



CHAPTER SEVENTEEN

## IP Australia financial statements

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## INDEPENDENT AUDITOR'S REPORT

### To the Minister for Industry, Innovation and Science

I have audited the accompanying annual financial statements of IP Australia for the year ended 30 June 2016, which comprise:

- 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; and
- Notes to and forming part of the Financial Statements, including significant accounting policies and other explanatory information.

### *Opinion*

In my opinion, the financial statements of IP Australia:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of IP Australia as at 30 June 2016 and its financial performance and cash flows for the year then ended.

### *Accountable Authority's Responsibility for the Financial Statements*

The Director General of IP 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 and the rules made under that Act and is also responsible for such internal control as the Director General 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.

### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Independence***

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

Australian National Audit Office



Ron Wah  
Audit Principal

Delegate of the Auditor-General

Canberra  
29 September 2016

**IP Australia**

**STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER**

In our opinion, the attached financial statements for the year ended 30 June 2016 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 IP Australia will be able to pay its debts as and when they fall due.



Fatima Beattie  
Accountable Authority

28 September 2016



Doug Pereira  
Chief Financial Officer

28 September 2016

## IP AUSTRALIA

### Table of Contents- Notes

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#### Table of contents

#### Primary Financial Statements

Statement of Comprehensive Income  
Statement of Financial Position  
Statement of Change in Equity  
Cash Flow Statement

#### Overview

#### Notes to the financial statements

1. Departmental Financial Performance
  - 1.1 Expenses
  - 1.2 Own-Source Revenue and Gains
2. Departmental Financial Position
  - 2.1 Financial Assets
  - 2.2 Non-Financial Assets
  - 2.3 Fair Value Measurement
  - 2.4 Payables
  - 2.5 Provisions
  - 2.6 Financial Instruments
3. Funding
  - 3.1 Appropriations
  - 3.2 Special Account
  - 3.3 Regulatory Charging Summary
  - 3.4 Cash Flow Reconciliation
4. Other Items
  - 4.1 Senior Management Personnel Remuneration

**IP AUSTRALIA**  
**STATEMENT OF COMPREHENSIVE INCOME**  
*for the period ended 30 June 2016*

|   | 2016           | 2015           | Original<br>Budget <sup>1</sup> |
|---|----------------|----------------|---------------------------------|
|   | \$'000         | \$'000         | \$'000                          |
| <b>NET COST OF SERVICES</b>   |                |                |                                 |
| <b>Expenses</b>   |                |                |                                 |
| Employee Benefits   | 1.1A 124,973   | 116,086        | 124,357                         |
| Suppliers   | 1.1B 53,898    | 48,717         | 49,245                          |
| Depreciation and amortisation   | 2.2B 16,242    | 14,778         | 16,045                          |
| Finance costs - Unwinding of discount   | 2.5B 5         | 7              | -                               |
| Write-down and impairment of assets - Intangibles                               | 2.2B 8         | 6              | -                               |
| Losses from asset sales   | 118            | -              | -                               |
| <b>Total expenses</b>   | <u>195,244</u> | <u>179,594</u> | <u>189,647</u>                  |
| <b>Own-Source Income</b>  |                |                |                                 |
| <b>Own-source revenue</b>   |                |                |                                 |
| Sale of goods and rendering of services   | 1.2A 197,390   | 188,801        | 187,381                         |
| Resources received free of charge - Remuneration of auditors                    | 140            | 140            | 174                             |
| <b>Total own-source revenue</b>   | <u>197,530</u> | <u>188,941</u> | <u>187,555</u>                  |
| <b>Gains</b>  |                |                |                                 |
| Gains from sales of assets  | -              | 38             | -                               |
| <b>Total gains</b>  | -              | 38             | -                               |
| <b>Total own-source income</b>  | <u>197,530</u> | <u>188,979</u> | <u>187,555</u>                  |
| <b>Net contribution by (cost) / services</b>                                    | <u>2,286</u>   | <u>9,385</u>   | <u>(2 092)</u>                  |
| Revenue from Government   | 2,111          | 2,302          | 2,192                           |
| <b>Surplus attributable to the Australian Government</b>                        | <u>4,397</u>   | <u>11,687</u>  | <u>100</u>                      |
| <b>OTHER COMPREHENSIVE INCOME</b>   |                |                |                                 |
| <b>Items not subject to subsequent reclassification to net cost of services</b> |                |                |                                 |
| Changes in asset revaluation reserve  | (32)           | -              | -                               |
| <b>Total other comprehensive income</b>   | <u>(32)</u>    | <u>-</u>       | <u>-</u>                        |
| <b>Total comprehensive income attributable to the Australian Government</b>     | <u>4,365</u>   | <u>11,687</u>  | <u>100</u>                      |

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

1. Budget reported in the 2015-16 Portfolio Budget Statements published in May 2015.  
 Explanations of major variances are provided in Note 1.

**IP AUSTRALIA**  
**STATEMENT OF FINANCIAL POSITION**  
*as at 30 June 2016*

|   |      | 2016           | 2015           | Original<br>Budget <sup>1</sup> |
|---|------|----------------|----------------|---------------------------------|
|   |      | \$'000         | \$'000         | \$'000                          |
| <b>ASSETS</b>                               |      |                |                |                                 |
| <b>Financial assets</b>                     |      |                |                |                                 |
| Cash and cash equivalents - Special account |      | 1,317          | 710            | 1,500                           |
| Trade and other receivables                 | 2.1A | 101,151        | 99,416         | 85,228                          |
| <b>Total financial assets</b>               |      | <b>102,468</b> | <b>100,126</b> | <b>86,728</b>                   |
| <b>Non-financial assets</b>                 |      |                |                |                                 |
| Prepayments                                 | 2.2A | 3,853          | 4,606          | 3,951                           |
| Leasehold improvements                      | 2.2B | 13,277         | 15,258         | 12,480                          |
| Property, plant and equipment               | 2.2B | 8,859          | 8,579          | 5,526                           |
| Intangibles                                 | 2.2B | 68,252         | 60,055         | 70,413                          |
| <b>Total non-financial assets</b>           |      | <b>94,241</b>  | <b>88,498</b>  | <b>92,370</b>                   |
| <b>Total assets</b>                         |      | <b>196,709</b> | <b>188,624</b> | <b>179,098</b>                  |
| <b>LIABILITIES</b>                          |      |                |                |                                 |
| <b>Payables</b>                             |      |                |                |                                 |
| Suppliers                                   | 2.4A | 21,424         | 18,660         | 17,880                          |
| Other payables                              | 2.4B | 19,570         | 23,243         | 22,300                          |
| <b>Total payables</b>                       |      | <b>40,994</b>  | <b>41,903</b>  | <b>40,180</b>                   |
| <b>Provisions</b>                           |      |                |                |                                 |
| Employee provisions                         | 2.5A | 40,344         | 35,752         | 37,327                          |
| Provision for restoration obligation        | 2.5B | 246            | 209            | 218                             |
| <b>Total provisions</b>                     |      | <b>40,590</b>  | <b>35,961</b>  | <b>37,545</b>                   |
| <b>Total liabilities</b>                    |      | <b>81,584</b>  | <b>77,864</b>  | <b>77,725</b>                   |
| <b>Net assets</b>                           |      | <b>115,125</b> | <b>110,760</b> | <b>101,373</b>                  |
| <b>EQUITY</b>                               |      |                |                |                                 |
| Contributed equity                          |      | 5,608          | 5,608          | 5,608                           |
| Reserves                                    |      | 9,099          | 9,131          | 9,131                           |
| Retained surplus                            |      | 100,418        | 96,021         | 86,634                          |
| <b>Total equity</b>                         |      | <b>115,125</b> | <b>110,760</b> | <b>101,373</b>                  |

