27) |
| Total as at 30 June 2017 | 1,255 | 365 | 9,840 | 2,254 | 30,975 | 305 | 44,994 |
| Total as at 30 June 2017 represented by | | | | | | | |
| Gross book value | 1,255 | 365 | 9,840 | 2,254 | 30,975 | 8,670 | 53,359 |
| Accumulated depreciation, amortisation and impairment | - | - | - | - | - | (8,365) | (8,365) |
| Total as at 30 June 2017 | 1,255 | 365 | 9,840 | 2,254 | 30,975 | 305 | 44,994 |

1. Land, buildings and other property, plant and equipment that met the definition of a heritage and cultural item were disclosed in the heritage and cultural asset class.

Heritage and Cultural item were assessed for impairment in accordance with the impairment policy stated below. No indicators of impairment were found in 2017 (2016: no indicators of impairment were found)

Land, Buildings - Leasehold improvement assets were assessed for impairment in accordance with the impairment policy stated below. No indicators of impairment were found in 2017 (2016: \$481,000)

Plant and equipment assets were assessed for impairment in accordance with the impairment policy stated below. No indicators of impairment were found in 2017 (2016: \$109,000)

Intangibles were assessed for impairment in accordance with the impairment policy stated below. No indicators of impairment for purchased software were found in 2017 (2016: nil)

Property, plant and equipment replaced in the building refurbishment will be disposed of over the next 12 months. No intangibles are expected to be sold or disposed of within the next 12 months.

Revaluations of non-financial assets

All revaluations were conducted in accordance with the revaluation policy stated below. Land, Buildings and Leasehold improvement assets were revalued in 2017 with a revaluation increment of \$4,451,000 credited to the Asset Revaluation Reserve and included in Other Comprehensive Income (2016: Land and Buildings were revalued with a revaluation increment of \$481,000). Plant and equipment assets were revalued in 2017 with a revaluation increment of \$2,490,000 credited to the Asset Revaluation Reserve and included in Other Comprehensive Income (2016: no revaluation). Heritage and cultural assets were revalued in 2017 with no fair value changes (2016: Revalued with \$111,000 revaluation decrement).

Contractual commitments for the acquisition of property, plant, equipment and intangible assets

Property, plant, equipment and intangible assets commitments total \$826,052.

Accounting judgements and Estimates

Land and buildings

The fair value of land and buildings has been taken to be the market value of similar properties as determined by an independent valuer (Australian Valuation Solutions). It is estimated that the land will continue to be used for research activities and buildings held for specialised purposes.

Property, plant and equipment

The fair value of property, plant and equipment has been assessed by the independent valuer (Australian Valuation Solutions). In some cases, there is insufficient observable market evidence and non-market approaches are utilised.

Accounting Policy

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

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition.

Tangible Assets**Asset Recognition Threshold**

Purchases of leasehold improvements and plant and equipment are recognised initially at cost in the Statement of Financial Position, except for assets costing less than the relevant asset recognition threshold. Asset recognition thresholds can be found in the table below.

Revaluations

Following initial recognition at cost, property, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets. Revaluation adjustments are made on a class basis.

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

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the entity 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 rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

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

| Asset Type | Threshold | 2017 | 2016 |
|---------------------------|------------------|-------------|-------------|
| Building on freehold land | N/A | 40 years | 40 years |
| Leasehold improvements | \$25,000 | 7 years | 7 years |
| Plant and equipment | \$2,500 | 4-25 years | 4-25 years |
| Collections | \$2,500 | Indefinite | Indefinite |

Impairment

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

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

Derecognition

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

Intangible Assets

GA's intangibles comprise software. These assets, except for purchases costing less than \$2,500, 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) are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of GA's software are 2 to 6 years (2016: 2 to 6 years).

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

Heritage and Cultural Assets

The key objective of GA's collection is to maintain geoscience knowledge and capability. GA's heritage and cultural assets comprise:

- a collection of minerals which are primarily held for public exhibition and education; and
- the Commonwealth Paleontological Collection (CPC) – which includes internationally recognised reference specimens used to define fossil species under the International Codes of Botanical and Zoological Nomenclature. Such assets are irreplaceable and have indefinite useful lives.

GA's Collections Management Policy uses accepted best practice standards and guidelines including those of SPECTRUM¹, ICOM² and Museums Australia³ to manage GA's collection.

Geoscience Australia museum has registered as a Deductible Gift Recipient (DGR) and the Cultural Gifts Program (CGP) during this reporting period.

