



INDEPENDENT AUDIT REPORT

To the Minister for Health and Ageing

Scope

The financial statements and Secretary's and National Manager's responsibility

The financial statements comprise:

- Statement by the Secretary of the Department of Health and Ageing, the National Manager of the Therapeutic Goods Administration and Chief Financial Officer of the Therapeutic Goods Administration;
- Statements of Financial Performance, Financial Position and Cash Flows;
- Schedules of Commitments and Contingencies; and
- Notes to and forming part of the Financial Statements

of the Therapeutic Goods Administration for the year ended 30 June 2005.

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

Audit approach

I have conducted an independent audit of the financial statements in order to express an opinion on them to you. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive, rather than conclusive, evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

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

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

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

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

Independence

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

Audit Opinion

In my opinion, the financial statements of the Therapeutic Goods Administration:

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

Australian National Audit Office



Richard Rundle
Executive Director

Delegate of the Auditor-General

Canberra
12 August 2005

**THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
STATEMENT BY THE DEPARTMENTAL SECRETARY,
NATIONAL MANAGER & CHIEF FINANCIAL OFFICER**

In our opinion, the attached financial statements for the year ended 30 June 2005 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*.



Jane Halton
Secretary
Department of Health and
Ageing

12 August 2005



David Graham
National Manager
Therapeutic Goods
Administration

12 August 2005



Michel Lok
Chief Financial Officer
Therapeutic Goods
Administration

12 August 2005

THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
Revenues from ordinary activities			
Revenues from Government	4A	6,177	6,409
Sales of goods and services	4B	67,338	57,759
Interest	4C	-	193
Revenue from sale of assets	4D	-	1
Other revenues	4E	2,568	2,380
Total Revenues from ordinary activities		76,083	66,742
Expenses from ordinary activities (excluding borrowing costs expense)			
Employees	5A	42,186	37,218
Suppliers	5B	26,578	23,316
Depreciation and amortisation	5C	2,676	1,789
Write down and impairment of assets	5D	118	81
Value of assets sold	4D	-	-
Total Expenses from ordinary activities (excluding borrowing costs expense)		71,558	62,404
Borrowing costs expense		-	-
Net surplus (deficit)		4,525	4,338
Net credit (debit) to the asset revaluation reserve	10	495	-
Total Revenues, Expenses and Valuation Adjustments Attributable to Members of the Parent Entity and Recognised Directly in Equity		495	-
Total Changes in Equity other than those resulting from transactions with Owners as Owners		5,020	4,338

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

THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
STATEMENT OF FINANCIAL POSITION
as at 30 June 2005

	Notes	2005 \$'000	2004 \$'000
ASSETS			
Financial assets			
Cash	6A	1,815	6,140
Receivables	6B	25,592	19,998
Total Financial Assets		27,407	26,138
Non-financial assets			
Buildings - Leasehold Improvements	7A/7B	1,973	1,731
Infrastructure, plant and equipment	7A/7B	4,027	2,851
Intangibles	7C	8,098	7,344
Inventories	7D	78	118
Other non-financial assets	7E	572	1,241
Total Non-Financial Assets		14,748	13,285
Total Assets		42,155	39,423
LIABILITIES			
Provisions			
Employees	8A	13,072	12,963
Total Provisions		13,072	12,963
Payables			
Suppliers	9A	4,102	4,953
Other Payables	9B	11,857	13,403
Total Payables		15,959	18,356
Total Liabilities		29,031	31,319
NET ASSETS		13,124	8,104
EQUITY			
Contributed equity	10	-	-
Reserves	10	2,095	1,600
Retained surpluses or (Accumulated deficits)	10	11,029	6,504
Total Equity	10	13,124	8,104
Current Assets		28,057	27,497
Non-Current Assets		14,098	11,926
Current Liabilities		19,101	22,163
Non-Current Liabilities		9,930	9,156

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

THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
STATEMENT OF CASH FLOWS
for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
OPERATING ACTIVITIES			
Cash Received			
Goods and services		61,686	60,260
Appropriations for outputs		6,177	20,846
Interest		-	236
Net GST received from ATO		2,500	4,145
Other		4,302	2,688
Total Cash Received		<u>74,665</u>	<u>88,175</u>
Cash Used			
Employees		42,071	36,098
Suppliers		29,536	29,799
Net GST paid to ATO		-	-
Cash transferred to the OPA		3,000	15,000
Total Cash Used		<u>74,607</u>	<u>80,897</u>
Net Cash From or (Used By) Operating Activities	12	<u>58</u>	<u>7,278</u>
INVESTING ACTIVITIES			
Cash Received			
Proceeds from sales of property, plant and equipment		-	1
Total Cash Received		<u>-</u>	<u>1</u>
Cash Used			
Purchase of property, plant and equipment		1,821	1,202
Purchase of intangibles		2,561	2,375
Total Cash Used		<u>4,382</u>	<u>3,577</u>
Net Cash From or (Used By) Investing Activities		<u>(4,382)</u>	<u>(3,576)</u>
FINANCING ACTIVITIES			
Cash Received			
Appropriations - contributed equity		-	-
Proceeds from loan		-	514
Total Cash Received		<u>-</u>	<u>514</u>
Cash Used			
Repayment of debt		-	14,214
Total Cash Used		<u>-</u>	<u>14,214</u>
Net Cash From or (Used By) Financing Activities		<u>-</u>	<u>(13,700)</u>
Net increase / (decrease) in cash held		(4,325)	(9,998)
Cash at beginning of reporting period		6,140	16,138
Cash at end of reporting period	6A	<u>1,815</u>	<u>6,140</u>