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

1. Budget reported in the 2015-16 Portfolio Budget Statements published in May 2015.  
 Explanations of major variances are provided in Note 1.

IP AUSTRALIA  
STATEMENT OF CHANGES IN EQUITY  
*for the period ended 30 June 2016*

|   | Retained earnings |               |                              | Asset revaluation reserve |              |                              | Contributed equity |              |                              | Total equity   |                |                              |
|---|-------------------|---------------|------------------------------|---------------------------|--------------|------------------------------|--------------------|--------------|------------------------------|----------------|----------------|------------------------------|
|   | 2016              | 2015          | Original Budget <sup>1</sup> | 2016                      | 2015         | Original Budget <sup>1</sup> | 2016               | 2015         | Original Budget <sup>1</sup> | 2016           | 2015           | Original Budget <sup>1</sup> |
|   | \$'000            | \$'000        | \$'000                       | \$'000                    | \$'000       | \$'000                       | \$'000             | \$'000       | \$'000                       | \$'000         | \$'000         | \$'000                       |
| <b>Opening balance</b>  | 96,021            | 84,334        | 86,534                       | 9,131                     | 9,131        | 9,131                        | 5,608              | 5,608        | 5,608                        | 110,760        | 99,073         | 101,273                      |
| <b>Comprehensive income</b>                                       |                   |               |                              |                           |              |                              |                    |              |                              |                |                |                              |
| Surplus for the period  | 4,397             | 11,687        | 100                          | -                         | -            | -                            | -                  | -            | -                            | 4,397          | 11,687         | 100                          |
| Other comprehensive income - changes in asset revaluation surplus | -                 | -             | -                            | (32)                      | -            | -                            | -                  | -            | -                            | (32)           | -              | -                            |
| <b>Total comprehensive income</b>                                 | <b>4,397</b>      | <b>11,687</b> | <b>86,634</b>                | <b>(32)</b>               | <b>-</b>     | <b>-</b>                     | <b>-</b>           | <b>-</b>     | <b>-</b>                     | <b>4,365</b>   | <b>11,687</b>  | <b>100</b>                   |
| <b>Closing balance as at 30 June</b>                              | <b>100,418</b>    | <b>96,021</b> | <b>86,634</b>                | <b>9,099</b>              | <b>9,131</b> | <b>9,131</b>                 | <b>5,608</b>       | <b>5,608</b> | <b>5,608</b>                 | <b>115,125</b> | <b>110,760</b> | <b>101,373</b>               |

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

1. Budget reported in the 2015-16 Portfolio Budget Statements published in May 2015. Explanations of major variances are provided in Note 1.



**IP AUSTRALIA**  
**CASH FLOW STATEMENT**  
*for the period ended 30 June 2016*

|   | 2016             | 2015             | Original<br>Budget <sup>1</sup> |
|---|------------------|------------------|---------------------------------|
|   | \$'000           | \$'000           | \$'000                          |
| <b>OPERATING ACTIVITIES</b>   |                  |                  |                                 |
| <b>Cash received</b>  |                  |                  |                                 |
| Appropriations  | 2,111            | 2,302            | 2,192                           |
| Sales of good and rendering of services                             | 197,050          | 186,710          | 186,676                         |
| Net GST received  | 5,837            | 5,550            | 5,410                           |
| Cash from Official Public Account                                   | -                | -                | 6,210                           |
| <b>Total cash received</b>  | <b>204,998</b>   | <b>194,562</b>   | <b>200,488</b>                  |
| <b>Cash used</b>  |                  |                  |                                 |
| Employees   | (123,094)        | (114,810)        | (122,855)                       |
| Suppliers   | (57,233)         | (57,889)         | (55,083)                        |
| Cash transferred to the Official Public Account                     | (1,200)          | (1,000)          | -                               |
| <b>Total cash used</b>  | <b>(181,527)</b> | <b>(173,699)</b> | <b>(177,938)</b>                |
| <b>Net cash from operating activities</b>                           | <b>3.4</b>       | <b>20,863</b>    | <b>22,550</b>                   |
| <b>INVESTING ACTIVITIES</b>   |                  |                  |                                 |
| <b>Cash received</b>  |                  |                  |                                 |
| Proceeds from sales of property, plant and equipment                | 61               | 42               | 30                              |
| <b>Total cash received</b>  | <b>61</b>        | <b>42</b>        | <b>30</b>                       |
| <b>Cash used</b>  |                  |                  |                                 |
| Purchase of property, plant and equipment                           | 2.2B             | (3,804)          | (5,921)                         |
| Purchase of intangibles   | 2.2B             | (19,121)         | (15,361)                        |
| <b>Total cash used</b>  |                  | <b>(22,925)</b>  | <b>(21,282)</b>                 |
| <b>Net cash used by investing activities</b>                        |                  | <b>(22,864)</b>  | <b>(22,550)</b>                 |
| <b>FINANCING ACTIVITIES</b>   |                  |                  |                                 |
| <b>Net cash from financing activities</b>                           |                  | -                | -                               |
| <b>Net decrease in cash held</b>                                    |                  | <b>607</b>       | <b>(377)</b>                    |
| Cash and cash equivalents at the beginning of the reporting period  |                  | 710              | 1,087                           |
| <b>Cash and cash equivalents at the end of the reporting period</b> |                  | <b>1,317</b>     | <b>1,500</b>                    |

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

1. Budget reported in the 2015-16 Portfolio Budget Statements published in May 2015.  
 Explanations of major variances are provided in Note 1.