Collections not recognised as assets

Through the process of national geological mapping, both onshore and in Australia's marine jurisdiction, and the national stewardship of cores, cuttings, and other samples and data submitted to that agency under the Petroleum Search Subsidy Act [PSSA] 1957-1961, Petroleum [Submerged Lands] Act 1967 amended, and the Offshore Petroleum and Greenhouse Gas Storage Act 2006, GA has diverse and comprehensive geoscience collections used for scientific research and analysis purposes. The collections have been acquired since the inception of GA's forerunner organisation, the Bureau of Mineral Resources, Geology and Geophysics (BMS), in 1946.

The rock and core collections include:

- geological reference samples of surface rock and cores collected during the mapping of Australia;
- physical cores and cuttings samples from offshore petroleum wells and stratigraphic boreholes;
- oil, gas and other fluid samples submitted under the various petroleum legislation.

Numerous data collections are maintained including fundamental types such as:

- two and three dimensional seismic and non-seismic geophysical data;
- satellite earth observation data;
- geospatial data particularly geodetic data for positioning purposes; and
- elevation and bathymetry.

These are national, and in some cases international CPC collections that have enduring scientific value for the nation. These collections are deemed irreplaceable, with an indefinite useful life. They are not recognised as assets of GA as their value is not reliably measureable.

1. <http://obs-traffic.museum/spectrum-uk-museum-documentation-standard-1>

2. http://icom.museum/fileadmin/user_upload/pdf/Codes/code_ethics2013_eng.pdf

3. https://www.museumsaustralia.org.au/sites/default/files/uploaded-content/website-content/SubmissionsPolicies/ma_code_of_ethics_1999.pdf

3.3 Payables

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| 3.3A: Suppliers | | |
| Trade creditors | 282 | 75 |
| Accruals | 10,318 | 6,115 |
| Operating lease rentals | 22,131 | 17,423 |
| Total suppliers | 32,731 | 23,613 |
| Supplier payables are settled within 30 days (2016: 30 days). | | |
| 3.3B: Other Payables | | |
| Salaries and wages | 753 | 397 |
| Superannuation | 80 | 44 |
| Separations and redundancies | 177 | 78 |
| Lease incentive | 15,841 | 19,556 |
| Prepayments received/unearned income | 34,343 | 37,704 |
| Other | 265 | 103 |
| Total other payables | 51,459 | 57,882 |
| Total payables | 84,190 | 81,495 |

Accounting PolicyPrepayments received/unearned income

Unearned income represents receipts for goods or services that are not recognised as revenue at reporting date.

Lease incentive

Operating Lease incentives are recognised as an integral part of the net consideration agreed for the use of the leased asset and the rental reduction is recognised over the lease term on a straight-line basis. Lease incentives in other payables represent lease incentives received but not recognised at reporting date.

3.4 Other Provisions**3.4A: Other Provisions**

| | Provision for maintenance \$'000 | Provision for restoration \$'000 | Total \$'000 |
|---------------------------------------|---|---|-------------------------|
| As at 1 July 2016 | - | 728 | 728 |
| Additional provisions made | 99 | - | 99 |
| Change in make good provision | - | 1,150 | 1,150 |
| Finance costs - unwinding of discount | - | 13 | 13 |
| Total as at 30 June 2017 | 99 | 1,891 | 1,990 |

GA currently has 3 (2016: 3) agreements for the leasing of premises which have provisions requiring the entity to restore the premises to their original condition at the conclusion of the lease. Provision has been made to reflect the present value of this obligation.

Funding

This section identifies Geoscience Australia's funding structure.

4.1 Appropriations

4.1A: Annual Appropriations ('Recoverable GST exclusive')

Annual Appropriations for 2017

| | Annual Appropriation \$'000 | Adjustments to appropriation ¹ \$'000 | Total appropriation \$'000 | Appropriation applied in 2017 (current and prior years) \$'000 | Variance ² \$'000 |
|-----------------------------|-----------------------------------|--|----------------------------------|--|---------------------------------|
| Departmental | | | | | |
| Ordinary annual services | 142,619 | 38,394 | 181,013 | 182,389 | (1,376) |
| Capital Budget ³ | 4,539 | - | 4,539 | 4,691 | (152) |
| Other services | | | | | |
| Equity Injections | 3,700 | - | 3,700 | 2,517 | 1,183 |
| Total departmental | 150,858 | 38,394 | 189,252 | 189,597 | (345) |
| Administered | | | | | |
| Administered items | 20 | - | 20 | 20 | - |
| Total administered | 20 | - | 20 | 20 | - |

1. PGPA Act Section 74 receipts

2. In 2016-17, the departmental variance was predominantly driven by Section 74 program spending for which receipts were received in previous years.

3. Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

Annual Appropriations for 2016

| | Annual Appropriation \$'000 | Adjustments to appropriation ¹ \$'000 | Total appropriation \$'000 | Appropriation applied in 2016 (current and prior years) \$'000 | Variance ² \$'000 |
|-----------------------------|-----------------------------------|--|----------------------------------|--|---------------------------------|
| Departmental | | | | | |
| Ordinary annual services | 121,258 | 39,933 | 161,191 | 167,601 | (6,410) |
| Capital Budget ³ | 4,556 | - | 4,556 | 4,404 | 152 |
| Equity Injections | 10 | - | 10 | 10 | - |
| Total departmental | 125,824 | 39,933 | 165,757 | 172,015 | (6,258) |
| Administered | | | | | |
| Administered items | 20 | - | 20 | 20 | - |
| Total administered | 20 | - | 20 | 20 | - |

1. PGPA Act Section 74 receipts.

2. In 2015-16, the departmental variance was predominantly driven by Section 74 program spending for which receipts were received in previous years.

3. Departmental Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

NB: Comparatives have been adjusted for prior year errors of \$1,000 reported under adjustments to appropriation, \$592,000 for ordinary annual services and \$152,000 for capital reported under Appropriation applied in 2015-16.

4.1B: Unspent Annual Appropriations ('Recoverable GST exclusive')

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Departmental | | |
| Appropriation Act (No. 1) 2015-16 | - | 68,084 |
| Appropriation Act (No. 1) 2015-16 - Cash on hand | - | 2,447 |
| Appropriation Act (No. 1) 2016-17 | 63,072 | - |
| Appropriation Act (No. 2) 2016-17 | 1,183 | - |
| Appropriation Act (No. 3) 2016-17 | 2,951 | - |
| Appropriation Act (No. 1) 2016-17 - Cash on hand | 2,253 | - |
| Total departmental | 69,459 | 70,531 |

People and relationships

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people.

5.1 Employee Provisions

| | 2017 | 2016 |
|----------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| 5.1A: Employee Provisions | | |
| Leave | 23,501 | 26,026 |
| Separations and redundancies | 1,766 | 805 |
| Superannuation | 804 | 804 |
| Total employee provisions | 26,071 | 27,635 |

Accounting policy

Liabilities for 'short-term employee benefits' (as defined in AASB 119 Employee Benefits) and termination benefits which are expected to be settled within twelve months of the end of the reporting period are measured at the amount expected to be paid on settlement.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

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

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including GA'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 the short-hand method outlined in the Resource Management Guide No 125 - Commonwealth Entities Financial Statements Guide and the recommended probability factors have been applied, along with a discount factor which is the combination of a salary growth rate and the Government 10 years bond rate. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

Provision is made for separation and redundancy benefit payments. GA recognises a provision for redundancy when it has developed a formal plan and has informed employees.

Superannuation

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

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

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

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

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

5.2 Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. GA has determined its key management personnel to be the Chief Executive Officer, Chiefs of Division and General Managers. Key management personnel remuneration is reported in the table below:

| | 2017 \$'000 |
|---|---------------------|
| Short-term employee benefits | 1,830 |
| Post-employment benefits | 345 |
| Other long-term employee benefits | 259 |
| Total key management personnel remuneration expenses¹ | <u>2,434</u> |

The total number of key management personnel that are included in the above table is 16 (2016: disclosure not required).

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

5.3 Related Party Disclosures

Related party relationships:

GA is an Australian Government controlled entity. Related parties to GA's Key Management Personnel include the Portfolio Minister and Executive.

Transactions with related parties:

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

There are no transactions with Key Management Personnel besides remuneration disclosed in note 5.2 and travel allowances paid in the ordinary course of business. A related party of an Executive is also employed by the entity, and is remunerated in a manner consistent with normal employee relationships.

There are no material transactions with Australian Government entities occurred during the financial year and material outstanding balances forming part of the Statement of Financial Position.

There are no related party transactions by Ministers requiring disclosure by GA for 2016-17.

| | |
|--|--|
| Managing uncertainties | This section analyses how Geoscience Australia manages financial risks within its operating environment. |
| 6.1 Contingent Assets and Liabilities | |

There are no contingent assets and liabilities in either the current or prior year.

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

6.2 Financial Instruments

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| 6.2A: Categories of Financial Instruments | | |
| Financial Assets | | |
| Loans and receivables | | |
| Cash and cash equivalents | 2,253 | 2,447 |
| Goods and services receivables (net) | 7,455 | 9,401 |
| Total loans and receivables | 9,708 | 11,848 |
| Total financial assets | 9,708 | 11,848 |
| Financial Liabilities | | |
| Financial liabilities measured at amortised cost | | |
| Trade creditors and Accrual | 10,600 | 6,190 |
| Total financial liabilities measured at amortised cost | 10,600 | 6,190 |
| Total financial liabilities | 10,600 | 6,190 |
| 6.2B: Net Gains or Losses on Financial Assets | | |
| Loans and receivables | | |
| Impairment | (2) | 2 |
| Net gains/ (losses) on loans and receivables | (2) | 2 |
| Net gains on financial assets | (2) | 2 |

The net interest income/expense from financial assets not at fair value through profit or loss is nil. (2016: \$9).