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

THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
SCHEDULE OF COMMITMENTS
as at 30 June 2005

	Notes	2005 \$'000	2004 \$'000
BY TYPE			
Capital Commitments			
Infrastructure, plant and equipment		86	118
Intangibles		400	2,027
Total Capital Commitments		486	2,145
Other Commitments			
Operating leases ¹		100,504	88,234
Other		3,108	8,002
Total Other Commitments		103,612	96,235
Commitments Receivable		(9,463)	(8,944)
Net Commitments by Type		94,635	89,437
BY MATURITY			
Capital Commitments			
One year or less		434	2,145
From one to five years		52	-
Over five years		-	-
Total Capital Commitments		486	2,145
Operating Lease Commitments			
One year or less		11,156	6,733
From one to five years		40,327	25,643
Over five years		49,021	55,859
Total Operating Lease Commitments		100,504	88,234
Other Commitments			
One year or less		1,661	5,760
From one to five years		1,447	2,241
Over five years		-	-
Total Other Commitments		3,108	8,002
Commitments Receivable		(9,463)	(8,944)
Net Commitments by Maturity		94,635	89,437

NB: Commitments are GST inclusive where relevant.

¹ Operating Leases included are effectively non-cancellable and comprise:

(a) *Leases for office accommodation*

Lease payments for the Symonston lease are subject to annual adjustments for Consumer Price Index review or 3% (whichever is higher) with a Market Rent Review every third year. The initial periods of the office accommodation leases are still current and may be renewed after 15 years at the TGA's option.

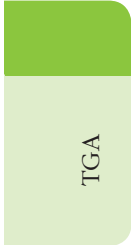
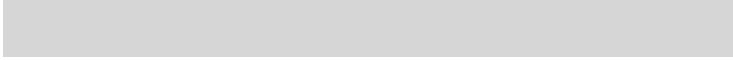
Other office leases are subject to annual rent adjustments of between 3.5% and 5%, and can be renewed for periods of between 6 months and 2 years, at the TGA's option.

(b) *Computer equipment leaseback*

The Department has entered into a contractual arrangement to lease computer equipment from 1 July 2004 to 30 June 2009. As part of this contract IT infrastructure was refreshed based on a lease period of three years for desktop equipment and five years for mainframe and midrange equipment.

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

THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
SCHEDULE OF CONTINGENCIES
as at 30 June 2005



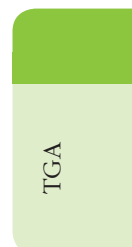
Contingent Liabilities	Claims for damages or costs		TOTAL	
	2005	2004	2005	2004
Balance from previous period	-	-	-	-
New	54,000	-	54,000	-
Re-measurement	-	-	-	-
Liabilities crystallised	-	-	-	-
Obligations expired	-	-	-	-
Total Contingent Liabilities	54,000	-	54,000	-
Contingent Assets	Claims for damages or costs		TOTAL	
	2005	2004	2005	2004
Balance from previous period	-	-	-	-
New	-	-	-	-
Re-measurement	-	-	-	-
Assets crystallised	-	-	-	-
Expired	-	-	-	-
Total Contingent Assets	-	-	-	-
Net Contingencies	54,000	-	54,000	-

Details of each class of contingent liabilities and assets, including those not included above because they cannot be quantified or are considered remote, are disclosed in Note 13: Contingent Liabilities and Assets

THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005



Note	Description
1	Summary of Significant Accounting Policies
2	Adoption of AASB Equivalents to International Financial Reporting Standards from 2005-2006
3	Events Occurring after Reporting Date
4A	Revenues from Government
4B	Sales of Goods and Services
4C	Interest Revenue
4D	Net gains / (losses) from sale of assets
4E	Other Revenue
5A	Employee Expenses
5B	Supplier Expenses
5C	Depreciation and Amortisation Expenses
5D	Write down of Assets
6A	Cash
6B	Receivables
7A	Non-Financial Assets
7B	Analysis of Property, Plant and Equipment
7C	Intangible Assets
7D	Inventories
7E	Other Non-Financial Assets
8A	Employee Provisions
9A	Supplier Payables
9B	Other Payables
10	Analysis of Equity
11	Cash Flow Reconciliation
12	Financial Instruments
13	Contingent Liabilities and Assets
14	Executive Remuneration
15	Remuneration of Auditors
16	Average Staffing Levels
17	Act of Grace Payments, Waivers and Defective Administration Scheme



**THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
for the year ended 30 June 2005

Note 1. Summary of Significant Accounting Policies

(1.1) Objectives of the Therapeutic Goods Administration

The Therapeutic Goods Administration (TGA) contributes to Outcome 1 – the promotion and protection of the health of all Australians and minimising the incidence of preventable mortality, illness, injury and disability.

Therapeutic goods are regulated to ensure that medicinal products and medical devices in Australia meet standards of safety, quality and efficacy at least equal to that of comparable countries. These products and devices should be made available in a timely manner and the regulatory impact on business kept to a minimum. This is achieved through a risk management approach to pre-market evaluation and approval of therapeutic products intended for supply in Australia, licensing of manufacturers and post market surveillance.

On 12 December 2003, the Australian and New Zealand governments signed a Treaty to establish a joint scheme for the regulation of therapeutic products and medical devices in both countries. From 1 July 2006, a new agency will be established under Australian law to administer the scheme and will be jointly controlled by the two governments. It is expected that the functions, assets and liabilities of the TGA will transfer to the new agency following its establishment.

