

Department for Energy and Mining

Financial report
for the year ended
30 June 2019



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To the Acting Chief Executive Department for Energy and Mining

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* I have audited the financial report of the Department for Energy and Mining 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 Department for Energy and Mining as at 30 June 2019, its financial performance and its cash flows for 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 Statement of Administered Comprehensive Income for the year ended 30 June 2019
- a Statement of Administered Financial Position as at 30 June 2019
- a Statement of Administered Cash Flows for the year ended 30 June 2019
- a Schedule of Expenses and Income attributable to administered activities for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information for administered items
- a Certificate from the Acting Chief Executive and the Manager, Financial Services.

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 Department for Energy and Mining. 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 for the financial report

The Chief Executive 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 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 that is free from material misstatement, whether due to fraud or error.

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 Department for Energy and Mining's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- 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 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 'Andrew Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

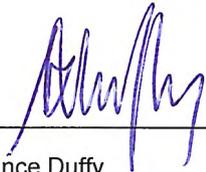
Auditor-General

18 September 2019

We certify that the attached general purpose financial statements for the Department for Energy and Mining:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987* and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the department and
- present a true and fair view of the financial position of the Department for Energy and Mining 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 Department for Energy and Mining for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Vince Duffy
Acting Chief Executive
16 September 2019



Ben Adams
Manager, Financial Services
16 September 2019

Department for Energy and Mining
Statement of Comprehensive Income
for the year ended 30 June 2019

| | Note | 2019 \$'000 |
|---|------|------------------|
| <u>Expenses</u> | | |
| Employee benefits expenses | 2.3 | 42 091 |
| Supplies and services | 3.1 | 72 295 |
| Depreciation and amortisation | 3.2 | 5 431 |
| Grants and subsidies | 3.3 | 43 524 |
| Net loss from the disposal of property, plant and equipment | 4.6 | 98 |
| Other expenses | 3.4 | 2 862 |
| Total expenses | | 166 301 |
| <u>Income</u> | | |
| Fees and charges | 4.2 | 38 689 |
| Other grants and contributions | 4.4 | 9 041 |
| Other income | 4.7 | 7 072 |
| Resources received free of charge | 4.5 | 395 |
| Commonwealth grants and payments | 4.3 | 322 |
| Total income | | 55 519 |
| Net cost of providing services | | (110 782) |
| <u>Revenues from / (payments to) SA Government</u> | | |
| Revenues from SA Government | 4.1 | 112 963 |
| Payments to SA Government | 4.1 | (69 534) |
| Total net revenues from SA Government | | 43 429 |
| Net result | | (67 353) |
| Total comprehensive result | | (67 353) |

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

The net result is primarily due to the return of surplus capital appropriation disclosed in note 4.1.

Department for Energy and Mining
Statement of Financial Position
as at 30 June 2019

| | Note | 2019 \$'000 |
|---------------------------------------|------|----------------|
| <u>Current assets</u> | | |
| Cash | 6.1 | 5 771 |
| Receivables | 6.2 | 15 760 |
| Total current assets | | 21 531 |
| <u>Non-current assets</u> | | |
| Property, plant and equipment | 5.1 | 268 264 |
| Intangible assets | 5.2 | 2 433 |
| Total non-current assets | | 270 697 |
| Total assets | | 292 228 |
| <u>Current liabilities</u> | | |
| Payables | 7.1 | 15 859 |
| Employee benefits | 2.4 | 4 751 |
| Provisions | 7.2 | 196 |
| Other current liabilities | 7.3 | 6 380 |
| Total current liabilities | | 27 186 |
| <u>Non-current liabilities</u> | | |
| Payables | 7.1 | 978 |
| Employee benefits | 2.4 | 10 551 |
| Provisions | 7.2 | 3 490 |
| Total non-current liabilities | | 15 019 |
| Total liabilities | | 42 205 |
| Net assets | | 250 023 |
| <u>Equity</u> | | |
| Retained earnings | | 3 380 |
| Contributed capital | | 246 643 |
| Total equity | | 250 023 |

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

Department for Energy and Mining
Statement of Changes in Equity
for the year ended 30 June 2019

| | Retained earnings \$'000 | Contributed capital \$'000 | Total equity \$'000 |
|---|--------------------------------|----------------------------------|------------------------|
| <u>Net result for 2018-19</u> | (67 353) | - | (67 353) |
| Total comprehensive result 2018-19 | (67 353) | - | (67 353) |
| Contributed capital increases | - | 246 643 | 246 643 |
| Net assets transferred as a result of an administrative restructure | 70 733 | - | 70 733 |
| Balance at 30 June 2019 | 3 380 | 246 643 | 250 023 |

The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.

Department for Energy and Mining
Statement of Cash Flows
for the year ended 30 June 2019

| | 2019 |
|--|------------------|
| | (Outflows) |
| | Inflows |
| | \$'000 |
| <u>Cash flows from operating activities</u> | |
| <i>Cash (outflows)</i> | |
| Employee benefit payments | (40 791) |
| Payments for supplies and services | (102 260) |
| Payments of security deposits | (1 641) |
| Payments of grants and subsidies | (47 991) |
| Loan payments | (11 147) |
| Payments for paid parental leave scheme | (25) |
| Other payments | (797) |
| Cash (used in) operations | (204 652) |
| <i>Cash inflows</i> | |
| Fees and charges | 38 264 |
| Receipts from Commonwealth | 324 |
| Net GST recovered from ATO | 32 242 |
| Receipts of security deposits | 235 |
| Net receipts from paid parental leave scheme | 33 |
| Other receipts | 19 208 |
| Cash generated from operations | 90 306 |
| Cash flows from SA Government | |
| Receipts from SA Government | 112 963 |
| Payments to SA Government | (69 534) |
| Cash generated from SA Government | 43 429 |
| Net cash (used in) operating activities | (70 917) |
| | 8.2 |
| <u>Cash flows from investing activities</u> | |
| <i>Cash (outflows)</i> | |
| Purchase of property, plant and equipment | (230 876) |
| Cash (used in) investing activities | (230 876) |
| <i>Cash inflows</i> | |
| Proceeds from sale of property, plant and equipment and other assets | 367 |
| Cash generated from investing activities | 367 |
| Net cash (used in) investing activities | (230 509) |
| <u>Cash flows from financing activities</u> | |
| Cash inflows | |
| Capital contributions from SA Government | 246 643 |
| Cash received from restructuring activities | 60 554 |
| Cash generated from financing activities | 307 197 |
| Net cash provided by financing activities | 307 197 |
| Net increase in cash | 5 771 |
| Cash at the beginning of the period | - |
| Cash at the end of the period | 5 771 |
| | 6.1 |

The accompanying notes form part of these financial statements.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

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Department for Energy and Mining
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Department for Energy and Mining

Notes to and forming part of the financial statements

for the year ended 30 June 2019

1. About the Department for Energy and Mining

The *Public Sector (Administrative Units) Proclamation 2018* under sections 26 and 28 of the *Public Sector Act 2009* (dated 17 May 2018) proclaimed the establishment of the department and assigned the title Department for Energy and Mining effective from 1 July 2018.

The department is a non-for-profit government department of the State of South Australia. The department is established pursuant to the *Public Sector Act 2009* as an administrative unit acting on behalf of the Crown.

The department does not control any other entity and has no interests in unconsolidated structured entities. The financial statements and accompanying notes include all of the controlled activities of the department.

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*
- relevant Australian Accounting Standards.

For the 2018-19 financial statements the department adopted AASB 9 – Financial Instruments and is required to comply with new *Treasurer's Instructions (Accounting Policy Statements)* issued on 22 March 2019. Further information is provided in note 9.

As the department was established on 1 July 2018, there are no prior period comparative figures in the financial statements.

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.

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the department has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

1.2. Objectives and programs

The Department for Energy and Mining was established on 1 July 2018 to deliver affordable, reliable and secure energy supplies in a transitioning national energy market and to responsibly unlock the value and opportunities offered by South Australia's mineral and energy resources.

The department also delivers effective, efficient and transparent regulation for the energy and mining sectors while fostering responsible access and development of the State's mineral and energy endowment to support jobs growth and increased exports.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.2. Objectives and programs of the Department for Energy and Mining (continued)

The department provides leadership in national energy market reforms that integrate energy and climate change policy in national frameworks for mineral and energy resources. The department supports South Australia's role as lead legislator for national energy regulation pursuant to the Australian Energy Market Agreement.

Programs

The department has identified two broad programs that reflect the nature of the services provided to the South Australian community.

Mineral Resources and Energy

The purpose of this program is to responsibly regulate, manage and support the development of South Australia's mineral, petroleum and renewable energy assets, and to provide policy development, advocacy and advice to continually improve productivity, efficiency and environmental responsibility across the resources and energy sectors.

Water Industry Technical and Safety Regulation

The purpose of this program is to support the enforcement, compliance and promotion of technical and safety regulation of plumbing equipment and water industry entities to ensure low levels of accidents and failures.

The tables on the following pages present expenses, income, assets and liabilities attributable to each program.

