

Department of Primary Industries and Regions

Financial report
for the year ended
30 June 2019



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

To the Chief Executive Department of Primary Industries and Regions

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Department of Primary Industries and Regions 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 of Primary Industries and Regions 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
- Disaggregated Disclosures – Expenses and Income for the year ended 30 June 2019
- Disaggregated Disclosures – Assets and Liabilities as at 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 Chief Executive and the Acting Chief Financial Officer.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Department of Primary Industries and Regions. 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 of Primary Industries and Regions'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.



Andrew Richardson

Auditor-General

19 September 2019

Department of Primary Industries and Regions
Certification of Financial Statements
for the year ended 30 June 2019

We certify that the attached general purpose financial statements for the Department of Primary Industries and Regions:

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

We certify that the internal controls employed by the Department of Primary Industries and Regions for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Scott Ashby
Chief Executive
16 September 2019



Julie Best
Acting Chief Financial Officer
16 September 2019

Department of Primary Industries and Regions
Statement of Comprehensive Income
for the year ended 30 June 2019

| | Note | 2019 \$'000 | 2018 \$'000 |
|--|------|-----------------|------------------|
| Expenses | | | |
| Employee benefits expenses | 2.3 | 95 944 | 95 124 |
| Supplies and services | 3.1 | 52 458 | 50 823 |
| Depreciation and amortisation | 3.2 | 6 969 | 6 501 |
| Grants and subsidies | 3.3 | 49 991 | 82 569 |
| Borrowing costs | 3.4 | 604 | 544 |
| Net loss from the disposal of non-current assets | 4.8 | - | 25 |
| Other expenses | 3.5 | 2 809 | 9 875 |
| Total expenses | | 208 775 | 245 461 |
| Income | | | |
| Fees and charges | 4.2 | 14 524 | 14 156 |
| Advances and grants | 4.3 | 56 756 | 56 725 |
| Commonwealth grants and payments | 4.4 | 33 625 | 26 404 |
| Interest | 4.5 | 1 488 | 1 725 |
| Sale of goods | 4.6 | 4 864 | 2 859 |
| Net gain from the disposal of non-current assets | 4.8 | 52 | - |
| Other income | 4.9 | 9 591 | 5 300 |
| Resources received free of charge | 4.7 | 1 883 | 2 632 |
| Total income | | 122 783 | 109 801 |
| Net cost of providing services | | (85 992) | (135 660) |
| Revenues from / (payments) to SA Government | | | |
| Revenues from SA Government | 4.1 | 103 901 | 107 040 |
| Payments to SA Government | 4.1 | (18) | (20 303) |
| Net revenues from SA Government | | 103 883 | 86 737 |
| Net result | | 17 891 | (48 923) |
| Other comprehensive income | | | |
| <i>Items that will not be reclassified to net result</i> | | | |
| Changes in property, plant and equipment asset revaluation surplus | | - | 14 203 |
| Changes in fair value of investments classified as fair value through other comprehensive income | | 2 954 | - |
| Total other comprehensive income | | 2 954 | 14 203 |
| Total comprehensive result | | 20 845 | (34 720) |

The accompanying notes form part of these financial statements.

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

Department of Primary Industries and Regions
Statement of Financial Position
as at 30 June 2019