(1.2) Basis of Accounting

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

The statements have been prepared in accordance with:

- Finance Minister's Orders (or FMOs, being the *Financial Management and Accountability Orders (Financial Statements for reporting period ending on or after 30 June 2005)*);
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board; and
- Urgent Issues Group Abstracts.

The statements have also been prepared having regard to the Explanatory Notes to Schedule 1 of the Finance Minister's Orders 2004-2005, Estimates Memorandums, Finance Briefs, Finance Circulars, Financial Management Guidelines and other Guidance Notes issued by the Department of Finance and Administration.

The Therapeutic Goods Administration Statements of Financial Performance and Financial Position have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are, however, not recognised unless required by an Accounting Standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies (other than unquantifiable or remote contingencies, which are reported at Note 13).

THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

Note 1. Summary of Significant Accounting Policies (continued)

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

(1.3) Revenue

The revenues described in this Note are revenues relating to the core operating business of the Therapeutic Goods Administration.

Revenues from government

Appropriations were made to the TGA to establish a Trans-Tasman Therapeutic Products Agency and develop a joint scheme for the regulation of therapeutic goods with New Zealand and to provide interest supplementation for surplus amounts standing to the credit of the Official Public Account following changes to whole-of-government agency banking arrangements in 2003.

Revenue from fees and charges

The TGA recovers the cost of all activities undertaken within the scope of the *Therapeutic Goods Act (1989)* from industry through fees and charges.

Annual charges for entries on the Australian Register of Therapeutic Goods and manufacturing licence charges are recognised as revenue in the financial year to which the charges relate and are non-refundable.

Application fees and minor evaluation fees are recognised as revenue on receipt.

Major evaluation and conformity assessment fees are recognised progressively as services are performed.

Other revenues

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

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

Resources received free of charge

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

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

**THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
for the year ended 30 June 2005

Note 1. Summary of Significant Accounting Policies (continued)

(1.4) Acquisition of Assets

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

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

(1.5) Property, Plant and Equipment

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases less than \$2,000. Leasehold improvements to properties with values of \$10,000 or greater are capitalised. Internally developed software and purchased software with values of \$100,000 or greater are capitalised. Any purchases under these thresholds are expensed in the year of acquisition (other than where they form part of a group of similar items that are significant in total).

Revaluation

All property, plant and equipment held by the TGA were valued under the 'fair value' valuation methodology as at 1 July 2004. All valuations were conducted by Aon Valuation Services.

During the year the accounting policy for the valuation of assets changed from the gross method to the net method. The result of the change was to restate the gross value of assets to their fair value and adjust to zero the accumulated depreciation at the date of revaluation. The change in policy does not result in any change to the profit and loss account values as future depreciation is calculated to be the same value under either method of valuation as per AASB 1041 para 5.8.2.

The fair value on each individual asset was determined by using the market value approach where reliable market values could be ascertained, or the depreciated replacement cost methodology.

Under both deprival and fair value, assets which would not be replaced, or are surplus to requirements, are measured at their net realisable value.

In future, all assets will be valued at up-to-date fair values in accordance with the new AASB Equivalent standard as mentioned in Note 2.

Depreciation and amortisation

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

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

THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005



Note 1. Summary of Significant Accounting Policies (continued)

Depreciation and amortisation rates applying to each class of depreciable asset are as follows:

	2005	2004
Leasehold improvements	Lease term	Lease term
Plant and equipment	5 to 20 years	5 to 20 years

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

(1.6) Impairment of Non-Current Assets

Non-current assets carried at up to date fair value at the reporting date are not subject to impairment testing.

Non-current assets carried at cost, which are not held to generate net cash inflows, have been assessed for indications of impairment. Where indications of impairment exist, the asset is written down to the higher of its net selling price and, if the entity would replace the asset's service potential, its depreciated replacement cost. No write-down to recoverable amount was required in 2004-05.

(1.7) Intangibles

The TGA's intangibles comprise internally developed software for internal use. These assets are carried at cost.

Software is amortised on a straight line basis over its anticipated useful life. The useful life of the TGA's software is 3 to 10 years. (2003-04: 3 to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2005. The impact of impairment to the TGA was not material.

(1.8) Inventories

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

(1.9) Employee Benefits

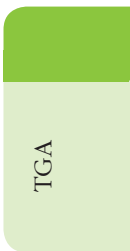
Benefits

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

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

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

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



THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

Note 1. Summary of Significant Accounting Policies (continued)

Leave

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

The leave liabilities are calculated on the basis of employees' remuneration, including the TGA'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 carried out by the Australian Government Actuary as at 30 June 2004. 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 payments in circumstances where the TGA has formally identified positions as excess to requirements and a reliable estimate of the amount of the payments can be determined.

Superannuation

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

The TGA makes employer contributions to the Australian Government at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlement of the TGA employees.

The liability for superannuation recognised as at 30 June 2005 represents outstanding contributions for the period since the last pay period of the year.

Performance pay

Performance pay is payable to certain staff by virtue of the Department's Certified Agreement and Australian Workplace Agreements (AWAs). In accordance with AASB 1028 and associated guidance from Finance Brief 14, a provision has been established for performance pay based on the expected total bonus to be paid.

**THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
for the year ended 30 June 2005



Note 1. Summary of Significant Accounting Policies (continued)

(1.10) Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets and operating leases under which the lessor effectively retains substantially all such risks and benefits. The TGA does not have any finance leases.

Operating lease payments are expensed in a manner that is representative of the pattern of benefits derived from the lease assets.