Expenses and income by program

| | Mineral Resources and Energy | Water Industry Technical and Safety Regulation | General / Not attributable |
|---|------------------------------------|--|----------------------------------|
| | 2019 | 2019 | 2019 |
| | \$'000 | \$'000 | \$'000 |
| <u>Expenses</u> | | | |
| Employee benefits expenses | 40 277 | 1 814 | - |
| Supplies and services | 71 701 | 594 | - |
| Depreciation and amortisation | 5 386 | 45 | - |
| Grants and subsidies | 43 518 | 6 | - |
| Net loss from disposal of property, plant and equipment | 98 | - | - |
| Other expenses | 2 844 | 18 | - |
| Total expenses | 163 824 | 2 477 | - |
| <u>Income</u> | | | |
| Fees and charges | 36 038 | 2 651 | - |
| Other grants and contributions | 9 041 | - | - |
| Other income | 7 051 | 21 | - |
| Resources received free of charge | 378 | 17 | - |
| Commonwealth grants and payments | 322 | - | - |
| Total income | 52 830 | 2 689 | - |
| Net cost of providing services | (110 994) | 212 | - |
| <u>Revenues from / (payments to) SA Government</u> | | | |
| Revenues from SA Government | - | - | 112 963 |
| Payments to SA Government | - | - | (69 534) |
| Net result | (110 994) | 212 | 43 429 |

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.2. Objectives and activities of the Department for Energy and Mining (continued)

| | <u>Activity Total</u> |
|--|-----------------------|
| | <u>2019</u> |
| <u>Expenses</u> | <u>\$'000</u> |
| Employee benefits expenses | 42 091 |
| Supplies and services | 72 295 |
| Depreciation and amortisation expenses | 5 431 |
| Grants and subsidies | 43 524 |
| Net loss from disposal of non-current and other assets | 98 |
| Other expenses | 2 862 |
| Total expenses | 166 301 |
| | |
| <u>Income</u> | |
| Fees and charges | 38 689 |
| Other grants and contributions | 9 041 |
| Other income | 7 072 |
| Resources received free of charge | 395 |
| Commonwealth grants and payments | 322 |
| Total income | 55 519 |
| | |
| Net cost of providing services | (110 782) |
| | |
| <u>Revenues from / (payments to) SA Government</u> | |
| Revenues from SA Government | 112 963 |
| Payments to SA Government | (69 534) |
| Net result | (67 353) |

Assets and liabilities by program

| | Mineral Resources and Energy | Water Industry Technical and Safety Regulation |
|-------------------------------|---|---|
| | <u>2019</u> | <u>2019</u> |
| | <u>\$'000</u> | <u>\$'000</u> |
| <u>Assets</u> | | |
| Cash and cash equivalents | 5 685 | 86 |
| Receivables | 14 997 | 763 |
| Property, plant and equipment | 266 042 | 2 222 |
| Intangible assets | 2 413 | 20 |
| Total assets | 289 137 | 3 091 |
| | | |
| <u>Liabilities</u> | | |
| Payables | 16 586 | 251 |
| Employee benefits | 14 643 | 659 |
| Provisions | 3 527 | 159 |
| Other liabilities | 6 285 | 95 |
| Total liabilities | 41 041 | 1 164 |

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.2. Objectives and activities of the Department for Energy and Mining (continued)

| | <u>Activity Total</u> |
|-------------------------------|-----------------------|
| | 2019 |
| | \$'000 |
| <u>Assets</u> | |
| Cash and cash equivalents | 5 771 |
| Receivables | 15 760 |
| Property, plant and equipment | 268 264 |
| Intangible assets | 2 433 |
| Total assets | <u>292 228</u> |
| <u>Liabilities</u> | |
| Payables | 16 837 |
| Employee benefits | 15 302 |
| Provisions | 3 686 |
| Other liabilities | 6 380 |
| Total liabilities | <u>42 205</u> |

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.3. Changes to the department

The *Public Sector (Reorganisation of Public Sector Operations No. 2) Notice 2018* (dated 21 June 2018) declared that the resources and functions of the following business units transferred from the Department of the Premier and Cabinet to the Department for Energy and Mining effective from 1 July 2018:

- Energy Plan Implementation Taskforce
- Strategy and Governance
- Resource Infrastructure and Investment Taskforce (RIITF)
- Mineral Resources
- Energy Resources
- Energy and Technical Regulation
- Low Carbon Economy Unit

Two additional employees of the Department of the Premier and Cabinet were transferred to the Department for Energy and Mining effective from 1 July 2018.

The *Public Sector (Reorganisation of Public Sector Operations No. 3) Notice 2018* (dated 28 June 2018) also declared four employees of the Department of Innovation and Skills were transferred into the new Department for Energy and Mining effective from 1 July 2018.

Transferred in

| | Minerals and Energy Resources, RIITF & Technical Regulation, Corporate Services | Energy Plan Implementation Taskforce | Low Carbon Economy Unit | Total |
|---|---|--|-------------------------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash and cash equivalents | 27 932 | 32 622 | - | 60 554 |
| Receivables | 6 606 | - | - | 6 606 |
| Non-current assets classified as held for sale | 372 | - | - | 372 |
| Property, plant and equipment | 43 209 | - | - | 43 209 |
| Intangibles | 2 634 | - | - | 2 634 |
| Total assets | 80 753 | 32 622 | - | 113 375 |
| Payables | 7 471 | 8 275 | 68 | 15 814 |
| Employee benefits | 13 542 | 205 | 330 | 14 077 |
| Provisions | 3 790 | 20 | 15 | 3 825 |
| Other liabilities | 8 926 | - | - | 8 926 |
| Total liabilities | 33 729 | 8 500 | 413 | 42 642 |
| Total net assets transferred | 47 024 | 24 122 | (413) | 70 733 |

Net assets assumed by the department as a result of the administrative restructure are the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to transfer.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.4. Budget performance

The budget performance table compares the departments outcomes against budget information presented to Parliament (2018-19 Budget Paper 4). The budget amounts have not been adjusted to reflect revised budgets or administrative restructures. The budget process is not subject to audit.

| | Statement | | Original budget 2019 \$'000 | Actual 2019 \$'000 | Variance \$'000 |
|--|-----------|------|--------------------------------------|--------------------------|--------------------|
| | Note | Note | | | |
| Statement of Comprehensive Income | | | | | |
| Expenses | | | | | |
| Employee benefits expenses | 2.3 | | 39 858 | 42 091 | 2 233 |
| Supplies and services | 3.1 | (a) | 92 017 | 72 295 | (19 722) |
| Depreciation and amortisation | 3.2 | | 2 909 | 5 431 | 2 522 |
| Grants and subsidies | 3.3 | (b) | 64 359 | 43 524 | (20 835) |
| Net loss from the disposal of property, plant and equipment | 4.6 | | - | 98 | 98 |
| Other expenses | 3.4 | | 835 | 2 862 | 2 027 |
| Total expenses | | | 199 978 | 166 301 | (33 677) |
| Income | | | | | |
| Fees and charges | 4.2 | | 37 816 | 38 689 | 873 |
| Commonwealth grants and payments | 4.3 | | 127 | 322 | 195 |
| Other grants and contributions | 4.4 | | 17 464 | 9 041 | (8 423) |
| Resources received free of charge | 4.5 | | - | 395 | 395 |
| Other income | 4.7 | | 3 486 | 7 072 | 3 586 |
| Total income | | | 58 893 | 55 519 | (3 374) |
| Net cost of providing services | | | (141 085) | (110 782) | 30 303 |
| Revenues from / (payments to) SA Government | | | | | |
| Revenues from SA Government | 4.1 | | 110 202 | 112 963 | 2 761 |
| Payments to SA Government | 4.1 | (c) | (100) | (69 534) | (69 434) |
| Total net revenues from SA Government | | | 110 102 | 43 429 | (66 673) |
| Net result | | | (30 983) | (67 353) | (36 370) |
| Investing Expenditure Summary | | | | | |
| Total new projects | | (d) | 285 002 | 228 263 | (56 739) |
| Total existing projects | | | 1 627 | 84 | (1 543) |
| Total annual programs | | | 3 212 | 3 228 | 16 |
| Total investing expenditure | | | 289 841 | 231 575 | (58 266) |

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.4. Budget performance (continued)

The following are brief explanations of variances between original budget and actual amounts:

Statement of Comprehensive Income

- (a) Supplies and services is \$19.7 million lower than original budget primarily due to underspends for State Budget Energy Initiatives which have been carried over to 2019-2020.
- (b) Grants and subsidies is \$20.8 million lower than original budget primarily due to underspends in the Renewable Technology Fund which have been carried over to 2019-2020.
- (c) Payments to SA Government is \$69.4 million higher than original budget primarily due to the return of capital funding for the temporary generators.

Investing Expenditure

- (d) Expenditure on new projects is \$56.8 million lower than original budget due to the purchase by Government of the temporary generators. Capital funding not required was returned to Treasury and Finance as part of the 2019-20 State Budget process.

1.5. Significant transactions with government related entities

Significant transactions with the SA Government are identifiable throughout this financial report. In addition:

- approximately 85% of lease payments relate to accommodation supplied by the Department of Planning, Transport and Infrastructure and 15% relate to vehicles supplied by LeasePlan; and
- service level agreement payments to the Department for Innovation and Skills of \$2.1 million and the Department of Primary Industries and Regions SA of \$1.7 million.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2. Boards, committees and employees

2.1. Key management personnel

Key management personnel of the department include the Ministers, the Chief Executive and the 6 members of the Executive Team.