| | Note | 2019 \$'000 | 2018 \$'000 |
|--------------------------------------|------|----------------|----------------|
| Current assets | | | |
| Cash and cash equivalents | 6.1 | 130 583 | 123 683 |
| Receivables | 6.2 | 13 866 | 15 768 |
| Inventories | 5.3 | 2 276 | 2 065 |
| Total current assets | | 146 725 | 141 516 |
| Non-current assets | | | |
| Receivables | 6.2 | 17 885 | 19 635 |
| Other financial assets | 6.3 | 20 643 | 4 518 |
| Property, plant and equipment | 5.1 | 120 503 | 121 857 |
| Intangible assets | 5.2 | 6 107 | 5 902 |
| Total non-current assets | | 165 138 | 151 912 |
| Total assets | | 311 863 | 293 428 |
| Current liabilities | | | |
| Payables | 7.1 | 13 751 | 13 644 |
| Financial liabilities/ borrowings | 7.2 | 950 | 11 497 |
| Employee benefits | 2.4 | 10 456 | 9 828 |
| Provisions | 7.3 | 303 | 608 |
| Other current liabilities | 7.4 | 12 561 | 15 223 |
| Total current liabilities | | 38 021 | 50 800 |
| Non-current liabilities | | | |
| Payables | 7.1 | 2 301 | 2 298 |
| Financial liabilities/ borrowings | 7.2 | 17 875 | 19 527 |
| Employee benefits | 2.4 | 24 869 | 24 547 |
| Provisions | 7.3 | 474 | 3 163 |
| Other non-current liabilities | 7.4 | 552 | 570 |
| Total non-current liabilities | | 46 071 | 50 105 |
| Total liabilities | | 84 092 | 100 905 |
| Net assets | | 227 771 | 192 523 |
| Equity | | | |
| Retained earnings | | 175 546 | 143 252 |
| Asset revaluation surplus | | 49 271 | 49 271 |
| Investment reserve | | 2 954 | - |
| Total equity | | 227 771 | 192 523 |

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

Department of Primary Industries and Regions
Statement of Changes in Equity
for the year ended 30 June 2019

| | Note | Asset revaluation surplus \$'000 | Investment reserve \$'000 | Retained earnings \$'000 | Total \$'000 |
|--|------|---|---------------------------------|--------------------------------|-----------------|
| Balance at 1 July 2017 | | 36 088 | - | 191 152 | 227 240 |
| Net result for 2017-18 | | - | - | (48 896) | (48 896) |
| Prior period adjustment to net result | 8.3 | - | - | (27) | (27) |
| Gain on revaluation of land | 5.1 | 6 924 | - | - | 6 924 |
| Gain on revaluation of buildings and infrastructure | 5.1 | 7 279 | - | - | 7 279 |
| Total comprehensive result for 2017-18 | | 14 203 | - | (48 923) | (34 720) |
| Transfer from reserve | | (1 020) | - | 1 020 | - |
| Prior period adjustment | 8.3 | - | - | 3 | 3 |
| Balance at 30 June 2018 | | 49 271 | - | 143 252 | 192 523 |
| Adjustments on initial adoption of AASB 9 | | - | - | 13 160 | 13 160 |
| Adjusted balance at 1 July 2018 | | 49 271 | - | 156 412 | 205 683 |
| Net result for 2018-19 | | - | - | 17 891 | 17 891 |
| Fair value movement of investments classified as fair value through other comprehensive income | 6.3 | - | 2 954 | - | 2 954 |
| Total comprehensive result for 2018-19 | | - | 2 954 | 17 891 | 20 845 |
| Transactions with SA Government as owner | | | | | |
| Net assets received from an administrative restructure | 1.3 | - | - | 1 171 | 1 171 |
| Net assets transferred as a result of an administrative restructure | 1.3 | - | - | 72 | 72 |
| Balance at 30 June 2019 | | 49 271 | 2 954 | 175 546 | 227 771 |

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

Department of Primary Industries and Regions
Statement of Cash Flows
for the year ended 30 June 2019