(1.11) Prepayments received

The provision of service is recognised as revenue when the services have been provided. However, for some services, payment is required in advance. Where the moneys for these services have been received or the service has been invoiced at year-end, but the service that has not been provided, the relevant amount has been disclosed as prepayments received.

(1.12) Cash

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

(1.13) Rounding

Amounts have been rounded to the nearest thousand except in relation to remuneration of executives and auditors.

(1.14) Taxation

The TGA is exempt from all forms of taxation except Fringe Benefits Tax and the Goods and Services Tax.

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

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

(1.15) Comparative Figures

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

(1.16) Bad and Doubtful Debts

Bad debts are written off during the year in which they are identified. A provision is raised for doubtful debts based on a review of all outstanding receivables at year-end.

(1.17) Insurance

The TGA has insured for risks through the Comcover scheme, administered by the Department of Finance and Administration. Workers' compensation is insured through Comcare Australia.



THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

Note 2. Adoption of AASB Equivalents to International Financial Reporting Standards from 1 July 2005

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

AEIFRS contain certain provisions that apply to not-for-profit entities, including Australian Government agencies, which are in conflict with IFRS. Therefore, the TGA will only be able to assert that the financial report has been prepared in accordance with Australian Accounting Standards.

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

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

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

Where an entity is not able to make a reliable estimate, or where quantitative information is not known, the entity should update the narrative disclosures of the key differences in accounting policies that are expected to arise from the adoption of AEIFRS.

The purpose of this Note is to make these disclosures.

**THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
for the year ended 30 June 2005

**Note 2. Adoption of AASB Equivalents to International Financial Reporting Standards from 1 July 2005
(continued)**

Management of the transition to AEIFRS

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

- The Department's Audit Committee is tasked with oversight of the transition to and implementation of AEIFRS. The Department's Chief Financial Officer is formally responsible for the project and reports regularly to the Audit Committee on progress against the formal plan approved by the Committee.
- The plan requires a number of key steps to be undertaken and sets deadlines for their achievement. The following represents TGA's progress against the plan:
 - All major accounting policy differences between current AASB standards and the AEIFRS were identified by 30 June 2004;
 - System changes necessary to be able to report under AEIFRS, including those necessary to capture data under both sets of rules for 2004-05 were completed on 3 June 2005. This included the testing and implementation of those changes;
 - A transitional balance sheet as at 1 July 2004 under AEIFRS was completed and presented to the Audit Committee on 18 August 2004;
 - An AEIFRS compliant balance sheet as at 30 June 2005 was also prepared during the preparation of the 2004-05 statutory financial reports; and
 - The 2004-05 Balance Sheet under AEIFRS will be reported to the Department of Finance and Administration in line with their reporting deadlines.

The plan also addresses the risks to successful achievement of the above objectives and includes strategies to keep implementation on track to meet deadlines.

Major changes in accounting

The TGA believes that the first financial report prepared under AEIFRS i.e. at 30 June 2006, will be prepared on the basis that the TGA will be a first time adopter under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. Changes in accounting policies under AEIFRS are applied retrospectively i.e. as if the new policy had always applied except in relation to the exemptions available and prohibitions under AASB 1. This means that an AEIFRS compliant balance sheet has to be prepared as at 1 July 2004. This will enable the 2005-06 financial statements to report comparatives under AEIFRS.

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

Changes to major accounting policies are discussed in the following paragraphs.

THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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Note 2. Adoption of AASB Equivalents to International Financial Reporting Standards from 1 July 2005
(continued)

Property, plant and equipment

It is expected that the 2005-06 *Finance Minister's Orders* will continue to require property plant and equipment assets to be valued at fair value in 2005-06. No material financial impact for the TGA is anticipated.

Intangible assets

The TGA continues to recognise internally-developed software assets on the cost basis.

Impairment of intangibles and property, plant and equipment

The TGA's policy on impairment of non-current assets is at Note 1.13.

Under AEIFRS these assets will be subject to assessment for impairment and, if there are indications of impairment, an assessment of the degree of the impairment. Impairment measurement must also be done, irrespective of any indications of impairment, for intangible assets not yet available for use. The impairment test is that the carrying amount of an asset must not exceed the greater of (a) its fair value less costs to sell and (b) its value in use. 'Value in use' is the net present value of net cash inflows for cash generating units of the TGA and depreciated replacement cost for other assets which would be replaced if the TGA were deprived of them.

The most significant change is that generally, the recoverable amount is only required to be measured where there is an indication of impairment, whereas previously the recoverable amount was tested for all assets.

However, an impairment assessment of the TGA's assets indicated that no adjustments will be required.

Inventory

The TGA recognises inventory not held for sale at cost, except where it is no longer required, in which case the net realisable value is applied.

The new Australian equivalent standard will require inventory held for distribution for no consideration or at a nominal amount to be carried at the lower of cost or current replacement cost.

An assessment was made and it was found that in all instances the current replacement cost of inventory was equal or greater than the original cost. Therefore no adjustment is required.

THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
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for the year ended 30 June 2005



Note 2. Adoption of AASB Equivalents to International Financial Reporting Standards from 1 July 2005 (continued)

Employee benefits

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

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

AEIFRS require that annual leave that is not expected to be taken within 12 months of balance date is to be discounted. An assessment of the annual leave has been completed with adjustments to the non-current annual leave made. Accordingly, Note 8A under AEIFRS would read:

	<i>\$'000</i>
Employee Provisions	
Salaries and wages	116
Leave	12,774
Superannuation	22
Separation and redundancies	-
<i>Aggregate employee entitlement liability</i>	<u>12,912</u>
Other	(24)
<i>Aggregate employee benefit liability and related on-costs</i>	<u><u>12,888</u></u>
Current	3,142
Non-current	9,746



THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
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for the year ended 30 June 2005

Note 2. Adoption of AASB Equivalents to International Financial Reporting Standards from 1 July 2005
(continued)

AEIFRS impact

The impacts of the AEIFRS adoption are summarised below.