## IP AUSTRALIA

### Overview

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#### Objectives of IP Australia

IP Australia is an Australian Government controlled entity. It is a not-for-profit entity. The objective of IP Australia is to contribute to the improvement of Australian and international IP systems and thereby support Australia's economic development through the provision and administration of intellectual property rights.

IP Australia is structured to meet one outcome: increased innovation, investment and trade in Australia, and by Australians overseas, through the administration of the registrable intellectual property rights system, promoting public awareness and industry engagement, and advising government.

IP Australia's activities contributing toward the outcome are classified as departmental. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by IP Australia in its own right.

Departmental activities are identified under three programs:

- Program 1.1 - IP Rights Administration and Professional Registration;
- Program 1.2 - Awareness, Education and International Engagement; and
- Program 1.3 - Advice to Government.

IP Australia operates on a cost recovery basis, funding its operations almost entirely through revenues raised from charges for intellectual property services. Appropriation is received in relation to notional interest paid against the balance of the IP Australia Special Account. The use of a Special Account, established under the *Public Governance, Performance and Accountability Act 2013*, enables IP Australia to fund its operations from the revenue received from charges for intellectual property services.

#### The Basis of Preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements 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 issued by Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with 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 dollars unless otherwise specified.

#### New Australian Accounting Standards

##### Adoption of New Australian Accounting Standard Requirements

All new and amending standards or interpretations applicable to the current financial year did not have a material effect on IP Australia's financial statements.

IP Australia has adopted AASB 2015-7 earlier than the application date as stated in the standard in 2014-15 financial year. This standard exempts not-for-profit public sector entities from disclosing the fair value measurement of property, plant and equipment assets which are primarily held for internal or policy use, rather than to generate future net cash flows.

## IP AUSTRALIA

### Overview

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#### *Future Australian Accounting Standard Requirements*

All new and amending standards or interpretations (including AASB 124 Related Party Disclosures and AASB 16 Leases) that have been issued by the Australian Accounting Standards Board and are effective for future reporting periods will be adopted when effective if they are expected to have a material effect on IP Australia's financial statements for future reporting periods.

#### **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.

#### **Revenue from Government**

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when IP Australia gains control of the appropriation. Appropriations receivable are recognised at their nominal amounts.

#### **Contingent Liabilities and Contingent Assets**

IP Australia had no quantifiable or unquantifiable contingent liabilities or assets at 30 June 2016 (2014-15: nil).

#### **Reporting of Outcomes**

All IP Australia's expenses, revenues, assets and liabilities are for the one outcome and are reflected in the financial statements.

#### **Taxation**

IP Australia 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
- for receivables and payables.

#### **Events After the Reporting Period**

There are no events occurring after statement of financial position date that materially affect the financial statements.

**IP AUSTRALIA**

**Note 1: Budget Variance Commentary**

*for the period ended 30 June 2016*

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IP Australia considers that major variances are those:

- Variance between budget and actuals is greater than 10% of the original estimate or
- An item below this threshold but is considered important for the reader's understanding or is relevant to an assessment of the discharge of accountability and to an analysis of performance of IP Australia.

Where a budget has not been provided for in the PBS, for example non-cash items such as sale of asset adjustments and finance cost, for these items no explanation has been provided unless the variance is considered to be 'major'.

The Budget is not audited.

**STATEMENT OF COMPREHENSIVE INCOME**

**Sale of goods and rendering of services**

Variance to budget is primarily due to greater than expected Trade Mark Madrid applications, registrations & renewals. Patent application & international patent application revenue was also above budget.

**Suppliers**

With increased revenue, IP Australia took the opportunity to complete a number of initiatives including the digitisation of IP Right's journals, the development of online training modules for trade mark examiners, undertake a review into the Trade Mark head start service and the roll out of a number of learning and development programs.

**STATEMENT OF FINANCIAL POSITION**

**Trade and other receivables**

Special Account Receivable ended the year above budget as a result of the growth in sale of goods and rendering of services.

**Property, plant and equipment**

Variance reflects increased investment in computer and office equipment not budgeted.

**Suppliers**

The supplier estimate for 2015-16 was established before the end of the 2014-15 financial year. The variance to budget is primarily the result of unanticipated movements at the end of last financial year.

**Other payables**

The variance is primarily related to unearned revenue liability which ended the year below plan as a result of reduction in Trademark registration combined with accrual salary at the end of the financial year is lower than budgeted amount.

**Employee provision**

Employee provision is higher than budget due to a decrease in the discount rate for long service leave at 30 June 2016, coupled with ending the financial year with more average staffing level than planned.

**CASHFLOW STATEMENT**

**Cash from/transferred to Official Public Account**

The variance reflects the net movement of cash from/transferred to Official Public Account. This was a result of an increase in sales of goods and rendering of services revenue, thus drawdown was not required as budgeted.

**IP AUSTRALIA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Financial Performance**

| <b>Note 1.1: Expenses</b>           | <b>2016</b>    | <b>2015</b>    |
|-------------------------------------|----------------|----------------|
|                                     | <b>\$'000</b>  | <b>\$'000</b>  |
| <b>Note 1.1A: Employee Benefits</b> |                |                |
| Wages and salaries                  | 93,612         | 88,450         |
| Superannuation:                     |                |                |
| Defined contribution plans          | 9,061          | 7,831          |
| Defined benefit plans               | 8,357          | 8,142          |
| Leave and other entitlements        | 13,164         | 10,859         |
| Separation and redundancies         | 779            | 804            |
| <b>Total employee benefits</b>      | <b>124,973</b> | <b>116,086</b> |

**Accounting Policy**

Accounting policies for employee related expenses is contained in note 2.5.