The compensation for key management personnel was \$2.0 million in 2018-19.

The compensation disclosed in this note excludes salaries and other benefits the Minister for Energy and Mining receives. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

| | 2019 |
|---|---------------------|
| | \$'000 |
| <u>Compensation</u> | |
| Salaries and other short term employee benefits | 1 593 |
| Post-employment benefits | 430 |
| Total compensation | <u>2 023</u> |

Transactions with key management personnel and other related parties

There were no transactions with key management personnel and other related parties.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2.2. Board and committee members

Members during the 2019 financial year were:

Minerals and Energy Advisory Council

P Carr (Chair)
K Yates (term expired June 2019)
S Bellman ^ (appointed May 2019)
T Burgess ^ (appointed May 2019)
K Hulmes ^ (appointed May 2019)
S Masters ^
D Maxwell ^ (appointed May 2019)
S Pitcher ^ (appointed May 2019)
M Reed ^
K Reznikov ^ (appointed May 2019)
J Schroll ^ (appointed May 2019)
S Thuraingham ^ (appointed May 2019)
D Cruickshanks-Boyd (term expired June 2019)
I Gould (term expired June 2019)
P Holloway (term expired June 2019)
A McCleary (term expired June 2019)
J Anderson ^ (term expired June 2019)
D Carter ^ (term expired June 2019)
A Cole ^ (term expired June 2019)
M Doman ^ (term expired June 2019)
G Guglielmo ^ (term expired June 2019)
A Jaffray ^ (term expired June 2019)
R Knol ^ (term expired June 2019)
A Marsland-Smith ^ (term expired June 2019)
J McGill ^ (term expired June 2019)
G McKenzie ^ (term expired June 2019)

Risk and Performance Committee

C Dunsford (Chair)
J Hill
S Adlaf *
J Cirson * (appointed September 2018)
N Chandler * (appointed December 2018)
J King * (appointed September 2018, resigned December 2018)
G Giannopoulos * (resigned December 2018)
M Richardson * (term expired September 2018)

Technical Advisory Committee (Electricity and Gas)

R Faunt * (Chair)
D Anthony ^
J Burdeniuk ^
A Clarke ^
J Corbett ^
G Cox ^
S Fereday *
B Jackson ^
N Kerslake *
R Kluba ^
R Mignone ^
L Moore ^
P Newman *
S Pisoni ^
P Scudds ^
T Sika *
G Sorensen ^
R Struve *
A Szacinski *
T Tran ^
T Tucker *
T Volkmann *

Department for Energy and Mining
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2.2. Board and committee members (continued)

The Risk and Performance Committee is shared with the Department for Trade, Tourism and Investment and the Department for Innovation and Skills. The committee is remunerated by the Department for Innovation and Skills and costs are recovered through the service level agreement with the Department for Innovation and Skills (refer note 3.1).

* In accordance with the Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for board / committee duties during 2018-19.

^ Indicates a member entitled to remuneration but has elected not to receive payment.

Board and committee remuneration

The number of members whose remuneration received or receivable falls within the following bands:

| | 2019 |
|--------------------------------|----------|
| \$1 - \$19 999 | 6 |
| Total number of members | 6 |

The total remuneration received or receivable by members was \$7 000 *. Remuneration of members reflects all costs of performing board / committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

2.3. Employee benefits expenses

Employee benefits expenses

| | Note | 2019 \$'000 |
|--|------|----------------|
| Salaries and wages | | 29 357 |
| Targeted voluntary separation packages | | 2 613 |
| Long service leave | | 1 979 |
| Annual leave | | 2 712 |
| Skills and experience retention leave | | 178 |
| Employment on-costs - superannuation | | 3 327 |
| Employment on-costs - other | | 1 931 |
| Board fees * | 2.2 | 7 |
| Workers compensation | | (13) |
| Total employee benefits expense | | 42 091 |

* Board fees includes \$4 000 paid to the Chair of the Penrice Community Consultative Committee, appointed by the Minister and reimbursed to the department as a recovery (refer note 4.7).

Employment on-costs - superannuation

The superannuation employment on-cost charge represents the department's contributions to superannuation plans in respect of current services of current employees.

Department for Energy and Mining
Notes to and forming part of the financial statements
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2.3. Employee benefits expenses (continued)

Executive remuneration

The number of employees whose remuneration received or receivable falls within the following bands:

| | 2019 Number |
|--------------------------|----------------|
| \$151 001 to \$171 000 | 17 |
| \$171 001 to \$191 000 | 8 |
| \$191 001 to \$211 000 | 5 |
| \$211 001 to \$231 000 | 2 |
| \$231 001 to \$251 000 | 4 |
| \$291 001 to \$311 000 ^ | 4 |
| \$311 001 to \$331 000 ^ | 2 |
| \$331 001 to \$351 000 | 1 |
| \$351 001 to \$371 000 ^ | 3 |
| \$391 001 to \$411 000 | 1 |
| Total | <u>47</u> |

^ This band includes employees that have received TVSP and (or) termination payments in 2018-19.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

The total remuneration received by those employees for the year was \$10.2 million.

Targeted voluntary separation packages (TVSPs)

The number of employees who received a TVSP during the reporting period was 29.

| | 2019 \$'000 |
|--|----------------|
| Amount paid to separated employees: | |
| Targeted Voluntary Separation Packages | 2 613 |
| Leave paid to separated employees | 1 032 |
| Employment on-costs (payroll tax and Shared Services SA processing fees) | 105 |
| Recovery from the Department of Treasury and Finance | <u>(2 761)</u> |
| Net cost to the department | <u>989</u> |

Department for Energy and Mining
Notes to and forming part of the financial statements
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2.4. Employee benefits liability

| | 2019 \$'000 |
|--|----------------|
| <u>Current</u> | |
| Accrued salaries and wages | 1 132 |
| Annual leave | 2 873 |
| Long service leave | 507 |
| Skills and experience retention leave | 239 |
| Total current employee benefits | 4 751 |
| <u>Non-current</u> | |
| Long service leave | 10 551 |
| Total non-current employee benefits | 10 551 |
| Total employee benefits | 15 302 |

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 their nominal amounts.

Salaries and wages, annual leave, skills and experience retention leave and sick leave

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

The annual leave liability and the skills and experience retention leave liability expected to be payable within 12 months are measured at the undiscounted amount expected to be paid. Where the annual leave liability and the skills and experience retention leave liability are expected to be payable later than 12 months, the liabilities are measured at present value.

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 for 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.

Department for Energy and Mining
Notes to and forming part of the financial statements
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3. Expenses

The expenses of the department primarily relate to the State's Temporary Generators, Energy Initiative grant funding programs and the Remote Areas Energy Supply Scheme.

Employee benefits expenses are disclosed in note 2.3.

3.1. Supplies and services

| | 2019 |
|--|---------------|
| | \$'000 |
| Emergency generation and storage ^(a) | 33 453 |
| Contractors ^(b) | 10 790 |
| Energy supply fuel and lubricants | 8 188 |
| Service level agreements ^(c) | 4 254 |
| Office administration expenses | 3 659 |
| Operating lease payments | 3 521 |
| Consultants | 2 038 |
| Communications and information technology | 1 309 |
| Travel and related expenses | 1 196 |
| Accommodation and service costs | 931 |
| Staff related expenses | 907 |
| Remote areas energy supplies plant and equipment | 729 |
| Marketing | 706 |
| Service recoveries | 489 |
| Accounting and audit fees ^(d) | 125 |
| Total supplies and services | 72 295 |

(a) Emergency generation and storage represents payments for operation of the State's Temporary Generators and the Hornsdale Power Reserve lithium-ion battery.

(b) Contractors include major service contract payments to Cowell Electricity Supply Pty Ltd to manage electricity infrastructure in the Remote Areas Energy Supply (RAES) communities.

(c) Service level agreements largely represents payments made to the Department for Innovation and Skills and the Department of Primary Industries and Regions SA for the provision of corporate support and Information Communication Technology support under service level agreements.

(d) Audit fees paid / payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were \$0.1 million. No other services were provided by the Auditor-General's Department.

Operating leases payments

Operating lease payments (less any lease incentives) are recognised on a straight-line basis over the lease term.

There were no operating lease contingent rents or sublease payments recognised as an expense in the period.

Operating lease expenses relating to office accommodation are included as Operating lease payments.

Operating leases expenses relating to LeasePlan vehicles are included in Travel and related expenses.

Department for Energy and Mining
Notes to and forming part of the financial statements
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3.1. Supplies and services (continued)

Consultants

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

| | 2019 Number | 2019 \$'000 |
|-------------------|----------------|----------------|
| Below \$10 000 | 8 | 36 |
| \$10 000 or above | 20 | 2 002 |
| Total | 28 | 2 038 |

3.2. Depreciation and amortisation

| | 2019 \$'000 |
|---|----------------|
| Plant and equipment | 4 486 |
| Buildings and leasehold improvements | 744 |
| Intangibles / software | 201 |
| Total depreciation and amortisation expenses | 5 431 |

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.

Lease incentives in the form of leasehold improvements are capitalised as an asset and depreciated over the remaining term of the lease or estimated useful life of the improvement, whichever is shorter.

Land and non-current assets held for sale are not depreciated.

