

Dairy Authority of South Australia

Financial report
for the year ended
30 June 2019



Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Chair Dairy Authority of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* I have audited the financial report of the Dairy Authority of South Australia for the financial year ended 30 June 2019.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Dairy Authority of South Australia as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chair, Chief Executive Officer and the Chief Financial Officer.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Dairy Authority of South Australia. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* have been met.

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

Responsibilities of the Chief Executive Officer and the members of the Authority for the financial report

The Chief Executive Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

The members of the Authority are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

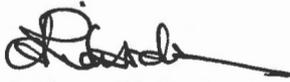
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Dairy Authority of South Australia's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive Officer and the members of the Authority about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

A handwritten signature in black ink, appearing to read 'A. Richardson', with a long horizontal stroke extending to the right.

Andrew Richardson

Auditor-General

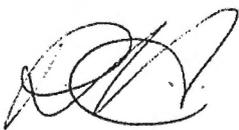
26 September 2019

Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Dairy Authority of South Australia (the Authority):

- comply with the relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and the relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Authority;
and
- present a true and fair view of the financial position of the Authority as at 30 June 2019
- and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the Dairy Authority of South Australia for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Roseanne Healy
Chair



Geoff Raven
Chief Executive Officer



Rocco Galluccio FCPA
Chief Financial Officer

Dated 26 September 2019

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2019

	Note No.	2019 \$'000	2018 \$'000
Expenses			
Employee benefits expenses	2.3	407	375
Supplies and services	3.1	127	90
Depreciation and amortisation	3.2	12	12
Property expenses	3.3	49	35
Travelling expenses		21	24
Other expenses	3.4	84	59
Total expenses		700	595
Income			
Fees and charges	4.1	747	725
Interest	4.2	10	4
Net gain from disposal of property, plant and equipment	4.3	-	1
Other income	4.4	76	82
Total income		833	812
Net Result		133	217
Other Comprehensive Income			
Change in property asset revaluation surplus		260	-
Total Comprehensive Result		393	217

The accompanying notes form part of these financial statements.

The net result and total comprehensive result are attributable to the SA Government as owner.

STATEMENT OF FINANCIAL POSITION
as at 30 June 2019

	Note No.	2019 \$'000	2018 \$'000
Current assets			
Cash and cash equivalents	6.1	502	363
Receivables	6.2	21	10
Total current assets		523	373
Non-current assets			
Property, plant and equipment	5.1	2141	1860
Intangible assets	5.2	3	3
Total non-current assets		2144	1863
Total assets		2667	2236
Current liabilities			
Payables	7.1	56	34
Employee benefits	2.4	29	23
Other current liabilities	7.2	28	24
Total current liabilities		113	81
Non-current liabilities			
Payables	7.1	3	1
Employee benefits	2.4	44	40
Total non-current liabilities		47	41
Total liabilities		160	122
Net Assets		2507	2114
Equity			
Retained earnings		421	288
Asset revaluation surplus		2086	1826
Total equity	8.1	2507	2114

The accompanying notes form part of these financial statements.

The total equity is attributable to the SA Government as owner.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2019

	Asset Revaluation surplus \$'000	Retained earnings \$'000	Total Equity \$'000
Balance at 30 June 2017	1826	71	1897
Net result for 2017-18	-	217	217
Total comprehensive result for 2017-18	-	217	217
Balance at 30 June 2018	1826	288	2114
Net result for 2018-19	-	133	133
Gain on revaluation of land during 2018-19	260	-	260
Total comprehensive result 2018-19	260	133	393
Balance at 30 June 2019	2086	421	2507

The accompanying notes form part of these financial statements.