**Note 1.1B: Suppliers**

|  |               |               |
|--|---------------|---------------|
| <b>Goods and services supplied or rendered</b>           |               |               |
| Contractors & Consultants                                | 12,450        | 8,704         |
| Travel   | 1,817         | 1,614         |
| Communication & IT Services                              | 15,001        | 13,639        |
| Administrative Services                                  | 10,754        | 10,678        |
| Subscription to World Intellectual Property Organisation | 942           | 964           |
| <b>Total goods and services supplied or rendered</b>     | <b>40,964</b> | <b>35,599</b> |
| Goods supplied   | 516           | 439           |
| Services rendered  | 40,448        | 35,160        |
| <b>Total goods and services supplied or rendered</b>     | <b>40,964</b> | <b>35,599</b> |
| <b>Other suppliers</b>                                   |               |               |
| Operating lease rentals in connection with               |               |               |
| Minimum lease payments                                   | 10,799        | 10,806        |
| Workers compensation expenses                            | 2,135         | 2,312         |
| <b>Total other suppliers</b>                             | <b>12,934</b> | <b>13,118</b> |
| <b>Total suppliers</b>                                   | <b>53,898</b> | <b>48,717</b> |

**Leasing commitments**

IP Australia's lease payment commitments are primarily for accommodation of office space in Canberra and Melbourne.

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

|  |               |               |
|--|---------------|---------------|
| Within 1 year                            | 12,952        | 12,554        |
| Between 1 to 5 years                     | 54,062        | 53,381        |
| More than 5 years                        | 17,101        | 30,805        |
| <b>Total operating lease commitments</b> | <b>84,115</b> | <b>96,740</b> |

**Accounting Policy**

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

Amounts reported for commitments are GST inclusive.

**IP AUSTRALIA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

| <b>Note 1.2: Own-Source Revenue</b>                           |                |                |
|---|----------------|----------------|
|   | 2016           | 2015           |
|   | \$'000         | \$'000         |
| <b>Note 1.2A: Sale of Goods and Rendering of Services</b>     |                |                |
| <b>Sale of goods and rendering of services</b>                |                |                |
| Patent fees   | 122,149        | 118,603        |
| Trade Mark fees   | 69,099         | 64,245         |
| Design fees   | 3,477          | 3,537          |
| Plant Breeders Rights fees                                    | 1,306          | 1,319          |
| Other goods and services                                      | 1,359          | 1,097          |
| <b>Total sale of goods and rendering of services</b>          | <b>197,390</b> | <b>188,801</b> |
| <br>  |                |                |
| <b>Sale of goods and rendering of services are made up of</b> |                |                |
| Provision of goods  | 542            | 590            |
| Rendering of services   | 196,848        | 188,211        |
| <b>Total sale of goods and rendering services</b>             | <b>197,390</b> | <b>188,801</b> |

**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) IP Australia retains no managerial involvement nor effective control over the goods;
- c) the revenue and transaction costs incurred for the transaction can be reliably measured; and
- d) it is probable that the economic benefits associated with the transaction will flow to IP Australia.

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 benefits associated with the transaction will flow to the entity.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction. (Refer Note 2.4B)

**IP AUSTRALIA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Financial Position**

**Note 2.1: Financial Assets**

|  | 2016   | 2015   |
|--|--------|--------|
|  | \$'000 | \$'000 |

**Note 2.1A: Trade and Other Receivables**

|  |                |               |
|--|----------------|---------------|
| Trade receivable                                   | 733            | 471           |
| Special Account receivables (held as cash in OPA)  | 98,975         | 97,775        |
| GST receivable from the Australian Taxation Office | 1,443          | 1,141         |
| Other receivables                                  | -              | 29            |
| <b>Total trade and other receivables</b>           | <b>101,151</b> | <b>99,416</b> |

**Trade and other receivables are expected to be recovered**

|  |                |               |
|--|----------------|---------------|
| No more than 12 months                   | 26,842         | 22,641        |
| More than 12 months                      | 74,309         | 76,775        |
| <b>Total trade and other receivables</b> | <b>101,151</b> | <b>99,416</b> |

**Trade and other receivables aged as follows**

|  |                |               |
|--|----------------|---------------|
| Not overdue                              | 101,116        | 99,407        |
| Overdue by:                              |                |               |
| 0 to 30 days                             | 35             | 7             |
| 31 to 60 days                            | -              | 2             |
| 61 to 90 days                            | -              | -             |
| More than 90 days                        | -              | -             |
| <b>Total trade and other receivables</b> | <b>101,151</b> | <b>99,416</b> |

**Accounting Policy**

Trade receivables are classified as 'loans and receivables' and recorded at face value less any impairment. Trade receivables are recognised where IP Australia becomes party to a contract and has a legal right to receive cash. Trade receivables are derecognised on payment. Loans and receivables are assessed for impairment at the end of each financial year. Allowances are made when collectability of the debt is no longer probable.

Credit terms for goods and services were within 30 days (2014-15: 30 days).

**Note 2.2: Non- Financial Assets**

|  | 2016   | 2015   |
|--|--------|--------|
|  | \$'000 | \$'000 |

**Note 2.2A: Prepayments**

|   |              |              |
|---|--------------|--------------|
| Expected to be recovered no more than 12 months | 3,671        | 4,259        |
| Expected to be recovered more than 12 months    | 182          | 347          |
| <b>Total Prepayments</b>                        | <b>3,853</b> | <b>4,606</b> |

No indicators of impairment were found for prepayments.

IP AUSTRALIA  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**Note 2.2: Non-Financial Assets****Note 2.2.B: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles 2016**

|   | Leasehold<br>Improvements<br>\$'000 | Property, plant<br>& equipment<br>\$'000 | Computer<br>software<br>internally<br>developed<br>\$'000 | Computer<br>software<br>purchased<br>\$'000 | Total<br>Intangibles<br>\$'000 | Total<br>\$'000 |
|---|-------------------------------------|--|---|---|--------------------------------|-----------------|
| <b>As at 1 July 2015</b>                        |                                     |  |   |   |                                |                 |
| Gross book value                                | 19,477                              | 13,839                                   | 106,563   | 15,535                                      | 122,098                        | 155,414         |
| Accumulated depreciation and impairment         | (4,219)                             | (5,260)                                  | (52,198)  | (9,845)                                     | (62,043)                       | (71,522)        |
| <b>Net book value 1 July 2015</b>               | 15,258                              | 8,579                                    | 54,365  | 5,690                                       | 60,055                         | 83,892          |
| Additions - by purchase or internally developed | 235                                 | 3,569                                    | 18,672  | 449   | 19,121                         | 22,925          |
| Depreciation/Amortisation expense               | (2,216)                             | (3,110)                                  | (9,321)   | (1,595)                                     | (10,916)                       | (16,242)        |
| Disposals and write down of intangibles         | -                                   | (179)                                    | (8)   | -   | (187)                          | (187)           |
| <b>Total as at 30 June 2016</b>                 | 13,277                              | 8,859                                    | 63,708  | 4,544                                       | 68,252                         | 90,388          |
| <b>Total as at 30 June 2016 represented by:</b> |                                     |  |   |   |                                |                 |
| Gross book value                                | 19,712                              | 16,318                                   | 122,183   | 15,504                                      | 137,687                        | 173,717         |
| Accumulated depreciation and impairment         | (6,435)                             | (7,459)                                  | (58,475)  | (10,960)                                    | (69,435)                       | (83,329)        |
| <b>Total as at 30 June 2016</b>                 | 13,277                              | 8,859                                    | 63,708  | 4,544                                       | 68,252                         | 90,388          |