Review of accounting estimates

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, on an annual basis. Changes in the expected life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

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) |
|------------------------|---------------------|
| Buildings | 25-80 |
| Leasehold improvements | Life of lease |
| Plant and equipment | 2-60 |
| Intangibles / software | 3-10 |

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

Department for Energy and Mining
Notes to and forming part of the financial statements
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3.3. Grants and subsidies

| | 2019 \$'000 |
|---|----------------------|
| Class of assistance | |
| Renewable Technology Fund | 12 077 |
| Energy Plan Implementation ^(a) | 9 042 |
| Energy Productivity Program | 8 032 |
| Remote Areas Energy Supplies Scheme | 4 232 |
| Energy Connect | 2 680 |
| Australian Energy Market Commission | 2 213 |
| PACE 2020 ^(b) | 1 965 |
| Other grants and subsidies | 3 283 |
| Total grants and subsidies | <u>43 524</u> |

(a) Energy Plan Implementation includes subsidies provided under the Home Battery Scheme.

(b) PACE2020 - includes contributions to the Mineral Exploration Cooperative Research Centre (MinEX CRC) as part of the PACE Discovery Drilling initiative.

3.4. Other expenses

| | 2019 \$'000 |
|-----------------------------|---------------------|
| Revaluation decrement | 1 203 |
| NRM Water Catchment Levy | 797 |
| Shared Services fee | 389 |
| Bad and doubtful debts | 470 |
| Other expenses | 3 |
| Total other expenses | <u>2 862</u> |

The revaluation decrement is associated with the independent valuation of electricity infrastructure in RAES communities at 30 June 2019.

Department for Energy and Mining
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4. Income

The department's primary sources of income (excluding appropriations from SA Government) include application, rental and licence fees collected pursuant to the *Petroleum and Geothermal Energy Act 2000*, *SA Mining Act 1971* and *Opal Mining Act 1995* (refer note 4.2), Industry licence fees levied by the Essential Services Commission of South Australia (refer note 4.2), sales of electricity (refer note 4.2) and funding received from the Green Industry Fund (refer note 4.4).

4.1. Net revenues from SA Government

| | 2019 \$'000 |
|---|----------------|
| <u>Revenues from SA Government</u> | |
| Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i> | 110 202 |
| Appropriations under other Acts | 2 761 |
| Total revenues from SA Government | 112 963 |
| <u>Payments to SA Government</u> | |
| Return of surplus capital appropriation | 58 085 |
| Payments to Consolidated Account - Surplus Cash | 11 449 |
| Total payments to SA Government | 69 534 |
| Net revenues from SA Government | 43 429 |

Appropriations

Appropriations are recognised on receipt.

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the department and the appropriation is recorded as contributed equity. Equity contributions of \$246.7 million primarily relate to the purchase of generation assets of \$226.8 million. Refer to the Statement of Changes in Equity.

Total revenue from Government consists of \$113.0 million for operational funding. This includes an appropriation of \$2.8 million received pursuant to Treasurer's contingency for TVSP reimbursements.

Payments to SA Government includes a return of surplus capital appropriation as per the Cash Alignment Policy for purchase of generators of \$58.1 million and the transfer of surplus cash to the Consolidated Account of \$11.4 million.

There were no appropriations from the Governor's Appropriation Fund pursuant to the *Public Finance and Audit Act*.

Department for Energy and Mining
Notes to and forming part of the financial statements
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4.2. Fees and charges

| | 2019 |
|---|----------------------|
| | \$'000 |
| Mining and petroleum application fees, rentals and licences | 23 282 |
| Industry licence fees | 10 372 |
| Sales of electricity | 5 028 |
| Other fees and charges | <u>7</u> |
| Total fees and charges | <u>38 689</u> |

Industry licence fees include licence fees on electricity and gas and industry bodies in South Australia. Fees are determined by the Minister for Energy and Mining and are levied by the Essential Services Commission of South Australia.

4.3. Commonwealth grants and payments

| | 2019 |
|--|-------------------|
| | \$'000 |
| Grants | |
| COAG Hydrogen | 125 |
| Greenhouse and Energy Minimum Standards (GEMS) Inspections | 61 |
| Bioenergy | 59 |
| National Energy Efficiency Buildings | 46 |
| Other Payments | |
| Salary reimbursement - Energy Security Board | <u>31</u> |
| Total Commonwealth grants and payments | <u>322</u> |

A grant has conditions of expenditure still to be met as at reporting date of \$14 000. This contribution relates to National Energy Efficiency Buildings projects. Conditions attached to this grant include acceptance of a final report based on contractor findings.

4.4. Other grants and contributions

| | 2019 |
|---|---------------------|
| | \$'000 |
| Green Industry Fund | 8,379 |
| Other grants and subsidies revenue | <u>662</u> |
| Total other grants and contributions | <u>9,041</u> |

The Green Industry Fund contribution includes \$7.0 million for the Home Battery Scheme and Grid Scale Storage Fund and \$1.4 million in operational funding for the Low Carbon Economy Unit.

Department for Energy and Mining
Notes to and forming part of the financial statements
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4.5. Resources received free of charge

| | 2019 \$'000 |
|---|----------------|
| Services received free of charge - Shared Services SA | 389 |
| Donated assets | 6 |
| Total resources received free of charge | 395 |

On 21 November 2016, approval was given by Cabinet to cease the intra-government charging model for services provided by Shared Services SA (SSSA) to general government sector agencies. As a result of this change, effective from 2018, SSSA is directly appropriation funded for the services provided by SSSA to general government agencies.

Under AASB 1004 *Contributions*, the contribution of services provided by SSSA to government agencies are disclosed in the financial statements as income because the fair value of the services can be reliably measured and the services would have been purchased if they had not been donated. A corresponding expense is recognised in the financial statements.

4.6. Net gain (loss) from the disposal of property, plant and equipment

| | 2019 \$'000 |
|--|----------------|
| <u>Land and buildings</u> | |
| Proceeds from disposal | 340 |
| Less net book value of assets disposed | (372) |
| Net gain from disposal of land and buildings | (32) |
| <u>Plant and equipment and other assets</u> | |
| Proceeds from disposal | 27 |
| Less net book value of assets disposed | (93) |
| Net loss from disposal of plant and equipment and other assets | (66) |
| <u>Total assets</u> | |
| Proceeds from disposal | 367 |
| Less net book value of assets disposed | (465) |
| Total net gain (loss) from disposal of non-current and other assets | (98) |

The net loss on disposal includes the sale of land and buildings associated with the Moonta Drill Core Facility. These assets were classified as held for sale at the time of transfer from the Department of the Premier and Cabinet effective from 1 July 2018 (refer note 1.3).

4.7. Other income

| | 2019 \$'000 |
|--|----------------|
| Recoveries | 3 126 |
| Fuel tax credits | 2 440 |
| Support for the regulation of Extractive Mining Operations | 998 |
| Other income | 508 |
| Total other income | 7 072 |

Recoveries include payments received under the Australian Energy Market Operator's Reliability and Emergency Reserve Trader Scheme for the dispatch of temporary generators on 24 January 2019 of \$2.0 million.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

5. Non-financial assets

5.1. Property, plant and equipment

| | 2019 \$'000 |
|--|-----------------------|
| <u>Plant and equipment</u> | |
| Plant and equipment at cost (deemed fair value) | 5 315 |
| Plant and equipment at fair value | 232 270 |
| Accumulated depreciation | <u>(5 151)</u> |
| Total plant and equipment | <u>232 434</u> |
| <u>Buildings and leasehold improvements</u> | |
| Buildings and leasehold improvements at fair value | 30 466 |
| Accumulated depreciation | <u>(2 062)</u> |
| Total buildings and leasehold improvements | <u>28 404</u> |
| <u>Land</u> | |
| Land at fair value | <u>6 195</u> |
| Total land | <u>6 195</u> |
| <u>Works of art</u> | |
| Works of art at fair value | <u>70</u> |
| Total works of art | <u>70</u> |
| <u>Capital works in progress</u> | |
| Works in progress at cost | <u>1 161</u> |
| Total capital works in progress | <u>1 161</u> |
| Total property, plant and equipment | <u>268 264</u> |

Property, plant and equipment with a value equal to or in excess of \$10 000 is capitalised, otherwise it is expensed with the exception of works of art. Works of art are capitalised irrespective of their value.

Property, plant and equipment is recorded at fair value. Detail about the department's approach to fair value is set out in note 11.2.

Plant and equipment includes \$3.1 million of fully depreciated plant and equipment still in use and \$0.1 million of plant and equipment retired from active use but not classified as held for sale.

The department maintains electricity infrastructure in Aboriginal Communities through the RAES scheme. An independent valuation performed as at 30 June 2019 identified \$14.6 million of electricity generation and distribution network assets in Aboriginal Communities that are not currently recognised as property, plant and equipment. As at 30 June 2019, the department was awaiting legal advice regarding the ownership of these assets.