All changes in equity are attributable to the SA Government as owner.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2019

	Note No.	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Cash outflows			
Employee benefits payments		(394)	(384)
Payment for supplies and services		(262)	(212)
GST paid to ATO		-	(6)
Cash used in operations		(656)	(602)
Cash inflows			
Fees and charges		743	721
Interest received		10	4
Other receipts		75	83
Cash generated from operations		828	808
Net cash provided by operating activities		172	206
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(29)	(2)
Purchase of intangibles		(4)	-
Cash used in investing activities^a		(33)	(2)
Cash inflows			
Proceeds of sale of plant and equipment		-	10
Net cash generated from investing activities		-	10
Net increase in cash and cash equivalents		139	214
Cash and cash equivalents at 1 July		363	149
Cash and cash equivalents at 30 June	6.1	502	363

The accompanying notes form part of these financial statements.

1. About the Dairy Authority of South Australia

The Dairy Authority of South Australia trading as (Dairysafe) is a not for profit Statutory Authority fully funded by the dairy industry and is responsible for administering the dairy food safety scheme pursuant to the *Primary Produce (Food Safety Schemes) Act 2004* and the *Primary Produce (Food Safety Schemes) (Dairy) Regulations 2017*.

The Dairy Authority does not control any other entity and has no interest in unconsolidated structural entities.

1.1 Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under The *Public Finance and Audit Act 1987*; and
- relevant Australia Accounting Standards

For the 2018-2019 financial statements the Authority adopted AASB9 – Financial Instruments and is required to comply with new Treasurer's Instructions (Accounting Policy Statements) issued on 22 March 2019.

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

1.2 Objectives and activities

The functions of the Authority as defined in *Regulation 12* are:

- To administer the dairy industry food safety scheme.
- To monitor the extent of compliance by accredited producers within Standard 4.2.4 of the *Food Standards Code* and enforce the Standard.
- To approve food safety arrangements to be adopted by accredited producers and monitor the implementation of such arrangements.

- To advise the Minister on matters relating to the administration of the dairy industry food safety scheme.
- To carry out other functions assigned to the Authority by these regulations or the Minister.

2. Board, committees and employees

2.1. Key management personnel

Key management personnel include the Minister for Primary Industries and Regional Development, the Chief Executive Officer and the Board.

Total compensation for key management personnel was \$195 000 in 2018-19 and \$197 000 in 2017/18.

2.2. Board Members

Members during the 2019 financial year were:

Ms RC Healy

Ms K Matthias

Mr M Connor (Appointed 1 July 2018)

Board remuneration

	2019 \$'000	2018 \$'000
The number of members whose remuneration received or receivable falls within the following bands:		
\$0 - \$19 999	2	2
\$19 000 - \$39 999	1	1
Total number of members	3	3

The total remuneration received or receivable by members was \$47 000. Remuneration of members includes sitting fees and superannuation contributions.

2.3. Employee benefits expenses

	2019 \$'000	2018 \$'000
Salaries and wages	290	273
Long Service Leave	8	2
Annual leave	27	24
Skills and Experience Retention Leave	3	1
Employment on-costs-superannuation*	36	32
Board fees	43	43
Total employee benefits expenses	407	375

* Employment on-costs- superannuation

The superannuation employment on-cost charges represent the Authority's contributions to superannuation plans in respect of current services of current employees.

2.4. Employee benefits - liability	2019	2018
	\$'000	\$'000
Current		
Accrued salaries and wages	3	2
Annual leave	22	13
Long service leave	-	7
Skills and experience retention leave	4	1
Total current employee benefits	29	23
Non-current		
Long service leave	44	40
Total non-current employee benefits	44	40
Total employee benefits	73	63

Employee benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Salaries and wages, annual leave, skills and experience retention leave (SERL) and sick leave

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and SERL liability in full is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Details about the measurement of long service leave liability is provided as note 11.1.

3. Expenses

Employee benefits expenses are disclosed in note 2.3.