No indicators of impairment were identified for property, plant and equipment and intangibles.

No property, plant and equipment and intangibles are expected to be sold or disposed of within the next 12 months.

All revaluations were conducted in accordance with the revaluation policy.

**Reconciliation of the opening and closing balances of property, plant and equipment and intangibles 2015**

|   | Leasehold<br>Improvements<br>\$'000 | Property, plant<br>& equipment<br>\$'000 | Computer<br>software<br>internally<br>developed<br>\$'000 | Computer<br>software<br>purchased<br>\$'000 | Total<br>Intangibles<br>\$'000 | Total<br>\$'000 |
|---|-------------------------------------|--|---|---|--------------------------------|-----------------|
| <b>As at 1 July 2014</b>                        |                                     |  |   |   |                                |                 |
| Gross book value                                | 18,349                              | 9,829                                    | 93,847  | 13,451                                      | 107,298                        | 135,476         |
| Accumulated depreciation and impairment         | (2,252)                             | (3,351)                                  | (44,122)  | (8,354)                                     | (52,476)                       | (58,079)        |
| <b>Net book value 1 July 2014</b>               | 16,097                              | 6,478                                    | 49,725  | 5,097                                       | 54,822                         | 77,397          |
| Additions - by purchase or internally developed | 1,223                               | 4,698                                    | 14,755  | 606   | 15,361                         | 21,282          |
| Depreciation/Amortisation expense               | (2,062)                             | (2,594)                                  | (8,464)   | (1,658)                                     | (10,122)                       | (14,778)        |
| Other movements:                                |                                     |  |   |   |                                |                 |
| transfers                                       | -                                   | -  | (1,651)   | 1,651                                       | -                              | -               |
| Disposals and write down of intangibles         | -                                   | (3)                                      | (6)   | (6)   | (9)                            | (9)             |
| <b>Total as at 30 June 2015</b>                 | 15,258                              | 8,579                                    | 54,365  | 5,690                                       | 60,055                         | 83,892          |
| <b>Total as at 30 June 2015 represented by:</b> |                                     |  |   |   |                                |                 |
| Gross book value                                | 19,477                              | 13,839                                   | 106,563   | 15,535                                      | 122,098                        | 155,414         |
| Accumulated depreciation and impairment         | (4,219)                             | (5,260)                                  | (52,198)  | (9,845)                                     | (62,043)                       | (71,522)        |
| <b>Total as at 30 June 2015</b>                 | 15,258                              | 8,579                                    | 54,365  | 5,690                                       | 60,055                         | 83,892          |



**IP AUSTRALIA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Note 2.2: Non-Financial Assets**

**Accounting Policy**

The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value.

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases of leasehold improvements costing less than \$20,000 (2014-15: \$20,000) and computer equipment costing less than \$1,000 (2014-15: \$1,000). Purchases of other plant and equipment are also recognised initially at cost in the statement of financial position, except for purchases costing less than \$5,000 (2014-15: \$5,000).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'makegood' provisions in property leases taken up by IP Australia where there exists an obligation to restore the property to its original condition. These costs are included in the value of IP Australia's leasehold improvements with a corresponding provision for the 'make good' recognised.

Revaluations

Following initial recognition at cost, property, plant and equipment were carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations were conducted with sufficient frequency to ensure that the carrying amounts of assets did not differ materially from the assets' 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. The most recent formal independent valuation was conducted by the former Australian Valuation Office as at 30 June 2013. Desktop materiality assessment was conducted as at 30 June 2016.

Revaluation adjustments are made on a class basis. Any revaluation increment was credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets were recognised directly through the surplus/deficit except to the extent that they reversed a previous revaluation increment for that class.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to IP Australia 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), 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:

|                        | 2016          | 2015          |
|------------------------|---------------|---------------|
| Leasehold improvements | Lease term    | Lease term    |
| Plant and Equipment    | 3 to 25 years | 3 to 25 years |

Impairment

All assets were assessed for impairment at 30 June 2016. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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.

Sale of Asset

Gains from disposal of assets are recognised when control of the asset has passed to the buyer.

Intangibles

IP Australia's intangibles comprise internally developed and purchased software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of IP Australia's software are 3 to 10 years (2014-15: 3 to 10 years).

Purchases of software are recognised initially at cost in the statement of financial position, except for purchases costing less than \$5,000 (2014-15: \$5,000). Dependent on the stage of development, internally developed software is recognised at cost in the statement of financial position, except for purchases costing less than \$200,000 (2014-15: \$200,000).

All software assets were assessed for indications of impairment as at 30 June 2016.

**IP AUSTRALIA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Note 2.3: Fair Value Measurements**

The following tables provide an analysis of assets and liabilities that are measured at fair value. The remaining assets and liabilities disclosed in the statement of financial position do not apply the fair value hierarchy.