| | | 2019 (Outflows) Inflows \$'000 | 2018 (Outflows) Inflows \$'000 |
|---|-----|---|---|
| Cash flows from operating activities | | | |
| Cash outflows | | | |
| Employee benefit payments | | (95 027) | (94 840) |
| Supplies and services | | (48 290) | (50 657) |
| Grants and subsidies | | (52 566) | (81 911) |
| Interest paid | | (595) | (522) |
| GST paid to suppliers | | (11 648) | (14 501) |
| Payments for paid parental leave scheme | | (76) | (157) |
| Other payments | | (816) | (795) |
| Cash used in operations | | (209 018) | (243 383) |
| Cash inflows | | | |
| Fees and charges | | 15 590 | 13 826 |
| Sale of goods | | 3 328 | 1 755 |
| Commonwealth revenues (National Partnership payments) | | 33 789 | 26 240 |
| Advances and grants | | 55 238 | 56 260 |
| Interest received | | 879 | 1 175 |
| GST receipts from customers | | 6 030 | 5 920 |
| GST recovered from the ATO | | 5 403 | 8 695 |
| Receipts for paid parental leave scheme | | 75 | 155 |
| Other receipts | | 4 247 | 4 509 |
| Dividends received | | 593 | 740 |
| Cash generated from operations | | 125 172 | 119 275 |
| Cash flows from SA Government | | | |
| Receipts from SA Government | | 103 901 | 107 040 |
| Payments to SA Government | | (18) | (20 303) |
| Cash generated from SA Government | | 103 883 | 86 737 |
| Net cash provided by / (used in) operating activities | 8.2 | 20 037 | (37 371) |
| Cash flows from investing activities | | | |
| Cash outflows | | | |
| Purchase of property plant and equipment | | (4 694) | (4 792) |
| Loans advanced to rural sector and industry | | (2 061) | (5 356) |
| Purchase of inventories | | (475) | (735) |
| Purchase of intangibles | | (795) | (1 578) |
| Cash used in investing activities | | (8 025) | (12 461) |
| Cash inflows | | | |
| Loans repaid by the rural sector and industry | | 3 880 | 557 |
| Proceeds from the sale of property, plant and equipment | | 156 | 314 |
| Sale of inventories | | 1 705 | 1 696 |
| Lease incentives received | | - | 2 |
| Cash generated from investing activities | | 5 741 | 2 569 |
| Net cash (used in) / provided by investing activities | | (2 284) | (9 892) |
| Cash flows from financing activities | | | |
| Cash outflows | | | |
| Repayment of borrowings | 7.2 | (10 853) | (4 810) |
| Cash used in financing activities | | (10 853) | (4 810) |
| Cash inflows | | | |
| Proceeds of borrowings | 7.2 | - | 10 122 |
| Cash generated by financing activities | | - | 10 122 |
| Net cash (used in) / provided by financing activities | | (10 853) | 5 312 |
| Net increase / (decrease) in cash and cash equivalents | | 6 900 | (41 951) |
| Cash and cash equivalents at the beginning of the reporting period | | 123 683 | 165 634 |
| Cash and cash equivalents at the end of the reporting period | 6.1 | 130 583 | 123 683 |

The accompanying notes form part of these financial statements.

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2019

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Department of Primary Industries and Regions
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Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1 About the Department of Primary Industries and Regions

The Department of Primary Industries and Regions (PIRSA/the department) is a not-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 the controlled activities of the department.

Administered financial statements relating to administered resources are presented separately in the administered financial statements at the back of the controlled general purpose financial statements.

In the process of reporting on the department as a single unit, all internal transactions have been eliminated in full.

1.1. Basis of preparation

These 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.

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.

The department is not subject to Income Tax. The department is liable for Payroll Tax, Fringe Benefits Tax (FBT), Goods and Services tax (GST) and Emergency Services Levy (ESL).

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;
- receivables and payables, which are stated with the amount of GST included.

Assets and liabilities that are to be 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.

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.2. Objectives and programs

Objectives

The purpose of the department is to grow primary industries and drive regional development in South Australia.

Programs

In achieving its objectives, the department provides a range of services classified into the following programs.

Primary Industries

To drive the growth and sustainable development of the state's primary industries.

Regional Development

Work with South Australia's regional communities, sectors and the three levels of government to identify, promote and support strategic economic development initiatives throughout regional South Australia.

Support regional South Australia to create new jobs and unlock new economic activity in the regions. Leverage economic activity that will grow regions' economic prosperity, security and opportunity through its grant programs and other initiatives.