Department for Energy and Mining
Notes to and forming part of the financial statements
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5.1. Property, plant and equipment (continued)

Impairment

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

Reconciliation 2018-2019

| | Plant and equipment | Buildings and leasehold improvements | Land | Works of art | Capital works in progress | Total |
|--|------------------------|--|--------------|-----------------|---------------------------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Carrying amount at 1 July 2018 | - | - | - | - | - | - |
| Additions | 230 193 | - | - | - | 1 382 | 231 575 |
| Capitalisation | - | 1 375 | - | - | (1 375) | - |
| Disposals | (93) | - | - | - | - | (93) |
| Donated assets | 6 | - | - | - | - | 6 |
| Revaluation decrement expense | (1 203) | - | - | - | - | (1 203) |
| Depreciation / amortisation | (4 486) | (744) | - | - | - | (5 230) |
| Net assets transferred as a result of an administrative restructure | 8 017 | 27 773 | 6 195 | 70 | 1 154 | 43 209 |
| Carrying amount at 30 June 2019 | 232 434 | 28 404 | 6 195 | 70 | 1 161 | 268 264 |

Additions of plant and equipment of \$230.2 million is predominately attributable to the purchase of generation assets for \$226.8 million.

Further information on the revaluation decrement expense is provided at note 3.4.

5.2. Intangible assets

| | 2019 \$'000 |
|---|----------------|
| <u>Computer software</u> | |
| Internally developed computer software | 994 |
| Accumulated amortisation | (377) |
| Other computer software | 35 |
| Other accumulated amortisation | (11) |
| Total computer software | 641 |
| <u>Works in progress</u> | |
| Intangible works in progress | 1 792 |
| Total intangible works in progress | 1 792 |
| Total intangible assets | 2 433 |

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5.2. Intangible assets (continued)

Intangible assets are initially measured at cost and are tested for indications 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, or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$10 000.

Reconciliation 2018-19

| | Intangibles software | Intangibles work in progress | Total |
|---|-------------------------|------------------------------------|--------------|
| | \$'000 | \$'000 | \$'000 |
| Carrying amount at 1 July 2018 | - | - | - |
| Amortisation | (201) | - | (201) |
| Net assets transferred as a result of an administrative restructure | 842 | 1 792 | 2 634 |
| Carrying amount at 30 June 2019 | 641 | 1 792 | 2 433 |

Department for Energy and Mining
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6. Financial assets

6.1. Cash and cash equivalents

| | 2019 \$'000 |
|-----------------------------|----------------|
| Deposits with the Treasurer | 5 771 |
| Total cash | 5 771 |

6.2. Receivables

| | 2019 \$'000 |
|----------------------------------|----------------|
| <u>Current</u> | |
| Trade receivables | |
| From government entities | 166 |
| From non-government entities | 2 754 |
| Allowance for doubtful debts | (447) |
| Total trade receivables | 2 473 |
| Loans granted | 11 147 |
| Accrued revenue | 287 |
| Prepayments | 861 |
| GST input tax recoverable | 976 |
| Other receivables | 16 |
| Total current receivables | 15 760 |
| Total receivables | 15 760 |

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice or the goods / services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

The net amount of GST payable to the ATO is included as part of receivables.

Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Refer to note 11.3 for further information on risk management.

Impairment of receivables

| | 2019 \$'000 |
|---|----------------|
| Carrying amount at 1 July 2018 | - |
| (Increase) in allowance due to restructure activities | (38) |
| (Increase) in the allowance | (418) |
| Amounts written off | 9 |
| Carrying amount at 30 June 2019 | (447) |

Refer to note 11.3 for details regarding credit risk and the methodology for determining impairment.

Department for Energy and Mining
Notes to and forming part of the financial statements
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7. Liabilities

Employee benefits liabilities are disclosed in note 2.4.

7.1. Payables

| | 2019 |
|-----------------------------------|---------------|
| | \$'000 |
| <u>Current</u> | |
| Creditors and accrued expenses | 15 011 |
| Employment on-costs | 848 |
| Total current payables | <u>15 859</u> |
| <u>Non-current</u> | |
| Employment on-costs | 978 |
| Total non-current payables | <u>978</u> |
| Total payables | <u>16 837</u> |

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-costs

Employment on-costs include payroll tax, Return to Work SA levies and superannuation contributions and are settled when the respective employee benefits that they relate to is discharged.

The department 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 South Australian Superannuation Board and external 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 was 41% in 2019. The average factor for the calculation of employer superannuation cost on-cost was 9.8% in 2019. These rates are used in the employment on-cost calculation. The impact on 2020 and future years cannot be reliably estimated.

Paid parent leave scheme

Paid Parental Leave Scheme payable represents amounts which the department has received from the Commonwealth Government to forward onto eligible employees via the department's standard payroll processes. That is, the department is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

Department for Energy and Mining
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7.2. Provisions

| | 2019 \$'000 |
|--|----------------|
| <u>Current</u> | |
| Provision for workers compensation | 196 |
| Total current provisions | 196 |
| <u>Non-current</u> | |
| Provision for workers compensation | 3 490 |
| Total non-current provisions | 3 490 |
| Total provisions | 3 686 |
| Movement in provisions | |
| Carrying amount at 1 July 2018 | - |
| Additional provisions recognised as a result of restructure activities | 3 825 |
| (Decrease) in provisions recognised | (139) |
| Carrying amount at 30 June 2019 | 3 686 |

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2019 provided by a consulting actuary engaged through the Office of the Commissioner for the Public Sector. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The department is responsible for the payment of workers compensation claims.

7.3. Other liabilities

| | 2019 \$'000 |
|--|----------------|
| <u>Current</u> | |
| Security deposits | 4 204 |
| Unearned revenue | 2 176 |
| Total current other liabilities | 6 380 |
| Total other liabilities | 6 380 |

Security deposits are received to ensure mine operators rehabilitate sites and comply with all statutory requirements on cessation of mining operations. Cash deposits are classified as security deposits. The value of securities held in the form of bank guarantees are reflected as a contingent asset as the department only has claim on these funds if the mining operator fails to meet its legislative requirements.

Unearned revenue mainly relates to payments of rent and annual regulatory fees received for the first year of a mining tenement (exploration licence, mining lease, miscellaneous purpose licence, retention lease are all mining tenements in accordance with the Mining Act 1971). This revenue is held as unearned until the Minister officially approves the grant of the mining tenement.

Annual rent and regulatory fees are also held as unearned revenue at the renewal of a mining tenement. Once a renewal decision has been made and a memorial has been instrumented in the Mining Register the revenue is then recognised as revenue. Annual rent for mining leases, retention leases and miscellaneous purpose licences which are granted or renewed over freehold land is refunded at this point to the relevant freehold landowners.

Department for Energy and Mining
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8. Other disclosures

8.1. Equity

For information about equity contributions refer to note 4.1.

8.2. Cash flow

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

| | 2019 \$'000 |
|---|------------------|
| <u>Reconciliation of cash and cash equivalents at the end of the reporting period</u> | |
| Cash and cash equivalents disclosed in the Statement of Financial Position | 5 771 |
| Balance as per the Statement of Cash Flows | 5 771 |
| <u>Reconciliation of net cash provided by / (used in) operating activities to net cost of providing services</u> | |
| Net cash provided by / (used) in operating activities | (70 917) |
| Less revenues from SA Government | (112 963) |
| Add payments to SA Government | 69 534 |
| <u>Add / (less) non-cash items</u> | |
| Depreciation and amortisation expense of non-current assets | (5 431) |
| Bad and doubtful debts expense | (470) |
| Resources received free of charge | 395 |
| Revaluation decrement | (1 203) |
| Resources provided free of charge | (389) |
| Transfer in for administrative restructure | 36 037 |
| Loss from disposal and write down of non-current and other assets | (98) |
| <u>Movement in assets and liabilities</u> | |
| (Decrease) / increase in receivables | 16 207 |
| Decrease / (increase) in payables | (16 116) |
| Decrease in other liabilities | (6 380) |
| Decrease in provisions | (3 686) |
| Decrease in employee benefits | (15 302) |
| Net cost of providing services | (110 782) |

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9. Changes in accounting policy

9.1. Treasurer's Instructions (Accounting Policy Statement)

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 requirement to report transactions with the SA Government.
- removal of the additional requirement to report a statement of equity for administered items.
- increasing 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.

The Accounting Policy Statements also set out requirements in relation to Accounting Standards and Statements not yet effective. This is further discussed in note 10.3.

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 department 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, if material, to be presented in a separate line item in the statement of comprehensive income. In 2019 this expense is deemed not to be material and is shown in note 3.4.
- *AASB 7 Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9, these disclosures have been provided for the current year because the comparatives have not been restated.

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

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9.2. AASB 9 Financial instruments (continued)

Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' model. The following financial assets of the department are subject to AASB 9's new expected credit loss model:

- trade receivables from provision of services

This model generally results in early recognition of credit losses.

Trade receivables

New impairment requirements result in a provision being applied to all receivables rather than only on those receivables that are credit impaired. The department 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.

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.

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10. Outlook

10.1. Unrecognised contractual commitments

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

Unrecognised contractual commitments are disclosed net of the amount of GST recoverable from, or payable to the ATO. If GST is not payable to, or recoverable from the ATO, the commitments and contingencies are disclosed on a gross basis.

Expenditure commitments

| | 2019 \$'000 |
|---|----------------|
| Within one year | 47 259 |
| Later than one year but not later than five years | 32 933 |
| Later than five years | 15 008 |
| Total other commitments | <u>95 200</u> |

Expenditure commitments include \$35 million related to contractors for the South Australian Grid-Connected Battery Facility.