The different levels of the fair value hierarchy are defined below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that IP Australia can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

**Note 2.3A: Fair Value Measurements, Valuation Techniques and Inputs Used**

**Fair value measurements at the end of the reporting period by hierarchy for assets and liabilities in 2016**

|   | Fair value measurements at the end of the reporting period |                |                                  | For Levels 2 and 3 fair value      |
|---|--|----------------|----------------------------------|------------------------------------|
|   | 2016<br>\$'000   | 2015<br>\$'000 | Category<br>(Level<br>1, 2 or 3) | Valuation<br>technique(s)          |
| <b>Non-financial assets</b>   |  |                |                                  |                                    |
| <b>Recurring</b>  |  |                |                                  |                                    |
| Leasehold improvements  | 13,277   | 15,258         | 3                                | Depreciated Replacement Cost (DRC) |
| Property, plant and equipment   | 4,258  | 2,810          | 2                                | Market Approach                    |
| Property, plant and equipment   | 4,601  | 5,505          | 3                                | Depreciated Replacement Cost (DRC) |
| <b>Total fair value measurements of assets in the statement of financial position</b> | <b>22,136</b>  | <b>23,573</b>  |                                  |                                    |

**Accounting Policy**

IP Australia's assets are held for operational purposes and not held for the purpose of deriving a profit. The highest and best assets are the same as their current use.

IP Australia's valuation methodologies for its non-financial assets are provided by its independent valuer Australian Valuation Solutions (AVS) which have been developed in accordance with AASB 13 Fair Value Measurement.

IP Australia tests the procedures of the valuation model as an internal asset materiality review at least once every 12 months (with a formal revaluation undertaken once every four years). If a particular asset class experiences significant and volatile changes in fair value (i.e. where indicators suggest that the value of the class has changed materially since the previous reporting period), that class is subject to specific valuation in the reporting period, where practicable, regardless of the timing of the last valuation.

The fair value of IP Australia's leasehold improvements and plant and equipment has been taken to be the market value of similar items or depreciated replacement cost as determined by an independent valuer. In some instances, IPA's leasehold improvements that were purposed-built and some specialised plant and equipment may in fact realise more or less in the market.

**Note 2.3B: Reconciliation for Recurring Level 3 Fair Value Measurements****Recurring Level 3 fair value measurements - reconciliation for assets**

|  | Non-financial assets          |              |
|--|-------------------------------|--------------|
|  | Property, Plant and Equipment |              |
|  | 2016                          | 2015         |
|  | \$'000                        | \$'000       |
| <b>As at 1 July<sup>1</sup></b>                                      | <b>5,505</b>                  | <b>3,601</b> |
| Total gains/(losses) recognised in net cost of services <sup>2</sup> | (1,729)                       | (1,377)      |
| Purchases  | 1,013                         | 3,021        |
| Disposals  | (149)                         | -            |
| Transfers into Level 3 <sup>3</sup>                                  | 117                           | 269          |
| Transfers out of Level 3 <sup>4</sup>                                | (156)                         | (9)          |
| <b>Total as at 30 June</b>   | <b>4,601</b>                  | <b>5,505</b> |

1. Open balance as determined in accordance with AASB 13.

2. These gains/(losses) are presented in the Statement of Comprehensive Income under Depreciation and Amortisation in Note 2.2B.

3. There have been eight transfers of property, plant and equipment asset fair value measurements into level 3 due to changes in the valuation technique from a market approach to DRC.

4. There has been five transfer out of level 3.

**Accounting policy**

IP Australia deems transfers between the levels of the fair value hierarchy to have occurred at the end of the reporting period.

**IP AUSTRALIA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Note 2.4: Payables**

|   | 2016          | 2015          |
|---|---------------|---------------|
|   | \$'000        | \$'000        |
| <b>Note 2.4A: Suppliers</b>             |               |               |
| Trade creditors and accruals            | 12,353        | 9,405         |
| Operating lease rentals                 | 9,071         | 9,255         |
| <b>Total suppliers</b>                  | <u>21,424</u> | <u>18,660</u> |
| <b>Suppliers expected to be settled</b> |               |               |
| No more than 12 months                  | 12,885        | 9,609         |
| More than 12 months                     | 8,539         | 9,051         |
| <b>Total Suppliers</b>                  | <u>21,424</u> | <u>18,660</u> |

Settlement is usually made within 30 days.

|  | 2016          | 2015          |
|--|---------------|---------------|
|  | \$'000        | \$'000        |
| <b>Note 2.4B: Other Payables</b>             |               |               |
| Unearned revenues                            |               |               |
| Patents fees                                 | 7,823         | 8,187         |
| Trade Marks fees                             | 6,570         | 6,500         |
| Designs fees                                 | 113           | 179           |
| Plant Breeders Rights fees                   | 1,077         | 1,062         |
| <b>Total unearned revenues</b>               | <u>15,583</u> | <u>15,928</u> |
| Other unearned income                        | 494           | 298           |
| Lease incentives                             | 2,293         | 2,660         |
| Salary and wages                             | 533           | 3,656         |
| Superannuation                               | 65            | 544           |
| Separations and redundancies                 | 589           | 157           |
| Other  | 13            | -             |
| <b>Total other payables</b>                  | <u>19,570</u> | <u>23,243</u> |
| <b>Other payables expected to be settled</b> |               |               |
| No more than 12 months                       | 14,039        | 18,170        |
| More than 12 months                          | 5,531         | 5,073         |
| <b>Total other payables</b>                  | <u>19,570</u> | <u>23,243</u> |

**Accounting Policy**

Supplier and other payables are classified as 'other financial liabilities' and 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). Supplier and other payables are derecognised on payment.

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

For unearned revenue policy refer Note 1.2A.

**IP AUSTRALIA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Note 2.5: Provisions**

|                                       | 2016          | 2015          |
|---------------------------------------|---------------|---------------|
|                                       | \$'000        | \$'000        |
| <b>Note 2.5A: Employee Provisions</b> |               |               |
| Leave                                 | 36,692        | 32,810        |
| Superannuation on-cost                | 3,652         | 2,942         |
| <b>Total employee provisions</b>      | <b>40,344</b> | <b>35,752</b> |

**Employee provisions are expected to be settled**

|                                  |               |               |
|----------------------------------|---------------|---------------|
| No more than 12 months           | 12,454        | 11,224        |
| More than 12 months              | 27,890        | 24,528        |
| <b>Total employee provisions</b> | <b>40,344</b> | <b>35,752</b> |

**Accounting Policy**

Liabilities for 'short-term employee benefits' (as defined in AASB 119 Employee Benefits) and termination benefits due within twelve months of the end of the reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability. 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 leave is taken, including IP Australia's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the work of an actuary as at 30 April 2016. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

IP Australia recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

IP Australia staff are predominantly members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap). 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 by the Department of Finance within its administered schedules and notes.

IP Australia makes employer contributions to the employee's superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. IP Australia 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 for the final fortnight of the year.