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

Department of Primary Industries and Regions
Expenses and Income by Program
for the year ended 30 June 2019

| | Primary Industries | | Regional Development | | Total | |
|--|--------------------|------------------|----------------------|-----------------|-----------------|------------------|
| | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 |
| Expenses | | | | | | |
| Employee benefits expenses | 92 434 | 90 227 | 3 510 | 4 897 | 95 944 | 95 124 |
| Supplies and services | 51 517 | 49 460 | 941 | 1 363 | 52 458 | 50 823 |
| Depreciation and amortisation | 6 969 | 6 501 | - | - | 6 969 | 6 501 |
| Grants and subsidies | 37 921 | 59 729 | 12 070 | 22 840 | 49 991 | 82 569 |
| Borrowing costs | 604 | 544 | - | - | 604 | 544 |
| Net loss from the disposal of non-current assets | - | 25 | - | - | - | 25 |
| Other expenses | 2 809 | 9 874 | - | 1 | 2 809 | 9 875 |
| Total expenses | 192 254 | 216 360 | 16 521 | 29 101 | 208 775 | 245 461 |
| Income | | | | | | |
| Fees and charges | 14 524 | 14 156 | - | - | 14 524 | 14 156 |
| Advances and grants | 56 631 | 56 220 | 125 | 505 | 56 756 | 56 725 |
| Commonwealth grants and payments | 33 625 | 26 054 | - | 350 | 33 625 | 26 404 |
| Interest | 1 488 | 1 725 | - | - | 1 488 | 1 725 |
| Sale of goods | 4 864 | 2 859 | - | - | 4 864 | 2 859 |
| Net gain from the disposal of non-current assets | 52 | - | - | - | 52 | - |
| Other income | 9 274 | 5 300 | 317 | - | 9 591 | 5 300 |
| Resources received free of charge | 1 883 | 2 632 | - | - | 1 883 | 2 632 |
| Total income | 122 341 | 108 946 | 442 | 855 | 122 783 | 109 801 |
| Net cost of providing services | (69 913) | (107 414) | (16 079) | (28 246) | (85 992) | (135 660) |
| Revenues from / (payments) to SA Government | | | | | | |
| Revenues from SA Government | 87 822 | 78 794 | 16 079 | 28 246 | 103 901 | 107 040 |
| Payments to SA Government | (18) | (20 303) | - | - | (18) | (20 303) |
| Net revenues from SA Government | 87 804 | 58 491 | 16 079 | 28 246 | 103 883 | 86 737 |
| Net result | 17 891 | (48 923) | - | - | 17 891 | (48 923) |

Department of Primary Industries and Regions
Assets and Liabilities by Program
for the year ended 30 June 2019

| | Primary Industries | | Regional Development | | General/Not Attributable | | Total | |
|--------------------------------------|--------------------|----------------|----------------------|----------------|--------------------------|----------------|----------------|----------------|
| | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 |
| Current assets | | | | | | | | |
| Cash and cash equivalents | 85 505 | 94 826 | - | - | 45 078 | 28 857 | 130 583 | 123 683 |
| Receivables | 13 414 | 13 570 | 141 | 573 | 311 | 1 625 | 13 866 | 15 768 |
| Inventories | 2 276 | 2 065 | - | - | - | - | 2 276 | 2 065 |
| Total current assets | 101 195 | 110 461 | 141 | 573 | 45 389 | 30 482 | 146 725 | 141 516 |
| Non-current assets | | | | | | | | |
| Receivables | 17 884 | 19 633 | - | - | 1 | 2 | 17 885 | 19 635 |
| Other financial assets | 20 643 | 4 518 | - | - | - | - | 20 643 | 4 518 |
| Property, plant and equipment | 99 322 | 99 746 | - | - | 21 181 | 22 111 | 120 503 | 121 857 |
| Intangible assets | 794 | 537 | - | - | 5 313 | 5 365 | 6 107 | 5 902 |
| Total non-current assets | 138 643 | 124 434 | - | - | 26 495 | 27 478 | 165 138 | 151 912 |
| Total assets | 239 838 | 234 895 | 141 | 573 | 71 884 | 57 960 | 311 863 | 293 428 |
| Current liabilities | | | | | | | | |
| Payables | 6 781 | 10 186 | 536 | 999 | 6 434 | 2 459 | 13 751 | 13 644 |
| Financial liabilities/ borrowings | 950 | 11 497 | - | - | - | - | 950 | 11 497 |
| Employee benefits | 6 595 | 6 208 | 158 | 192 | 3 703 | 3 428 | 10 456 | 9 828 |
| Provisions | 265 | 563 | - | 4 | 38 | 41 | 303 | 608 |
| Other current liabilities | 12 489 | 15 093 | - | - | 72 | 130 | 12 561 | 15 223 |
| Total current liabilities | 27 080 | 43 547 | 694 | 1 195 | 10 247 | 6 058 | 38 021 | 50 800 |
| Non-current liabilities | | | | | | | | |
| Payables | 1 777 | 1 696 | 33 | 37 | 491 | 565 | 2 301 | 2 298 |
| Financial liabilities/ borrowings | 17 875 | 19 527 | - | - | - | - | 17 875 | 19 527 |
| Employee benefits | 19 201 | 18 116 | 353 | 393 | 5 315 | 6 038 | 24 869 | 24 547 |
| Provisions | 414 | 3 097 | - | 6 | 60 | 60 | 474 | 3 163 |
| Other non-current liabilities | - | - | - | - | 552 | 570 | 552 | 570 |
| Total non-current liabilities | 39 267 | 42 436 | 386 | 436 | 6 418 | 7 233 | 46 071 | 50 105 |
| Total liabilities | 66 347 | 85 983 | 1 080 | 1 631 | 16 665 | 13 291 | 84 092 | 100 905 |
| Net assets | 173 491 | 148 912 | (939) | (1 058) | 55 219 | 44 669 | 227 771 | 192 523 |