	30 June 2005 Opening balance sheet and in year adjustments	30 June 2004 Opening balance sheet adjustments
	\$'000	\$'000
Reconciliation of TGA Equity		
Total Equity under AAS – 30 June 2004	-	8,104
Total Equity under AEIFRS – 1 July 2004	8,283	-
Adjustments to accumulated results	5	179
Adjustments to other reserves	-	-
In year transactions as per note 10	5,020	-
Total Equity under AEIFRS	13,308	8,283
Reconciliation of TGA Accumulated Reserves		
Total Surplus / (Deficit) under AAS – 30 June 2004	-	6,504
Total Surplus / (Deficit) under AEIFRS – 1 July 2004	6,683	-
Adjustments:		
Employee provisions	5	179
Other Provisions	-	-
Intangibles	-	-
Land and Buildings	-	-
Depreciation	-	-
In Year Transactions	4,525	-
Total Accumulated Reserves under AEIFRS	11,213	6,683
Reconciliation of TGA Reserves		
Total Reserves under AAS – 30 June 2004	-	1,600
Total Reserves under AEIFRS – 1 July 2004	1,600	-
Adjustment:		
Asset Revaluation Reserve	-	-
In Year Revaluation	495	-
Total Reserves under AEIFRS	2,095	1,600
Reconciliation of TGA Contributed Equity		
Total Contributed Equity under AAS – 30 June 2004	-	-
Total Contributed Equity under AEIFRS – 1 July 2004	-	-
Adjustments	-	-
In Year adjustments	-	-
Total Contributed Equity under AEIFRS	-	-

**THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
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for the year ended 30 June 2005



Note 3. Events occurring after Balance Date

No reportable events occurred after balance date.



THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
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for the year ended 30 June 2005

		2005	2004
		\$'000	\$'000
Note 4: Operating Revenues			
Note 4A	Revenues from Government		
	Appropriations for outputs	6,177	6,346
	Total revenues from government	<u>6,177</u>	<u>6,346</u>
Note 4B	Goods and Services		
	Goods	-	-
	Services	67,338	57,759
	Total sales of goods and services	<u>67,338</u>	<u>57,759</u>
	Provision of goods to:		
	Related entities	-	-
	External entities	-	-
	Total sales of goods	<u>-</u>	<u>-</u>
	Rendering of services to:		
	Related entities	-	-
	External entities	67,338	57,759
	Total rendering of services	<u>67,338</u>	<u>57,759</u>
	Costs of sales of goods	-	-
Note 4C	Interest Revenue		
	Interest on deposits	-	193
Note 4D	Net Gains from Sale of Assets		
	Land and buildings		
	Proceeds from sale	-	-
	Net book value at sale	-	-
	Net gain (loss) from disposal of land and buildings	-	-
	Infrastructure, plant and equipment		
	Proceeds from sale	-	1
	Net book value at sale	-	-
	Write-offs	(20)	(16)
	Net gain (loss) from disposal of infrastructure, plant and equipment	<u>(20)</u>	<u>(15)</u>
	Total proceeds from disposals	-	1
	Total value of assets disposed	(20)	(16)
	Total net gain from disposal of assets	<u>(20)</u>	<u>1</u>
Note 4E	Other Revenue		
	Publications	35	70
	Training and Consultancy	180	122
	Commercial activities	1,230	1,446
	Resources received free of charge	63	63
	Other	1,060	742
	Total other revenue	<u>2,568</u>	<u>2,443</u>

THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

	2005	2004
	\$'000	\$'000

Note 5: Operating Expenses

Note 5A Employee Expenses

Wages and Salary	28,391	25,518
Superannuation	5,675	5,129
Leave and other entitlements	6,038	4,842
Separation and redundancies	-	2
Other employee expenses	1,629	1,225
Total employee benefits expense	41,733	36,716
Workers' compensation premiums	453	502
Total employee expenses	42,186	37,218

Note 5B Supplier Expenses

Goods from related entities	-	-
Goods from external entities	509	130
Services from related entities	1,607	1,531
Services from external entities	15,525	13,367
Operating lease rentals ¹	8,937	8,288
Total supplier expenses	26,578	23,316

¹ These comprise minimum lease payments only.

Note 5C Depreciation and Amortisation

(i) Depreciation

Infrastructure, plant and equipment	660	509
Leasehold improvements	209	158
Total Depreciation	869	667

(ii) Amortisation

Intangibles - Computer Software	1,807	1,122
Total depreciation and amortisation	2,676	1,789

Depreciation expenses are \$199,663 higher than they would have been as a result of the extension of useful lives of plant and equipment assets and the re-assessment of residual values for assets that have been revalued. (2004: nil)

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

Leasehold Improvements	209	158
Infrastructure, Plant and Equipment	660	509
Intangibles	1,807	1,122
Total depreciation and amortisation	2,676	1,789

No depreciation or amortisation was allocated to the carrying amounts of other assets.