**IP AUSTRALIA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

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**Note 2.5B: Provision for Restoration Obligation**

|                                 | <b>Provision for<br/>restoration<br/>obligations<br/>\$'000</b> |
|---------------------------------|---|
| <b>As at 1 July 2015</b>        | <b>209</b>  |
| Additional provisions made      | 32  |
| Unwinding of discount           | 5   |
| <b>Total as at 30 June 2016</b> | <b>246</b>  |

IP Australia currently has one agreement for the leasing of premises which has a provision requiring IP Australia to restore the premises to their original condition at the conclusion of the lease. IP Australia has made a provision to reflect the present value of this obligation.

Provision for restoration obligation is expected to be settled in more than 12 months.

**IP AUSTRALIA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Note 2.6: Financial Instruments**

|   | Notes | 2016<br>\$'000 | 2015<br>\$'000 |
|---|-------|----------------|----------------|
| <b>Note 2.6A: Categories of Financial Instruments</b>   |       |                |                |
| <b>Financial Assets</b>                                 |       |                |                |
| <b>Loans and receivables</b>                            |       |                |                |
| Cash and cash equivalents                               |       | 1,317          | 710            |
| Trade and other receivables                             | 2.1A  | 733            | 471            |
| <b>Total financial assets</b>                           |       | <b>2,050</b>   | <b>1,181</b>   |
| <b>Financial Liabilities</b>                            |       |                |                |
| <b>Financial liabilities measured at amortised cost</b> |       |                |                |
| Trade creditors   | 2.4A  | 12,353         | 9,405          |
| <b>Total financial liabilities</b>                      |       | <b>12,353</b>  | <b>9,405</b>   |

There was no income and expense from financial assets and financial liabilities in the year ending 2016 (2014-15: nil).

**Note 2.6B: Credit Risk**

IP Australia is exposed to minimal credit risk in relation to potential debtor default. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables (2016: \$732,698 and 2015: \$471,249). IP Australia has assessed the risk of the default on payment and provides for this risk through the recognition of an impairment allowance where necessary. The value of financial assets considered impaired in 2016 was nil (2014-15: nil).

IP Australia manages its debtors by undertaking recovery processes for those receivables which are considered to be overdue. The risk of overdue debts arising is negated through the implementation of credit assessments on potential customers. IP Australia holds no collateral to mitigate against credit risk. IP Australia's credit risk profile has not changed from the prior financial year.

**Note 2.6C: Liquidity Risk**

IP Australia analyses measures of liquidity such as the relationship between current assets and current liabilities. Such processes, together with the application of full cost recovery, ensures that at any point in time IP Australia has appropriate resources available to meet its financial obligations as and when they fall due. IP Australia manages liquidity risk by ensuring all financial liabilities are paid in accordance with terms and conditions on demand. IP Australia's liquidity risk profile has not changed from the prior financial year.

**Note 2.6D: Market Risk**

IP Australia holds basic financial instruments that do not expose the Entity to certain market risks. IP Australia's market risk profile has not changed from the prior financial year. IP Australia is exposed to 'Currency risk' however this risk is managed through regular fee reviews. IP Australia is not exposed to 'Other price risk'.

IP AUSTRALIA  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Funding

**Note 3.1: Appropriations**

Table 3.1A: Annual Appropriations (Recoverable GST exclusive)

|                                       | Appropriation Act                        |            | PGFA Act          |                   |                   | Appropriation applied in 2016 (current and prior years) \$'000 | Total appropriation \$'000 | Variance <sup>2</sup> \$'000 |
|---------------------------------------|--|------------|-------------------|-------------------|-------------------|--|----------------------------|------------------------------|
|                                       | Annual Appropriation <sup>1</sup> \$'000 | AFM \$'000 | Section 74 \$'000 | Section 75 \$'000 | Section 75 \$'000 |  |                            |                              |
| <b>Annual Appropriations for 2016</b> |  |            |                   |                   |                   |  |                            |                              |
| DEPARTMENTAL                          |  |            |                   |                   |                   |  |                            |                              |
| Ordinary annual services              | 2,111                                    | -          | -                 | -                 | -                 | 2,111  | 2,111                      | -                            |
| <b>Total departmental</b>             | <b>2,111</b>                             | <b>-</b>   | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>2,111</b>   | <b>2,111</b>               | <b>-</b>                     |
| <b>Annual Appropriations for 2015</b> |  |            |                   |                   |                   |  |                            |                              |
| DEPARTMENTAL                          |  |            |                   |                   |                   |  |                            |                              |
| Ordinary annual services              | 2,302                                    | -          | -                 | -                 | -                 | 2,302  | 2,302                      | -                            |
| <b>Total departmental</b>             | <b>2,302</b>                             | <b>-</b>   | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>2,302</b>   | <b>2,302</b>               | <b>-</b>                     |

Appropriations received under ordinary annual services are sourced from Appropriation Acts (Nos. 1 & 3)

1. Departmental appropriation amount of \$81,076 relating Public Sector Superannuation Accumulation Plan (PSSAP) administration fees, has been withheld as a result of a formal reduction in accordance with section 51 of the Public Governance, Performance and Accountability Act 2013 (PGPA Act).

2. In 2015-16, there were no variances.



IP AUSTRALIA  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**Note 3.2: Special Accounts**