Note:

Assets and liabilities are only attributed to programs where this can be done reliably.

Certain amounts like cash and taxation amounts receivable and due from operating transactions are not allocated.

Property, plant and equipment assets are only allocated where there is exclusive custody, control and regulation of the use of the asset, by that program. Where this criteria is not met the asset value is 'general/not attributable'.

In the construction of this report a negative 'net assets' position may result for a program from the allocation method used and/or non attribution of assets and liabilities to programs. However, total 'net assets' reconciles to the Statement of Financial Position.

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.3. Changes to the Department of Primary Industries and Regions

Under the *Administrative Arrangements (Minister for Primary Industries and Regional Development) Proclamation 2018*:

- Pastoral Unit was transferred from the Department of Environment and Water (DEW). This included 9 employees and budget funding of \$945 000. The effective date of the transfer was 1 January 2019.

Under the *Public Sector (Reorganisation of Public Sector Operations) Notice 2019*:

- Government Funding for Food SA and government related trade, investment and export functions were transferred from the Department of Primary Industries and Regions to Department for Trade, Tourism and Investment. This included 1 employee and budget funding of \$1.2 million. The effective date of the transfer was 1 April 2019.

Under the *Public Sector (Reorganisation of Public Sector Operations No.2) Notice 2018*:

- The market export and development functions of the Department of Primary Industries and Regions were transferred to the Department for Trade, Tourism and Investment (DTTI). This included 6 employees and budget funding of \$0.477m. The effective date of this transfer was 1 July 2018.

Transferred in

| | Dept of Environment and Water July 2018 to Dec 2018 \$'000 | Dept of Primary Industries and Regions Jan 2019 to June 2019 \$'000 | TOTAL \$'000 |
|--|---|--|-----------------|
| Total income and expenses attributable to the Pastoral Unit for 2018-19 were: | 2018 | 2019 | TOTAL |
| | \$'000 | \$'000 | \$'000 |
| Fees and charges | 1 480 | 17 | 1 497 |
| Total income | 1 480 | 17 | 1 497 |
| Employee benefits expenses | 328 | 372 | 700 |
| Supplies and services | 206 | 139 | 345 |
| Total expenses | 534 | 511 | 1 045 |
| Net result | 946 | (494) | 452 |

On transfer of the Pastoral Unit, the Department of Primary Industries and Regions recognised the following assets and liabilities:

| | \$'000 |
|-------------------------------------|--------------|
| Cash | - |
| Receivables | 1 406 |
| Total assets | 1 406 |
| Payables | 34 |
| Employee benefits | 201 |
| Total liabilities | 235 |
| Total net assets transferred | 1 171 |

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.3. Changes to the Department of Primary Industries and Regions (continued)

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. The net assets transferred were treated as a contribution by the government as owner.