3.1. Supplies and services

	2019	2018
	\$'000	\$'000
Computing and communications	9	15
External audit costs	72	47
Printing and stationery	25	9

Subscriptions	2	2
Staff recruitment	6	12
Legal fees	9	-
Other	4	5
Total supplies and services	127	90

3.2. Depreciation and amortisation

	2019 \$'000	2018 \$'000
Plant and equipment	8	7
Intangible assets	4	5
Total depreciation and amortisation	12	12

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

Useful life

Depreciation/amortisation is calculated on a straight-line basis over the estimated useful life of the following classes of assets as follows:

Class of asset	Useful life (years)
Property, plant and equipment	3-10
Intangibles	5

The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

3.3. Property expenses

	2019 \$'000	2018 \$'000
Repairs and maintenance	23	8
Rates and taxes	9	9
Other	17	18
Total property expenses	49	35

3.4. Other expenses

	2019 \$'000	2018 \$'000
Audit fees	9	9
Consultancy fees*	30	-
Insurance	5	5
Staff training	7	10
Fringe benefits tax	3	12
Web maintenance	2	10
Workplace health and safety	6	1
Temporary staff	10	1
Other	12	11
Total other expenses	84	59

*Consultants

The number of consultancies and the dollar amount paid/payable (included in Other expenses) to consultants that fell within the following bands:

	No	2019 \$'000	No	2018 \$'000
\$ 10 000 or above	1	30	-	-
Total	1	30	-	-

4. Income

The Authority receives no Government funding and its sole source of income comprises accreditation fees from the South Australian dairy industry, rental income and a small amount of interest income.

4.1. Fees and charges

	2019 \$'000	2018 \$'000
Accreditation fees	747	725
Total fees and charges	747	725

4.2. Interest

	2019 \$'000	2018 \$'000
Interest	10	4
Total interest revenues	10	4

4.3. Net gain from the disposal of property, plant and equipment

<u>Plant and equipment</u>	2019 \$'000	2018 \$'000
Proceeds from sale	-	11
Less net book value of assets disposed	-	10
Net gain from disposal of plant and equipment	-	1

4.4. Other income

	2019 \$'000	2018 \$'000
Rental income	68	82
Other	8	-
Total other income	76	82

Rental income is recognised on a straight-line basis over the lease term.

5. Non-financial assets

The Authority owns its own building, plant and equipment.

5.1 Property, plant and equipment

	2019 \$'000	2018 \$'000
<u>Land and buildings</u>		
Land at fair value	2100	1 840
Buildings at fair value	-	-
Total land and buildings	2100	1840
<u>Plant and equipment</u>		
Plant and equipment at cost (deemed fair value)	178	149
Accumulated depreciation at the end of the period	(137)	(129)
Total plant and equipment at cost	41	20
Total property, plant and equipment	2141	1 860

Property, plant and equipment with a value equal to or in excess of \$2 000 is capitalised, otherwise it is expensed.

Property, plant and equipment is recorded at fair value.

Impairment

Property, plant and equipment have not been assessed for impairment as they are non-cash generating assets, that are specialised in nature and held for continued use of their service capacity and are subject to regular revaluation.

Reconciliation 2018-2019

	Land and buildings \$'000	Plant and equipment \$'000	Total \$'000
Carrying amount at 1 July 2018	1840	20	1860
Acquisitions	-	29	29
Asset revaluation	260	-	260
Depreciation	-	(8)	(8)
Carrying amount at 30 June 2019	2100	41	2141

5.2 Intangible assets

	2019 \$'000	2018 \$'000
Computer software		
Purchased computer software	35	31
Accumulated amortisation	(32)	(28)
Total computer software	3	3

Intangible asset are initially measured at cost and are tested for indication of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The acquisition of software is capitalised only when the expenditure is greater or equal to \$2 000.