Note 5D Write Down of Assets

Financial assets

Bad and doubtful debts expense	57	65
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Non-financial assets

Infrastructure, plant and equipment - write off	20	16
revaluation decrement	10	-
Inventories - write off	31	-
Intangibles - write off	-	-

Total write-down of assets	118	81
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THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
as at 30 June 2005

	2005	2004
	\$'000	\$'000

Note 6: Financial Assets

Note 6A Cash

Special Account	1,815	6,140
Total cash	1,815	6,140

Note 6B Receivables

Goods and services	7,236	4,897
Less: Provision for doubtful debts	(57)	(74)
	7,179	4,823
Receivable from OPA	18,000	15,000
GST receivable from the Australian Taxation Office	413	175
Total receivables (net)	25,592	19,998

Receivables is represented by:

Current	20,467	17,819
Non-Current	5,125	2,179
Total receivables (net)	25,592	19,998

All receivables in relation to Goods and Services are with entities external to the Commonwealth.
 Credit terms are net 30 days (2004: 30 days).

Receivables (gross) are aged as follows:

Current	20,524	17,893
Overdue by:		
Less than 30 days	1,147	441
30 - 60 days	3,572	663
61 - 90 days	368	322
More than 90 days	38	753
	5,125	2,179
Total receivables (gross)	25,649	20,072

The provision for doubtful debts is aged as follows:

Current	-	-
Overdue by:		
Less than 30 days	-	-
30 - 60 days	-	-
61 - 90 days	-	-
More than 90 days	57	74
	57	74
Total provision for doubtful debts	57	74

THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 as at 30 June 2005

	2005	2004
	\$'000	\$'000

Note 7: Non-Financial Assets

Note 7A Non-Financial Assets

Buildings - Leasehold Improvements

Leasehold improvements

- at cost	52	626
- accumulated depreciation	(27)	(68)
	<u>25</u>	<u>558</u>
- at fair value	1,910	1,882
- accumulated amortisation	(182)	(709)
	<u>1,728</u>	<u>1,173</u>
- Work in progress at cost	220	-
- at fair value	-	-
Total Leasehold Improvements	<u><u>1,973</u></u>	<u><u>1,731</u></u>

Infrastructure, Plant and Equipment

Infrastructure, plant and equipment

- at cost	1,549	2,811
- accumulated depreciation	(55)	(759)
	<u>1,494</u>	<u>2,052</u>
- at valuation	3,129	5,872
- accumulated depreciation	(596)	(5,074)
	<u>2,533</u>	<u>798</u>
Total Infrastructure, Plant and Equipment (non-current)	<u><u>4,027</u></u>	<u><u>2,850</u></u>

All formal revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 1. In 2004-05, revaluations were conducted by Aon Valuaton Services.

Revaluation increments of \$178,809 for leasehold improvements and \$305,703 for plant and equipment were made to the asset revaluation reserve.



THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
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Note 7B Analysis of Property, Plant and Equipment

TABLE A - Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment

Item	Land \$'000	Buildings - Leasehold improvements \$'000	Total Land & Buildings \$'000	Other Infrastructure, plant and equipment \$'000	TOTAL \$'000
As at 1 July 2004					
Gross book value	-	2,509	2,509	8,682	11,191
Accumulated Depreciation/Amortisation	-	(778)	(778)	(5,832)	(6,610)
Opening Net Book Value	-	1,731	1,731	2,850	4,581
Additions:					
by purchase	-	272	272	1,549	1,821
by finance lease	-	-	-	-	-
from acquisitions of entities or operations (including restructuring)	-	-	-	-	-
Net Revaluation increment/decrement	-	179	179	306	485
Reclassifications	-	-	-	-	-
Depreciation/amortisation expense	-	(209)	(209)	(660)	(869)
Recoverable amount write-downs	-	-	-	-	-
Other movements					
Write-back accumulated depreciation on disposal	-	-	-	547	547
Write back of accumulated depreciation on revaluation	-	778	778	5,294	6,072
Disposals:					
other disposals	-	-	-	(565)	(565)
As at 30 June 2005					
Gross Book Value	-	2,182	2,182	4,678	6,860
Accumulated depreciation	-	(209)	(209)	(651)	(860)
Closing Net Book Value	-	1,973	1,973	4,027	6,000

**THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

as at 30 June 2005

Note 7B Analysis of Infrastructure, Plant and Equipment (continued)

TABLE B - Assets at valuation

Item	Land \$'000	Buildings - Leasehold improvements \$'000	Total Land & Buildings \$'000	Other Infrastructure, plant and equipment \$'000	TOTAL \$'000
As at 30 June 2005					
Gross value	-	1,910	1,910	3,129	5,039
Accumulated depreciation / amortisation	-	(182)	(182)	(596)	(777)
<i>Net book value</i>	-	1,728	1,728	2,534	4,262
As at 30 June 2004					
Gross value	-	1,882	1,882	5,874	7,756
Accumulated depreciation / amortisation	-	(709)	(709)	(5,074)	(5,783)
<i>Net book value</i>	-	1,173	1,173	800	1,973

TABLE C - Assets under construction

Item	Land \$'000	Buildings - Leasehold improvements \$'000	Total Land & Buildings \$'000	Other Infrastructure, plant and equipment \$'000	TOTAL \$'000
<i>Gross value 30 June 2005</i>	-	220	220	-	220
<i>Gross value 30 June 2004</i>	-	-	-	-	-

There are no assets held under finance leases.

THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
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	2005 \$'000	2004 \$'000
Note 7C Intangible Assets		
Computer software:		
Purchased software at cost	1,142	256
Accumulated amortisation	<u>(134)</u>	<u>(29)</u>
	1,008	227
Internally developed - in progress (non-current)	<u>98</u>	<u>1,851</u>
Internally developed - in use (non-current)		
Internally developed software at cost	13,088	10,688
Accumulated amortisation	(6,096)	(5,422)
Impairment write-down	<u>-</u>	<u>-</u>
	6,992	5,266
Total Intangible Assets	<u>8,098</u>	<u>7,344</u>

Table A: Reconciliation of the Opening and Closing Balances of Intangibles

Item	Computer Software \$'000
As at 1 July 2004	
Gross book value	12,795
Accumulated Depreciation / Amortisation	(5,451)
Net book value	7,344
Additions:	
by purchase	2,561
Depreciation / amortisation expense	(1,807)
Recoverable amount write-downs	(1,028)
Write-back of accumulated depreciation	1,028
As at 30 June 2005	
Gross Book Value	14,328
Accumulated Depreciation / Amortisation	(6,230)
Net book value	8,098

TABLE B - Assets under construction

Item	Computer Software \$'000
Gross value as at 30 June 2005	98
Gross value as at 30 June 2004	1,851

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		2005	2004
		\$'000	\$'000
Note 7D	Inventories		
	Work in progress (cost)	-	-
	Finished goods (cost)	-	-
	Inventories held for sale	-	-
		<u>-</u>	<u>-</u>
	Inventories not held for sale (cost)	78	118
	Total Inventories	<u>78</u>	<u>118</u>
	All departmental inventories are current assets.		
Note 7E	Other Non-Financial Assets		
	Prepayments	572	1,241
	Total other non-financial assets	<u>572</u>	<u>1,241</u>
	All other non-financial assets are current assets.		
Note 8: Provisions			
Note 8A	Employee Provisions		
	Salaries and wages	116	1,055
	Leave	12,958	11,705
	Superannuation	22	206
	Separation and redundancies	-	-
	Aggregate employee entitlement liability	<u>13,096</u>	<u>12,966</u>
	Workers' compensation	-	-
	Other	(24)	(3)
		<u>(24)</u>	<u>(3)</u>
	Aggregate employee benefit liability and related on-costs	<u>13,072</u>	<u>12,963</u>
	Current	3,142	3,807
	Non-current	9,930	9,156
Note 9: Payables			
Note 9A	Supplier Payables		
	Trade creditors	4,102	4,953
	Operating lease rentals	-	-
	Total supplier payables	<u>4,102</u>	<u>4,953</u>
	Supplier payables are represented by:		
	Current	4,102	4,953
	Non-current	-	-
	Total supplier payables	<u>4,102</u>	<u>4,953</u>
	Settlement is usually made net 30 days.		
Note 9B	Other Payables		
	Prepayments received	11,449	13,080
	Other	408	323
	Total other payables	<u>11,857</u>	<u>13,403</u>
	All other payables are current liabilities.		

THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
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 as at 30 June 2005

Note 10: Analysis of Equity

	Accumulated Results		Asset Revaluation Reserve		Total Reserves		Contributed Equity		Total Equity	
	2005	2,004	2005	2,004	2005	2,004	2005	2,004	2005	2,004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance 1 July	6,504	2,166	1,600	1,600	1,600	1,600	-	-	8,104	3,766
Net surplus/deficit	4,525	4,338	-	-	-	-	-	-	4,525	4,338
Net revaluation increment/decrement	-	-	495	-	495	-	-	-	495	-
Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Transactions with owner:										
Distributions to owner:										
Returns on Capital										
Dividends	-	-	-	-	-	-	-	-	-	-
Returns on Capital										
Restructuring	-	-	-	-	-	-	-	-	-	-
Contributions by owner:										
Appropriations (equity injections)	-	-	-	-	-	-	-	-	-	-
Restructuring	-	-	-	-	-	-	-	-	-	-
Transfers to/(from)/between reserves	-	-	-	-	-	-	-	-	-	-
Closing balance as at 30 June	11,029	6,504	2,095	1,600	2,095	1,600	-	-	13,124	8,104
Less: outside equity interests	-	-	-	-	-	-	-	-	-	-
Total equity attributable to Commonwealth	11,029	6,504	2,095	1,600	2,095	1,600	-	-	13,124	8,104

THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
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	2005	2004
	\$'000	\$'000

Note 11: Cash Flow Reconciliation

Reconciliation of cash per Statement of Financial Position to Statement of Cash Flows		
Cash at year end per Statement of Cash Flows	1,815	6,140
Statement of Financial Position items comprising above cash: 'Financial Asset - Cash'	1,815	6,140
Reconciliation of net surplus to net cash from operating activities:		
Net Surplus (deficit)	4,525	4,338
Depreciation / amortisation expense	2,676	1,789
Net write down of non-financial assets	30	16
Loss (Gain) on disposal of assets	-	(1)
Change in assets and liabilities:		
(Increase) decrease in net receivables	(5,594)	521
(Increase) decrease in inventories	40	22
(Increase) decrease in prepayments	669	(698)
Increase (decrease) employee provisions	109	1,153
Increase (decrease) in supplier payables	(851)	(1,680)
Increase (decrease) in other payables	85	323
Increase (decrease) in prepayments received	(1,631)	1,495
Net cash from or (used by) operating activities	58	7,278

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THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
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Note 12: Financial Instruments

(a) Terms, conditions and accounting policies

Financial Instrument	Notes	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms & conditions affecting the amount, timing and certainty of cash flow)
Financial Assets		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash	6A	Deposits are recognised at their nominal amounts.	Surplus cash held by TGA above the agreed upon daily working cash balance is transferred to the Official Public Account (OPA).
Receivables for goods and services	6B	These receivables are recognised at the nominal amounts due less any provision for bad or doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when the collection of the debt is judged to be less rather than more likely.	Credit terms are net 28 days.
Receivable from OPA	6B	These receivables are recognised at their nominal amounts.	Cash in excess of allocated working levels are transferred to the OPA.
Financial Liabilities		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Trade Creditors	9A	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent the goods and services have been received (and irrespective of having being invoiced).	Settlement is usually made net 30 days
Other Payables	9B	Where a service has been invoiced in advance or a service payment has been received in advance, the relevant amount is disclosed as unearned income.	The provision of service is only recognised as revenue when the service has been provided.