Operating lease commitments

| | 2019 \$'000 |
|--|----------------|
| <u>Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:</u> | |
| Within one year | 2 834 |
| Later than one year but not later than five years | 10 716 |
| Later than five years | 7 969 |
| Total operating lease commitments | <u>21 519</u> |

Representing:

| | |
|--|---------------|
| Cancellable operating leases | 348 |
| Non-cancellable operating leases | 21 171 |
| Total operating lease commitments | <u>21 519</u> |

The department's operating leases relate to office accommodation and motor vehicles. Office accommodation is predominately leased from the Department of Planning, Transport and Infrastructure - Building Management Accommodation and Property Services. The leases are non-cancellable with terms ranging up to 9 years with some leases having the right of renewal. Motor vehicles are leased from the South Australian Government Financing Authority through their agent LeasePlan Australia, with lease periods of up to 3 years.

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10.2. 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.

Contingent assets

The department receives securities in accordance with Acts administered by the Department for Energy and Mining. These are obtained to ensure that a mine operator rehabilitates a site and complies with all statutory requirements on cessation of a licence. The amount held as bank guarantees at 30 June 2019 is approximately \$161 million. The department only has a claim on these funds if the licensee fails to perform its legislative requirements.

Contingent liabilities

The nature of activities that the department is involved in can create potential exposure to mining matters, which the department may be required to remedy in the future. The department has some potential outstanding litigation specifically resulting from interpretation of past mining practices and petroleum exploration. Certain matters associated with contaminants such as contaminated land and hazardous materials have been identified of past mining practices where there is no longer an active licence. For new activities, it is a lease condition that rehabilitation be undertaken by the leaseholder before a lease is surrendered. The department's responsibility is to ensure that a lease is not surrendered before appropriate rehabilitation has occurred, thus minimising the likelihood of future environmental risks to government. At this time, the financial impact, if any, cannot be reliably estimated.

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10.3. Impact of standards and statements not yet effective

The department has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet effective.

Treasurer's Instructions (Accounting Policy Statements) 2019 issued by the Treasurer on 22 March 2019 are effective for 2018-19 reporting period and are addressed below in relation to Standards not yet effective and in note 9.1. There are no Accounting Policy Statements that are not yet effective.

The material impacts on the department are outlined below.

AASB 15 – Revenue from Contracts with Customers and AASB 1058 – Income of Not for Profit Entities

The department will adopt AASB 15 – *Revenue from Contracts with Customers* and AASB 1058 – *Income of Not for Profit Entities* from 1 July 2019.

Objective

AASB 15 introduces a 5-step approach to revenue recognition. The objective of AASB 15 is that recognition of revenue depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. It provides extensive guidance as to how to apply this revenue recognition approach to a range of scenarios. AASB 15 – *Revenue from Contracts* replaces AASB 111 – *Construction Contracts* and AASB 118 – *Revenue*.

AASB 1058 introduces consistent requirements for the accounting of non-reciprocal transactions by not-for-profit entities, in conjunction with AASB 15. These requirements closely reflect the economic reality of not-for-profit entity transactions that are not contracts with customers. AASB 1058 replaces parts of AASB 1004 – *Contributions*.

Impact on 2019-20 financial statements

Adopting AASB 15 and AASB 1058 is not expected to have a material impact on the timing of recognition of revenue by the department.

Related accounting policies

The *Treasurer's Instructions (Accounting Policy Statements) 2019* sets out key requirements that the department must adopt for the transition to AASB 15 – *Revenue from Contracts with Customers* and AASB 1058 – *Income of Not for Profit Entities*. These requirements include that the department will:

- apply AASB 15 and AASB 1058 retrospectively. The cumulative effect of initially applying the Standards will be recognised at 1 July 2019. Comparatives will not be restated
- not apply the AASB 15 and the AASB 1058 completed contracts practical expedient.
- apply the AASB 15 practical expedient for all contract modifications that occur before the date of initial application.

The *Treasurer's Instructions (Accounting Policy Statements) 2019* also sets out requirements for on-going application. These requirements include that department will:

- apply, where permitted, the short-term licences recognition exemption.
- adopt \$15,000 as the threshold to determine whether a licence is a licence for which the transaction price is of low value and will apply the low value licence recognition exemption for all low value licences.
- not recognise volunteer services when the services would not have been purchased if they had not been donated.

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10.3. Impact of standards and statements not yet effective (continued)

AASB 16 – Leases

The department will adopt AASB 16 – *Leases* from 1 July 2019.

Objective

AASB 16 sets out a comprehensive model for lease accounting that addresses recognition, measurement, presentation and disclosure of leases. The outcome will be that lease information disclosed will give users of financial statements a basis to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. AASB 16 *Leases* replaces AASB 117 *Leases and Interpretation 4 Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases – Incentives and Interpretation*, and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Impact on 2019-20 financial statements

The department has assessed the estimated impact on the Statement of Financial Position of adopting AASB 16 with the transition requirements mandated by the *Treasurer's Instructions (Accounting Policy Statements)*.

AASB 16 requires lessees to recognise assets and liabilities for all leases, not subject to a recognition exemption or scoped out of the application of AASB 16. Applying AASB 16 will result in leases previously classified as operating leases having right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position for the first time. Lease incentive liabilities previously recognised will be written off against the right-of-use assets or retained earnings depending on the nature of the incentive.

AASB 16 is expected to have a material impact on the Statement of Financial Position. The department has estimated the impact of this change and the results as at 1 July 2019.

The estimated impact is based on applying AASB 16's transition approach to those leases identified as leases by the department prior to 1 July 2019. The incremental borrowing rates applied to estimate the lease liability were SAFA's interest rates for principal and interest loans to SA Government agencies.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the department has applied the optional exemptions to not recognise the leases liability and right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term. There is an exception for motor vehicle leases, where Treasurer's approval has been granted not to apply this exemption to leases with a term remaining of less than 12 months.

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10.3. Impact of standards and statements not yet effective (continued)

The estimated impact is set out below.

| | as at 1 July 2019 \$'000 |
|-----------------------------|--------------------------------|
| <u>Assets</u> | |
| Right-of-use assets | 19 877 |
| <u>Liabilities</u> | |
| Lease liabilities | 19 877 |
| Net impact on equity | - |

AASB 16 will also impact on the Statement of Comprehensive Income. The operating lease expense previously included in supplies and services will mostly be replaced with:

- a depreciation expense that represents the use of the right-of-use asset; and
- borrowing costs that represent the cost associated with financing the right-of-use asset.

The estimated impact on 2019-20 Statement of Comprehensive Income is set out below.

| | 2020 \$'000 |
|---|----------------|
| Depreciation and amortisation | 2 782 |
| Supplies and services | (2 539) |
| Borrowing costs | 347 |
| Net impact on net cost of providing services | 590 |

Related accounting policies

The *Treasurer's Instructions (Accounting Policy Statements) 2019* sets out key requirements that the department must adopt for the transition from AASB 117 *Leases* to AASB 16 *Leases*. These requirements include that the department will:

- apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard will be recognised at 1 July 2019. Comparatives will not be restated.
- only apply AASB 16 to contracts that were previously identified as containing a lease applying AASB 117 and related interpretations.
- not transition operating leases for which the lease term ends before 30 June 2020.

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10.3. Impact of standards and statements not yet effective (continued)

The *Treasurer's Instructions (Accounting Policy Statements) 2019* also sets out requirements for on-going application. These requirements include that the department will:

- not apply AASB 16 to leases of intangible assets.
- adopt \$15,000 as the threshold to determine whether an underlying asset is a low value asset and must apply the low value asset recognition exemption to all low value assets.
- apply the short-term leases recognition exemption for all classes of underlying asset. Note an exemption has been applied to not apply this for vehicle leases with SAFA.
- separate non-lease components from lease components.
- adopt the revaluation model, where permitted.
- where required, apply the relevant lessee's incremental borrowing rate published by the Department of Treasury and Finance.
- on initial recognition not record at fair-value leases that have significantly below-market terms and conditions principally to enable the department to further its objectives, unless they have already been recorded at fair-value prior to 1 July 2019.

10.4. Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June 2019 and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June 2019.

Note disclosure is made about events between 30 June 2019 and the date the financial statements are authorised for issue where events relate to a condition which arose after 30 June 2019 and which may have a material impact on the results of subsequent years as set out below.

- In August 2019, the State Government approved the 25 year lease of the department's emergency generators. These lease arrangements are expected to commence in May 2020.

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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 was 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 an increase in the long service leave liability of \$0.9 million. 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.

Current long service leave reflects the portion of leave expected to be settled within the next 12 months, based on previous experience.

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 recognised at book value (that is 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 its fair value at the time of acquisition is greater than \$1.5 million and estimated useful life is greater than three years.

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11.2. Fair value (continued)

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 amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Fair value hierarchy

The department classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 - traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date
- Level 2 - not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly), and
- Level 3 - not traded in an active market and are derived from unobservable inputs.

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

During 2019 and 2018, the department had no valuations categorised into level 1; there were no transfers of assets between level 1 and 2 fair value hierarchy levels and there were no changes in valuation technique.