Reconciliation 2018-2019

	Other computer software \$'000
Carrying amount at 1 July 2018	3
Additions at cost	4
Amortisation	(4)
Carrying amount at 30 June 2019	3

6. Financial assets

6.1. Cash and cash equivalents

	2019 \$'000	2018 \$'000
Cash at bank and on hand	502	363
Total cash and cash equivalents	502	363

6.2 Receivables

	2019 \$'000	2018 \$'000
Accreditation fees	17	8
Other receivables	4	2
Total current receivables	21	10

7. Liabilities

7.1. Payables

Current	2019 \$'000	2018 \$'000
Trade payables	44	23
Accrued expenses	9	9
Employment on- costs*	3	2
Total current payables	56	34
Non - Current		
Employment on- costs*	3	1
Total non-current payables	3	1
Total payables	59	35

Payables and accruals are raised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short term nature.

* Employment on-cost

Employment on-costs include Return to Work SA levies and superannuation

contributions and are settled when the respective employee benefits that they relate to are discharged.

The Authority makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur.

There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes.

The only liability outstanding at reporting date relates to any contributions due but not yet paid to the various superannuation schemes.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has remained constant at 41% and the average factor for calculation of employer superannuation on-costs has changed from the 9.9% in 2018 to 9.8% in 2019. These rates are used in the employment on-costs calculation. The net financial effect of the change in the superannuation on-cost rate on employment benefit expense is immaterial.

7.2 Other Liabilities

	2019 \$'000	2018 \$'000
<u>Current</u>		
Accreditation fees received in advance	28	23
Rent received in advance	-	1
Total current other liabilities	28	24

8. Other disclosures

8.1. Equity

The asset revaluation surplus is used to record increments and decrements in the fair value of property and plant and equipment to the extent they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

	2019 \$'000	2018 \$'000
Accumulated surplus	421	288
Asset revaluation surplus	2086	1826
Total equity	2507	2114

8.2 Cash Flow

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of the cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of the operating cash flows.

9. Changes in accounting policy

9.1. Treasurer's Instructions (Accounting Policy Statements)

On 22 March 2019 the *Treasurer's Instructions (Accounting Policy Statements) 2019* were issued by the Treasurer under the *Public Finance and Audit Act 1987*. The Accounting Policy Statements replaced the following Accounting Policy Frameworks:

- Purpose and Scope.
- General Purpose Financial Statements Framework.
- Asset Accounting Framework.
- Financial Asset and Liability Framework.
- Income Framework.
- Definitions.

The new Accounting Policy Statements have largely been prepared on a no-policy change basis.

Changes that impact on these financial statements are:

- removal of the additional requirements to report transactions with the SA Government.
- removal of the additional requirements to report a statement of equity for administered items.
- increased the bands from \$10,000 to \$20,000 for employee and board member reporting.

These changes, however, do not impact on the amounts reported in the financial statements.

9.2 AASB 9 Financial instruments

AASB 9 Financial Instruments replaces the provisions of AASB 139 that relate to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements.

As part of the adoption of AASB 9, the Authority adopted consequential amendments to other accounting standards and the Treasurer's Instructions (Accounting Policy Statements) arising from the issue of AASB 9 as follows:

- *AASB 101 Presentation of Financial Statements* requires the impairment of financial assets to be presented in a separate line item in the statement of

comprehensive income. In prior year, this information was presented as part of other expenses.

- *AASB 7 Financial Instruments*: Disclosures requires amended disclosures due to the changes arising from AASB 9, these disclosures have been provided for the current year because the comparatives have been restated.

In accordance with transitional provisions and the Treasurer's Instructions (Accounting Policy Statements) *AASB 9 Financial Instruments* was adopted without restating comparative information for classification and measurement requirements. All adjustments relating to classification and measurement are recognised in retained earnings at 1 July 2018.

The adoption of *AASB 9* has not had a significant effect on the recognition, measurement or classification of financial liabilities.

Reclassification of financial instruments on adoption of *AASB 9*

On the date of initial application, Authority's financial instruments were as follows, with any reclassifications noted.