Transferred out

| <u>On transfer of Food SA and government related trade, investment and export functions, the Department of Primary Industries and Regions de-recognised the following liabilities:</u> | <u>\$'000</u> |
|--|---------------|
| Payables | (11) |
| Employee benefits | <u>(61)</u> |
| Total liabilities | <u>(72)</u> |
| | |
| Total net assets transferred | <u>(72)</u> |

Net assets transferred by the department as a result of the administrative restructure were recognised at the carrying amount. The net assets transferred were treated as a distribution to the government as owner.

Transferred out

| <u>On transfer of the market export and development functions, the Department of Primary Industries and Regions de-recognised the following liabilities:</u> | <u>\$'000</u> |
|--|---------------|
| Payables | (17) |
| Employee benefits | <u>(159)</u> |
| Total liabilities | <u>(176)</u> |
| | |
| Total net assets transferred | <u>(176)</u> |

The net assets from the administrative restructure were de-recognised in the 30 June 2018 equity balance. DTTI assumed the net assets on 1 July 2018

Department of Primary Industries and Regions
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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.

| | Original budget ⁽¹⁾ 2019 \$'000 | Actual 2019 \$'000 | Variance \$'000 |
|--|---|--------------------------|--------------------|
| Statement of Comprehensive Income | | | |
| Expenses | | | |
| Employee benefits expenses | 94 285 | 95 944 | 1 659 |
| Supplies and services | 46 484 | 52 458 | 5 974 |
| Depreciation and amortisation | 6 696 | 6 969 | 273 |
| Grants and subsidies | (a) 84 031 | 49 991 | (34 040) |
| Borrowing costs | 855 | 604 | (251) |
| Other expenses | 1 244 | 2 809 | 1 565 |
| Total expenses | 233 595 | 208 775 | (24 820) |
| Income | | | |
| Fees and charges | (b) 20 984 | 14 524 | (6 460) |
| Advances and grants | 55 178 | 56 756 | 1 578 |
| Commonwealth grants and payments | 31 500 | 33 625 | 2 125 |
| Interest | 2 061 | 1 488 | (573) |
| Sale of goods | 2 997 | 4 864 | 1 867 |
| Net gain from the disposal of non-current assets | - | 52 | 52 |
| Other income | 3 676 | 9 591 | 5 915 |
| Resources received free of charge | - | 1 883 | 1 883 |
| Total income | 116 396 | 122 783 | 6 387 |
| Net cost of providing services | (117 199) | (85 992) | 31 207 |
| Revenues from / (payments to) SA Government | | | |
| Revenues from SA Government | 99 730 | 103 901 | 4 171 |
| Payments to SA Government | (298) | (18) | 280 |
| Net revenue from / (payments to) SA Government | 99 432 | 103 883 | 4 451 |
| Net result | (17 767) | 17 891 | 35 658 |
| Other comprehensive income | | | |
| <i>Items that will not be reclassified to net result</i> | | | |
| Changes in fair value of investments classified as fair value through other comprehensive income | - | 2 954 | 2 954 |
| Total other comprehensive income | - | 2 954 | 2 954 |
| Total comprehensive result | (17 767) | 20 845 | 38 612 |

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
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1.4. Budget performance (continued)

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) Delays and reprofiling of grant payments based on variations to Deed of Grants and contracts with grantees in relation to the SA River Murray Sustainability Program, Regional Grants and South East Forestry Partnership program.
- (b) Reduced fee for service income due to timing and reduced demand.

| | | Original budget ⁽¹⁾ 2019 \$'000 | Actual 2019 \$'000 | Variance \$'000 |
|--------------------------------------|-----|---|--------------------------|--------------------|
| Investing expenditure summary | | | | |
| Total existing projects | | 325 | 158 | (167) |
| Total annual programs | (c) | 5 033 | 5 937 | 904 |
| Total investing expenditure | | 5 358 | 6 095 | 737 |

- (c) Total annual programs investing expenditure was higher than the original budget due to expenditure on Yamba Quarantine Station site upgrade works and additional externally funded capital acquisitions from reinvestment of asset sale proceeds.