Fair value classification – non-financial assets at 30 June 2019

| | Note | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|---|------|-------------------|-------------------|-----------------|
| <u>Recurring fair value measurements</u> | | | | |
| Land | 5.1 | 6 195 | - | 6 195 |
| Plant and equipment | 5.1 | - | 232 434 | 232 434 |
| Buildings and leasehold improvements | 5.1 | 153 | 28 251 | 28 404 |
| Works of art | 5.1 | - | 70 | 70 |
| Total recurring fair value measurements | | 6 348 | 260 755 | 267 103 |
| Total fair value measurements | | 6 348 | 260 755 | 267 103 |

Land and buildings

While the department was established on 1 July 2018, land and buildings transferred in (refer note 1.3) were subject to independent valuation as at 30 June 2014. An independent valuation of the RAES transmission equipment was performed as at 30 June 2019.

Fair value of land has been determined using the market approach. The valuation was based on recent market transactions for similar land in the area and includes adjustment for factors specific to the land such as size and location. Land was classified as restricted in use, using an adjustment applied to reflect the restriction.

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11.2. Fair value (continued)

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 the assets, their size, condition and location.

The valuation used estimates about construction materials that would be required to replace the buildings. Information about current construction costs were derived from building costs guides and internal records such as recent tender documents and construction invoices, together with the estimated useful life due to age and condition of the building.

Plant and equipment

With the exception of the RAES transmission equipment, 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.

Works of art

An independent valuation was performed by a Certified Practising Valuer from Theodore Bruce, as at 1 June 2018.

Fair value of works of art was determined using the market approach. The valuation was based on recent market transactions for similar items. The valuer used the cost approach (that is depreciated reproduction cost) taking into account the assets' characteristics and restrictions, due to there not being an active market. The valuation used a combination of internal records, specialised knowledge and market information about reproduction materials.

Reconciliation of level 3 recurring fair value measurement as at 30 June 2019

The following table is a reconciliation of fair value measurement using significant unobservable inputs (Level 3).

| | Plant and equipment | Buildings and leasehold improvements | Works of art | Total |
|---|------------------------|--|-----------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Opening balance at 1 July 2018 | - | - | - | - |
| Acquisitions | 230 193 | - | - | 230 193 |
| Capitalised subsequent expenditure | - | 1 375 | - | 1 375 |
| Disposals | (93) | - | - | (93) |
| Donated assets | 6 | - | - | 6 |
| Acquisitions through administrative restructure | 8 017 | 27 609 | 70 | 35 696 |
| Closing balance at the end of the period | 238 123 | 28 984 | 70 | 267 177 |
| Losses for the period recognised in net result: | | | | |
| Depreciation and amortisation | (4 486) | (733) | - | (5 219) |
| Total losses recognised in net result | (4 486) | (733) | - | (5 219) |
| Gains/(losses) for the period recognised in other comprehensive income (OCI): | | | | |
| Revaluation (decrements) | (1 203) | - | - | (1 203) |
| Total (losses) recognised in OCI | (1 203) | - | - | (1 203) |
| Closing balance at 30 June 2019 | 232 434 | 28 251 | 70 | 260 755 |

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11.3. Financial instruments

Financial risk management

Risk management is managed by the department's corporate services section. Departmental 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 department's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Liquidity risk

The department is funded principally from appropriation by the SA Government. The department works with the Department of Treasury and Finance to determine the cash flows associated with its government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

Refer to note 7.1 for further information.

Credit risk

The department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

No collateral is held as security and no credit enhancements relate to financial assets held by the department.

Impairment of financial assets

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss (ECL) using the simplified approach in AASB 9. The department uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors which comprise a large number of small balances.

To measure the ECL, receivables are grouped based on shared risks characteristics and the days past due. When estimating ECL, the department considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the department's historical experience and informed credit assessment, including forward-looking information.

The maximum period considered when estimating ECL is the maximum contractual period over which the department is exposed to credit risk.

The ECL of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties.

Loss rates are calculated based on the probability of a receivable progressing through stages to write off based on the common risk characteristics of the transaction and debtor.

The following table provides information about the exposure to credit risk and ECL for non-government debtors. The department has grouped debtors into four distinct revenue streams that are processed using different systems. Mineral Tenements raised in the Tenements System (TMS) for fees prescribed under the *Mining Act 1971*, Petroleum licences raised in the Petroleum Exploration and Production System (PEPS) for fees prescribed under the *Petroleum and Geothermal Energy Act 2000*, Remote Area Energy Supply (RAES) managed by Cowell Electric and general invoices.

Department for Energy and Mining
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| TMS | Debtor gross carrying amount \$'000 | Loss % | Lifetime expected losses \$'000 |
|----------------------------|--|---------------|--|
| Current (not past due) | 817 | 4.92 | 40 |
| 1 - 30 days past due | 326 | 8.67 | 28 |
| 31 - 60 days past due | 715 | 22.66 | 162 |
| 61 - 90 days past due | 26 | 29.15 | 8 |
| More than 90 days past due | 338 | 34.02 | 115 |
| Loss Allowance | 2 222 | | 353 |

| PEPS | Debtor gross carrying amount \$'000 | Loss % | Lifetime expected losses \$'000 |
|----------------------------|--|---------------|--|
| Current (not past due) | 58 | 0.15 | - |
| 1 - 30 days past due | - | 0.28 | - |
| 31 - 60 days past due | 4 | 5.32 | - |
| 61 - 90 days past due | - | 23.70 | - |
| More than 90 days past due | - | 82.81 | - |
| Loss Allowance | 62 | | - |

| General invoices | Debtor gross carrying amount \$'000 | Loss % | Lifetime expected losses \$'000 |
|----------------------------|--|---------------|--|
| Current (not past due) | 70 | 4.04 | 3 |
| 1 - 30 days past due | - | 1.75 | - |
| 31 - 60 days past due | 73 | 5.48 | 4 |
| 61 - 90 days past due | 21 | 6.22 | 1 |
| More than 90 days past due | 72 | 6.58 | 5 |
| Loss Allowance | 236 | | 13 |

| RAES | Debtor gross carrying amount \$'000 | Loss % | Lifetime expected losses \$'000 |
|----------------------------|--|---------------|--|
| Current (not past due) | - | 1.12 | - |
| 1 - 30 days past due | 689 | 1.67 | 12 |
| 31 - 60 days past due | 158 | 6.57 | 10 |
| 61 - 90 days past due | 4 | 18.15 | 1 |
| More than 90 days past due | 319 | 18.23 | 58 |
| Loss Allowance | 1 170 | | 81 |

| | | | |
|-----------------------------|--------------|--|------------|
| Total Loss Allowance | 3 690 | | 447 |
|-----------------------------|--------------|--|------------|

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11.3. Financial instruments (continued)

Loss rates are based on actual history of credit loss. These rates have been adjusted to reflect differences between previous economic conditions, current conditions and the department's view of the forecast economic conditions over the expected life of the receivables.

Impairment losses are presented as net impairment losses within net result. Subsequent recoveries of amounts previously written off are credited against the same line item.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with the department and a failure to make contractual payments for a period of greater than 90 days past due.

Receivables written off during the year are not subject to enforcement activity.

The department considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and therefore the ECL is nil.

All of the department's debt investments at amortised cost are considered to have low credit risk and the consideration of ECL was limited to 12 months expected losses. The ECL is nil.

Market risk

The department does not trade in foreign currency, nor enter into transactions for speculative purposes, nor for hedging. The department does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the government's risk management strategy articulated in TI 23 *Management of Foreign Currency Exposures*.

Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. The department's interest bearing liabilities are managed through the South Australian Government Financing Authority (SAFA) and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

Categorisation of financial instruments

Details of 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

Given that the department was established on 1 July 2018, this section does not apply as it reflects how the financial assets and liabilities would have been classified in the previous reporting period. However, it has been included for completeness to compare to the new classification requirements from 1 July 2018 and reflected in the next section.

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

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

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11.3. Financial instruments (continued)

The department does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer to notes 6.2 and 7.1)

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 or 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 objective is to hold assets to collect contractual cash flows
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest only on the principal amount outstanding.

The department measures all financial instruments at amortised cost.

| Category of financial asset and financial liability | Note | 2019 Carrying amount / fair value \$'000 | 2019 Contractual maturities | | |
|---|------|--|-----------------------------|---------------------|--------------------------------|
| | | | Within 1 year \$'000 | 1-5 years \$'000 | More than 5 years \$'000 |
| Financial assets | | | | | |
| Cash and cash equivalents | 6.1 | 5 771 | 5 771 | - | - |
| Loans and receivables | 6.2 | 13 923 | 13 923 | - | - |
| Total financial assets | | 19 694 | 19 694 | - | - |
| Financial liabilities | | | | | |
| Payables | 7.1 | 14 896 | 14 896 | - | - |
| Total financial liabilities | | 14 896 | 14 896 | - | - |

Receivables and payables

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (for example Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees). In government, certain rights to receive or pay cash may not be contractual and therefore, in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents, they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

The receivable amount disclosed here excludes prepayments as they are not financial assets. Prepayments are presented in note 6.2.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

12. Trust Fund

Extractive Areas Rehabilitation Fund

The Extractive Areas Rehabilitation Fund is credited with amounts by way of royalty on extractive minerals and is used for the rehabilitation of land disturbed by extractive mining operations. The funds collected are used to limit damage to any aspect of the environment by such extractive mining operations in addition to the promotion of research into methods of mining engineering and practice by which environmental damage might be reduced.