	Measurement category		Carrying amount	
	AASB 139	AASB 9	AASB 139 30 June 2018 \$'000	AASB 9 1 July 2018 \$'000
Current financial assets				
Trade receivables	Receivables	Amortised cost	10	2
Current financial liabilities				
Trade payables	Amortised cost	Amortised cost	2	4

Trade receivables

New impairment requirements result in a provision being applied to all receivables rather than only those receivables that are credit impaired. The Authority has adopted the simplified approach under *AASB 9 Financial Instruments* and measured lifetime expected credit losses on all trade receivables using a provision matrix approach as a practical expedient to measure the impairment provision. This resulted in no increase of the loss allowance on trade receivables external to Government.

There are no additional impairment provisions for State, Territory, or Commonwealth Government receivables due to the Government's high quality credit risk.

Trade and other receivables that were classified as loans and receivables under *AASB 139* are now classified at amortised cost as they meet the appropriate criteria under *AASB 9*.

10. Outlook

10.1. Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

The Authority is not aware of any contingent assets or contingent liabilities.

10.2. Events after balance date

There have been no significant events occurring after the reporting period.

11. Measurement and risk

11.1. Long Service leave liability - measurement

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 2018 (2.50%) to 2019 (1.25%).

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is immaterial.

The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

The Authority classifies a portion of long service leave as current based on leave to be taken in the next 12 months.

11.2. Fair value

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Initial recognition

Non-current tangible assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements, then the assets are recognized at book value (i.e. the amount recorded by the transferor public authority immediately prior to the restructure).

Revaluation

Property, plant and equipment are subsequently measured at fair value after allowing for accumulated depreciation.

Non-current tangible assets are valued at fair value and revaluation of non-current assets or a group of assets is only performed when fair value at the time of acquisition is greater than \$1.5 million and useful life is greater than three years.

Revaluation is undertaken on a regular cycle as detailed below. If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

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

Land and buildings

An independent valuation of land and buildings was performed in May 2019 by a Certified Practising Valuer from Colliers International, as at 30 June 2019.

Fair value has been determined using the market approach. The valuation was based on recent market transactions for similar land in the area and includes adjustments for factors specific to the land such as size and location. For land classified as restricted in use, fair value was determined using adjustments to reflect the restrictions.

The fair value of buildings was determined using current replacement cost, due to there not being an active market. The current replacement cost considered the need for ongoing provision of government services, specialised nature and restricted use of assets, their size, condition and location.

Plant and equipment

All items of plant and equipment had a fair value at the time of acquisition less than \$1.5 million and had an estimated useful life of less than three years. Plant and equipment has not been revalued in accordance with APS 116.D. The carrying value of these items are deemed to approximate fair value.

11.3. Financial instruments

Financial risk management

Risk management is managed by the Authority's board. The Authority's risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The Authority's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Categories of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective financial asset/financial liability note.

Classification applicable until 30 June 2018 under AASB 139 Financial Instruments:

Recognition and Measurement

The carrying amounts are detailed below of each of the following categories of financial assets and liabilities:

- Held-to-maturity investments
- Loan and receivables
- Financial liabilities measured at cost

Classification applicable from 1 July 2018 under AASB 9 Financial Instruments

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (FVOCI) – debt instrument, FVOCI – equity instrument or fair value through profit and loss.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- It is held within a business model whose objectives is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principle and interest only on the principle amount outstanding.

The Authority measures all financial instruments at amortised cost.

Category of financial assets and financial liabilities	Note	2019 Carrying amount/ Fair value (\$'000)
<u>Financial assets</u>		
Cash and cash equivalents		
Cash and cash equivalents		502
Financial assets at amortised cost		
Receivables		17
Total financial assets		519
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Payables		47
Total financial liabilities		47

Category of financial assets and financial liabilities	Note	2018 Carrying amount/ Fair value (\$'000)
<u>Financial assets</u>		
Cash and cash equivalents		
Cash and cash equivalents		363
Financial assets at amortised cost		
Receivables		8
Total financial assets		371
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Payables		25
Total financial liabilities		25