|   | Intellectual Property<br>Special Account <sup>1</sup> |                | Services for Other Entities<br>and Trust Moneys World<br>Intellectual Property<br>Organisation <sup>2</sup> |                | Services for Other Entities<br>and Trust Moneys -<br>Security of Costs <sup>2</sup> |                | Service for Other Entities<br>and Trust Moneys -<br>Comcare <sup>2</sup> |                |
|---|---|----------------|---|----------------|---|----------------|--|----------------|
|   | 2016<br>\$'000  | 2015<br>\$'000 | 2016<br>\$'000  | 2015<br>\$'000 | 2016<br>\$'000  | 2015<br>\$'000 | 2016<br>\$'000   | 2015<br>\$'000 |
| <b>Balance brought forward from previous period</b> | <b>98,485</b>   | 97,862         | <b>360</b>  | 551            | <b>56</b>   | 63             | -  | 8              |
| <b>Increases:</b>                                   |   |                |   |                |   |                |  |                |
| Appropriation credited to special account           | 2,111   | 2,302          | -   | -              | -   | -              | -  | -              |
| Costs recovered                                     | 196,960   | 186,633        | -   | -              | -   | -              | -  | -              |
| Receipts on behalf of WIPO                          | -   | -              | 6,010   | 8,432          | -   | -              | -  | -              |
| Other receipts                                      | 61  | 42             | -   | -              | 4   | 10             | 409  | 416            |
| <b>Total increases</b>                              | <b>199,132</b>  | 188,977        | <b>6,010</b>  | 8,432          | <b>4</b>  | 10             | <b>409</b>   | 416            |
| <b>Available for payments</b>                       | <b>297,617</b>  | 286,839        | <b>6,370</b>  | 8,983          | <b>60</b>   | 73             | <b>409</b>   | 424            |
| <b>Decreases:</b>                                   |   |                |   |                |   |                |  |                |
| <b>Departmental</b>                                 |   |                |   |                |   |                |  |                |
| Payments made to suppliers                          | (74,231)  | (73,544)       | -   | -              | -   | -              | -  | -              |
| Payments made to employees                          | (123,094)   | (114,810)      | -   | -              | -   | -              | -  | -              |
| Money held for non-Commonwealth Party               | -   | -              | (5,945)   | (8,623)        | (12)  | (17)           | (409)  | (424)          |
| <b>Total departmental decreases</b>                 | <b>(197,325)</b>                                      | (188,354)      | <b>(5,945)</b>  | (8,623)        | <b>(12)</b>   | (17)           | <b>(409)</b>   | (424)          |
| <b>Total balance carried to the next period</b>     | <b>100,292</b>  | 98,485         | <b>425</b>  | 360            | <b>48</b>   | 56             | <b>0</b>   | -              |

1. Appropriation: Public Governance and Performance and Accountability Act 2013: s78

Establishing Instrument: Financial Management and Accountability Determination 2006/66

Purpose: For developing and administering intellectual and industrial property systems, including the provision of property rights in inventions, trademarks, designs and plant breeders rights.

2. Appropriation: Public Governance and Performance and Accountability Act 2013: s78

Establishing Instrument: Financial Management and Accountability Determination 2011/11

Purpose: For the services for Other Entities and Trust Moneys - IP Australia (Special Public Money) - For expenditure of money temporary held on trust or otherwise for the benefit of a person other than the Commonwealth and expenditure in connection with services performed on behalf of other Government and bodies that are not FMA Act agencies.

**Note 3.3: Regulatory Charging Summary**

|                                | 2016<br>\$'000 | 2015<br>\$'000 |
|--------------------------------|----------------|----------------|
| <b>Amounts applied</b>         |                |                |
| Departmental                   |                |                |
| Annual appropriations          | 2,111          | 2,302          |
| Own source revenue             | 196,960        | 186,633        |
| <b>Total amounts applied</b>   | <b>199,071</b> | 188,935        |
| <b>Expenses</b>                |                |                |
| Departmental                   | 195,244        | 179,594        |
| <b>Total Expenses</b>          | <b>195,244</b> | 179,594        |
| <b>External Revenue</b>        |                |                |
| Departmental                   | 197,390        | 188,801        |
| <b>Total External Revenues</b> | <b>197,390</b> | 188,801        |

**Regulatory charging activities:**

IP Australia operates on a cost recovery basis, predominately funding all operations from cost recovered activities.

These activities include:

- Patents
- Trade Marks
- Designs
- Plant Breeder's Rights
- Professional Standards Board

Documentation (Cost recovery Impact Statement/s) for the above activities is available at

[www.ipaustralia.gov.au/about-us/what-we-do/reports/cost-recovery-impact](http://www.ipaustralia.gov.au/about-us/what-we-do/reports/cost-recovery-impact)

**IP AUSTRALIA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Note 3.4: Cash Flow Reconciliation**

|  | 2016          | 2015          |
|--|---------------|---------------|
|  | \$'000        | \$'000        |
| <b>Reconciliation of cash and cash equivalents as per statement of financial position to cash flow statement</b> |               |               |
| <b>Reconciliation of net cost of services to net cash from / (used by) operating activities</b>                  |               |               |
| Net contribution of services   | 2,286         | 9,385         |
| Revenue from Government  | 2,111         | 2,302         |
| Cash transferred to the Official Public Account  | (1,200)       | (1,000)       |
| <b>Adjustments for non-cash items</b>  |               |               |
| Depreciation / amortisation  | 16,242        | 14,778        |
| Net write down of non-financial assets   | 8             | 6             |
| Loss/(Gain) on disposal of assets  | 118           | (38)          |
| Finance Cost   | 5             | 7             |
| <b>Movements in assets / liabilities</b>   |               |               |
| <b>Assets</b>  |               |               |
| (Increase) in net receivables  | (534)         | (151)         |
| Decrease/ (Increase) in other non-financial assets   | 752           | (444)         |
| <b>Liabilities</b>   |               |               |
| Increase in employee provisions  | 4,592         | 1,356         |
| Increase/ (Decrease) in suppliers payables   | 2,764         | (2,887)       |
| (Decrease) in other payables   | (3,673)       | (2,451)       |
| <b>Net cash from operating activities</b>  | <u>23,471</u> | <u>20,863</u> |

**IP AUSTRALIA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Other Items**

**Note 4.1: Senior Management Personnel Remuneration**

|   | 2016             | 2015             |
|---|------------------|------------------|
|   | \$               | \$               |
| <b>Short-term employee benefits</b>                 |                  |                  |
| Salary  | 2,557,522        | 1,750,575        |
| Performance bonuses                                 | 35,350           | 32,000           |
| Motor vehicle and other allowances <sup>1</sup>     | 33,172           | 237,556          |
| <b>Total short-term employee benefits</b>           | <u>2,626,044</u> | <u>2,020,131</u> |
| <b>Post-employment benefits</b>                     |                  |                  |
| Superannuation                                      | 443,417          | 310,826          |
| <b>Total post-employment benefits</b>               | <u>443,417</u>   | <u>310,826</u>   |
| <b>Other long-term employee benefits</b>            |                  |                  |
| Annual leave  | 213,313          | 146,545          |
| Long-service leave                                  | 69,967           | 48,257           |
| <b>Total other long-term employee benefits</b>      | <u>283,280</u>   | <u>194,802</u>   |
| <b>Total senior executive remuneration expenses</b> | <u>3,352,741</u> | <u>2,525,759</u> |

**Notes:**

1. Includes motor vehicles and parking.

The total number of senior management personnel that are included 13 individuals. (2015: There were 11 senior management personnel).