The fund was transferred to the department from the Department for the Premier and Cabinet effective from 1 July 2018.

Aggregate details of the transactions and balances relating to this trust fund to year ended 30 June are as follows:

| | 2019 \$'000 |
|------------------------------------|----------------|
| Expenses | |
| Extractive Industries contribution | 998 |
| Rehabilitation costs | 2 |
| Total expenses | <u>1,000</u> |
| Income | |
| Royalties | 3 207 |
| Total income | <u>3 207</u> |
| Net result | <u>2 207</u> |

| | 2019 \$'000 |
|--|----------------|
| Current assets | |
| Cash | 27 989 |
| Total assets | <u>27 989</u> |
| Net assets | <u>27 989</u> |
| Equity | |
| Transfer in as a result of restructure | 25 782 |
| Net Receipts | 2 207 |
| Fund Balance at 30 June 2019 | <u>27 989</u> |

**Department for Energy and Mining
(DEM)**

Administered Financial Statements

For the year ended 30 June 2019

Department for Energy and Mining
Statement of Administered Comprehensive Income
for the year ended 30 June 2019

| | 2019 |
|--|----------------|
| | \$'000 |
| <u>Administered expenses</u> | |
| Employee benefits expenses | 393 |
| Payment of royalties to the Consolidated Account | 299 418 |
| Other expenses | 6 497 |
| Total administered expenses | 306 308 |
| | |
| <u>Administered income</u> | |
| Revenues from SA Government | 380 |
| Royalties | 299 418 |
| Other income | 6 514 |
| Total administered income | 306 312 |
| | |
| Net Result | 4 |
| | |
| Total comprehensive result | 4 |

The accompanying notes form part of these financial statements.

Department for Energy and Mining
Statement of Administered Financial Position
as at 30 June 2019

| | 2019 |
|--|---------------|
| | \$'000 |
| <u>Administered current assets</u> | |
| Cash | 20 117 |
| Receivables | 2 571 |
| Total current assets | <u>22 688</u> |
| Total assets | <u>22 688</u> |
| <u>Administered current liabilities</u> | |
| Payables | 22 841 |
| Other | 3 |
| Total current liabilities | <u>22 844</u> |
| Total liabilities | <u>22 844</u> |
| Net assets | <u>(156)</u> |
| <u>Administered equity</u> | |
| Retained earnings | (156) |
| Total equity | <u>(156)</u> |

The accompanying notes form part of these financial statements.

Department for Energy and Mining
Statement of Administered Cash Flows
for the year ended 30 June 2019

| | 2019 |
|---|------------------|
| | (Outflows) |
| | Inflows |
| | \$'000 |
| <u>Cash flows from operating activities</u> | |
| <i>Cash outflows</i> | |
| Employee benefits expenses | (393) |
| Payments for royalties to Consolidated Account | (309 341) |
| Other payments | (6 815) |
| Cash (used in) operations | (316 549) |
| <i>Cash inflows</i> | |
| Revenues from SA Government | 380 |
| Royalties receipts | 302 664 |
| Other receipts | 6 514 |
| Cash generated from operations | 309 558 |
| Net cash (used in) operating activities | (6 991) |
| <u>Cash flows from financing activities</u> | |
| <i>Cash inflows</i> | |
| Cash received from restructure activities | 27 108 |
| Cash generated from financing activities | 27 108 |
| Net cash generated from financing activities | 27 108 |
| Net increase in cash | 20 117 |
| Cash at the beginning of the period | - |
| Cash at the end of the period | 20 117 |

The accompanying notes form part of these financial statements.

Department for Energy and Mining
Schedule of Expenses and Income Attributable to Administered Activities
for the year ended 30 June 2019

| | Royalties | Native Title Agreement | Mintabie Administration |
|--|----------------|---------------------------|----------------------------|
| | 2019 | 2019 | 2019 |
| | \$'000 | \$'000 | \$'000 |
| <u>Administered Expenses</u> | | | |
| Employee benefits expenses | - | - | - |
| Payment of royalties to the Consolidated Account | 299 418 | - | - |
| Other expenses | - | 6 497 | - |
| Total administered expenses | 299 418 | 6 497 | - |
| <u>Administered Income</u> | | | |
| Revenues from SA Government | - | - | - |
| Royalties | 299 418 | - | - |
| Other income | - | 6 497 | 17 |
| Total administered income | 299 418 | 6 497 | 17 |
| Net result | - | - | 17 |

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

| | Ministers' | |
|--|-------------------|----------------|
| | Salary | Total |
| | 2019 | 2019 |
| | \$'000 | \$'000 |
| <u>Administered Expenses</u> | | |
| Employee benefits | 393 | 393 |
| Payment of royalties to the Consolidated Account | - | 299 418 |
| Other expenses | - | 6 497 |
| Total administered expenses | 393 | 306 308 |
| <u>Administered Income</u> | | |
| Revenues from SA Government | 380 | 380 |
| Royalties | - | 299 418 |
| Other income | - | 6 514 |
| Total administered income | 380 | 306 312 |
| Net result | (13) | 4 |

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

A1 Basis of preparation and accounting policies

The basis of preparation for the administered financial statements is the same as the basis outlined in note 1.1. The department applies the same accounting policies to the administered financial statements as set out in the notes to the department's financial statements.

A2 Objectives / activities of the department's administered items

The department's administered items are structured to contribute to three main activities:

Royalties

The department received royalties levied on minerals and petroleum production on behalf of the State Government. Royalty receipts are collected pursuant to the *Roxby Downs (Indenture Ratification) Act 1982*, *Whyalla Steel Works Act 1958*, *Mining Act 1971* and the *Petroleum and Geothermal Energy Act 2000*. Royalty receipts are returned to the Consolidated Account in the month following collection. This activity was transferred from the Department of the Premier and Cabinet effective from 1 July 2018.

Native Title Agreement

The department collects revenue via a levy equivalent to 10% of the total royalty payable for relevant royalty payers. This is offset by payments made to two Aboriginal Councils in the APY Lands. This activity was transferred from the Department of the Premier and Cabinet effective from 1 July 2018.

Mintabie Administration

The Mintabie Township Lease and Lease Agreement came into operation on 1 July 2012. The department administers the residential campsite licencing system and regulation. This activity was transferred from the Department of the Premier and Cabinet effective from 1 July 2018.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

A3 Change to the department's administered items

The *Public Sector (Administrative Units) Proclamation 2018* under sections 26 and 28 of the *Public Sector Act 2009* (dated 17 May 2018) declared the establishment of the department and assigned the title Department for Energy and Mining effective from 1 July 2018.

The *Public Sector (Reorganisation of Public Sector Operations No. 2) Notice 2018* (dated 21 June 2018) declared the resources and functions of Mineral Resources and Energy Resources within the Department of the Premier and Cabinet were transferred to the Department for Energy and Mining effective from 1 July 2018.

That resulted in the transfer of the following administered items:

- Royalties
- Native Title Agreement
- Mintabie Administration

Transferred in

| | Royalties \$'000 | Native Title Agreement \$'000 | Mintabie Administration \$'000 | Total \$'000 |
|-------------------------------------|---------------------|-------------------------------------|--------------------------------------|-----------------|
| Cash | 26 536 | 572 | - | 27 108 |
| Receivables | 5 596 | 221 | - | 5 817 |
| Total assets | 32 132 | 793 | - | 32 925 |
| Payables | 32 080 | 940 | 62 | 33 082 |
| Other liabilities | 3 | - | - | 3 |
| Total liabilities | 32 083 | 940 | 62 | 33 085 |
| Total net assets transferred | 49 | (147) | (62) | (160) |

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

A4 Budget performance

The budget performance table compares the departments outcomes against budget information presented to Parliament (2018-19 Budget Paper 4). The budget amounts have not been adjusted to reflect revised budgets or administrative restructures. The budget process is not subject to audit.

| | Note | Original budget 2019 \$'000 | Actual 2019 \$'000 | Variance \$'000 |
|--|------|--------------------------------------|--------------------------|--------------------|
| Statement of Comprehensive Income | | | | |
| <u>Administered Expenses</u> | | | | |
| Employee benefits | | 392 | 393 | (1) |
| Payment of royalties to the Consolidated Account | a | 264 416 | 299 418 | (35 002) |
| Other expenses | | 3 825 | 6 497 | (2 672) |
| Total administered expenses | | 268 633 | 306 308 | (37 675) |
| <u>Administered Income</u> | | | | |
| Revenues from SA Government | | 392 | 380 | 12 |
| Royalties | a | 264 416 | 299 418 | (35 002) |
| Other income | | 3 825 | 6 514 | (2 689) |
| Total administered income | | 268 633 | 306 312 | (37 679) |
| Net result | | - | 4 | (4) |
| Total comprehensive result | | - | 4 | (4) |

Explanations are provided for variances where the variance exceeds the greater of 10% of the original budgeted amount and 5% of original budgeted total expenses.

- a Royalties are recognised as administered revenue and paid to the Consolidated Account. Royalties are higher than the original budget due to the impacts of improved oil pricing, and both increased production and higher pricing for gas during the year. Additionally, petroleum royalties benefited from lower than forecast deductions resulting from cost control and efficiency measures implemented by producers.