6.2C: Net Gains or Losses on Financial Liabilities

| | | |
|--|----------|-----------|
| Financial liabilities measured at amortised cost | | |
| Exchange gains/ (losses) | - | 10 |
| Net gains/ (losses) on financial liabilities measured at amortised cost | - | 10 |
| Net losses from financial liabilities | - | 10 |

There is no net interest income/expense from financial liabilities not at fair value through profit or loss (2016: nil).

Accounting Policy**Financial assets**

GA classifies its financial assets depending on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

All financial assets have been classified as 'loans and receivables' as they have fixed or determinable payments that are not quoted in an active market.

Receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of Financial Assets

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

Financial liabilities

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

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

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

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

6.2D Fair Value of Financial Instruments

The net fair values of the financial assets and liabilities are at their carrying amounts. GA generally derived no interest income from financial assets, except interest paid by the ATO due to a late BAS refund. The amounts are immaterial.

6.3 Fair Value Measurement**Accounting Policy**

GA engaged the service of the Australian Valuation Solutions (AVS) to conduct a comprehensive revaluation of GA's non-financial assets as 30 June 2017 and has relied upon those outcomes to establish carrying amounts. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. Comprehensive valuations are carried out at least once every three years. AVS has provided written assurance to GA that the models developed are in compliance with AASB 13.

The methods utilised to determine and substantiate the unobservable inputs are derived and evaluated as follows:

Physical Depreciation and Obsolescence - Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the Depreciated Replacement Cost approach. Under this approach the estimated cost to replace the asset is calculated and then adjusted to take into account physical depreciation and obsolescence. Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration. For all Leasehold Improvement assets, the consumed economic benefit / asset obsolescence deduction is determined based on the term of the associated lease.

GA's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

6.3A: Fair Value Measurement

| | Fair value measurements at the end of the reporting period | |
|---|---|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Non-financial assets¹ | | |
| Land ⁴ | 1,255 | 1,240 |
| Building ⁵ | 365 | 365 |
| Leasehold Improvements ⁵ | 9,172 | 2,618 |
| Infrastructure, Plant and Equipment ² | 2,079 | 1,899 |
| Infrastructure, Plant and Equipment ⁵ | 23,963 | 23,763 |
| Heritage and Cultural Collection ² | 2,054 | 2,054 |
| Heritage and Cultural Collection (CPC Collection) ² | 200 | 200 |
| Work in Progress - Leasehold Improvements ³ | 668 | 119 |
| Work in Progress - Infrastructure, Plant & Equipment ³ | 4,933 | 661 |
| Total fair value measurements of assets in the statement of financial position | 44,689 | 32,919 |

1. Geoscience Australia engaged the service of the Australian Valuation Solutions (AVS) to conduct a comprehensive revaluation of all non-financial assets at 30 June 2017 and has relied upon those outcomes to establish carrying amounts.

2. Valuation technique used: Level 2 - Market Approach

3. Valuation technique used: Level 2 - Replacement Cost

4. Valuation technique used: Level 3 - Market Approach

5. Valuation technique used: Level 3 - Depreciated Replacement Cost

Other information

7.1 The Cooperative Research Centres (CRC)

7.1A: The Cooperative Research Centres (CRC)

All CRC's have been classified as joint operations as their purpose is for the pursuit of collaborative scientific research where participants share in the scientific outcomes and outputs of the CRC.

GA's total cash and in-kind contribution (e.g. staff and use of assets) to CRC from its own resources was \$3.460 million for the year (2016¹: \$3.765 million). Contributions made by GA are expensed as incurred and these are included in the Statement of Comprehensive Income.

No contingent liabilities were reported by the CRC's in which GA is a participant.

GA is a participant in the following CRC's as at 30 June 2017:

| Name of the CRC | Expected Termination Date ² |
|---|--|
| CRC Spatial Information | 30/06/2018 |
| Bushfire and Natural Hazards CRC ³ | 30/06/2017 |
| CO2CRC ³ | 30/06/2017 |

1. In the 2015-16 Financial Statements this amount included \$0.312 million for the National Environment Research Program which is not a CRC program.

2. Expected termination date for GA participation.

3. Agreements are expected to be continued, but had not been signed as at 30 June 2017.