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Note 12: Financial Instruments (continued)

(b) Interest rate risk

Financial Instrument	Notes	Floating Interest Rate		Fixed Interest Rate		Non Interest Bearing		Total		Weighted Average Effective Interest Rate	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 %
Financial Assets											
Cash at bank	6A	-	-	-	-	1,814	6,140	1,814	6,140	n/a	n/a
Cash on hand	6A	-	-	-	-	1	-	1	-	n/a	n/a
Receivables for goods and services (gross)	6B	-	-	-	-	7,179	4,823	7,179	4,823	n/a	n/a
Receivable from OPA	6B	-	-	-	-	18,000	15,000	18,000	15,000	n/a	n/a
Other debtors	6B	-	-	-	-	413	175	413	175	n/a	n/a
Total Financial Assets (Recognised)		-	-	-	-	27,407	26,138	27,407	26,138		
Total assets								42,155	39,423		
Financial Liabilities											
Trade creditors	9	-	-	-	-	4,102	4,953	4,102	4,953	n/a	n/a
Other payables	9	-	-	-	-	11,857	13,403	11,857	13,403	n/a	n/a
Total Financial Liabilities (Recognised)		-	-	-	-	15,959	18,356	15,959	18,356		
Total liabilities								29,031	31,319		

THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 as at 30 June 2005

Note 12: Financial Instruments (continued)

(c) Net fair value of Financial Assets and Liabilities

		2005 \$'000	2005 \$'000	2004 \$'000	2004 \$'000
	Note	Total carrying amount	Aggregate net fair value	Total carrying amount	Aggregate net fair value
Financial Assets					
Cash at bank	6A	1,815	1,815	6,140	6,140
Cash on hand	6A	1	1	-	-
Receivables for goods and services (net)	6B	7,179	7,179	4,823	4,823
Other debtors	6B	413	413	175	175
Receivable from OPA	6B	18,000	18,000	15,000	15,000
Total Financial Assets		27,408	27,408	26,138	26,138
Financial Liabilities (Recognised)					
Trade creditors	9	4,102	4,102	4,953	4,953
Other payables	9	11,857	11,857	13,403	13,403
Government loans		-	-	-	-
Total Financial Liabilities (Recognised)		15,959	15,959	18,356	18,356

Financial Assets

The net fair value of cash, deposits on call and non-interest bearing monetary financial assets approximate their carrying amounts.

Financial Liabilities

The net fair value for trade creditors is short term in nature and is the approximated carrying amounts.

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

(d) Credit Risk Exposures

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

The economic entity does not have any significant exposures to concentrations of credit risk.

THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

2005

2004

Note 13: Contingent Liabilities and Assets

Unquantifiable Contingencies

At 30 June 2005, TGA had a contingent liability to indemnify the lessor of TGA's building against all claims arising from negligent use or misuse of the services; and indemnify against claims arising from the construction, maintenance, operation, repair and keeping safe of the laboratories upgraded or constructed by the TGA.

At 30 June 2005, TGA had a contingent liability to indemnify an employee of the TGA against any claims for damages or costs arising from legal proceedings for charges made under the *NSW Crimes Act 1900* against Pan Pharmaceuticals and an employee of the company in relation to breaches of the *Therapeutic Goods Act 1989*.

Note 14: Executive Remuneration

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

\$130,000 to \$139,999	2	3
\$140,000 to \$149,999	1	1
\$150,000 to \$159,999	3	2
\$160,000 to \$169,999	6	2
\$170,000 to \$179,999	1	4
\$180,000 to \$189,999	5	3
\$190,000 to \$199,999	2	-
\$200,000 to \$209,999	1	2
\$240,000 to \$249,999	1	1
	<u>22</u>	<u>18</u>

The aggregate amount of total remuneration of executives shown above. \$ 3,821,005 \$ 3,082,079

The aggregate amount of separation and redundancy redundancy/termination benefit payments during the year to executives shown above. Nil Nil

TGA

THERAPEUTIC GOODS ADMINISTRATION SPECIAL ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

	2005	2004
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Note 15: Remuneration of Auditors

Financial Statement audit services are provided free of charge to the department.

The fair value of the services provided was:

Therapeutic Goods Administration	\$ 62,500	\$ 62,500
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Note 16: Average Staffing Levels

Average staffing levels (ASL) for the business operation during the year were:

<u>450</u>	<u>424</u>
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Note 17: Act of Grace Payments, Waivers and Defective Administration Scheme

No 'Act of Grace' payments were made during the reporting period, and there are no amounts owing as at year end.

No waivers of amounts were made during the reporting period pursuant to subsection 34(1) of the *Financial Management and Accountability Act 1997*, and there are no amounts owing to the Commonwealth as at year end.

No payments were made during the reporting period under the Scheme for Compensation for Detriment caused by Defective Administration (CDDA).