1.5. Significant transactions with government related entities

The department is a government administrative unit and is wholly owned and controlled by the Crown

The department had no significant transactions with government related entities except for:

- appropriation funding and reimbursement of targeted voluntary separation packages received from the Department of Treasury and Finance (DTF) (note 4.1); and

Payments made to:

- the Department of Planning, Transport and Infrastructure (DPTI) of \$10.2 million for leasing accommodation, including lease payments, rates, taxes, outgoings and facility management fees; and minor works, preventative and breakdown maintenance charges in relation to PIRSA controlled facilities;
- the Department of Premier and Cabinet (DPC) of \$1.2 million primarily in relation to ICT and communication charges; and
- Repayment through the State (DTF) to the Commonwealth Government of borrowings under the Concessional Loans Scheme (\$10.8 million) (note 7.2).

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2. Board, committees and employees

2.1. Key management personnel

Key management personnel of the department include the Minister, the Chief Executive and the fifteen members who have been part of the Executive Team who have responsibility for the strategic direction and management of the department.

The compensation detailed below excludes salaries and other benefits the Minister for Primary Industries and Regional Development received. 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 | 2018 |
|---|--------------|--------------|
| | \$'000 | \$'000 |
| Compensation | | |
| Salaries and other short term employee benefits | 2 856 | 3 276 |
| Post-employment benefits | 294 | 344 |
| Other long-term employment benefits | - | 56 |
| Termination benefits | - | 174 |
| Total compensation | <u>3 150</u> | <u>3 850</u> |

Transactions with key management personnel and other related parties

Compensation of key management personnel is disclosed above.

There were no transactions with key management personnel and other related parties entered into by the department.

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
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2.2. Board and committee members

Members during 2018-19 financial year were:

Aquaculture Tenure Allocation Board

G S Davis (Presiding member)
D Hall
A J Harfield (deputy member) (term expired 1 July 2018)
R C Healy (term expired 1 July 2018)
C L Rigg (term expired 1 July 2018)
C J Sayer (appointed 12 July 2018)
K N Shierlaw (appointed 12 July 2018)
A C Tham (appointed 12 July 2018)
J Zadow

Eyre Peninsula Farming System Board

S Guerin (Chair until 19 December 2018)
B Smith (Deputy Chair) (Chair from 19 December 2018)
G Scholz (Deputy Chair from 19 December 2018)
J Able (appointed 05 September 2017)
A Bates
M Cook (appointed 20 September 2018)
J Fromm (appointed 20 September 2018)
W Matthews
S Mayfield (retired 20 September 2018)
Dr K M Ophel-Keller *
M Stanley
D Trezona (retired 20 September 2018)

Fisheries Reform Advisory Committee

D A Hall (Chair) (appointed 28 November 2018)
B Buston (appointed 28 November 2018)
R Edwards (appointed 28 November 2018)
C Fletcher (appointed 28 November 2018)
J Kouvaris (appointed 28 November 2018)
G Lloyd (appointed 28 November 2018)
N Schmucker (appointed 28 November 2018)
A Wheeler (appointed 28 November 2018)
W Lamont (appointed 28 November 2018)
J Redman (appointed 28 November 2018)
J Presser * (appointed 28 November 2018)
M Steer * (appointed 28 November 2018)

Genetically Modified Crops Advisory Committee

Hon J A W Levy (Presiding member)
R A Ankeny
Dr G Annison
H L Baldock
M S Bowden
P Gibbs
A M Hannon
Dr P A McMichael
Dr K M Ophel-Keller *
N C Pontifex

Meat Food Safety Advisory Committee

Prof M Doroudi * (Chair) (re-appointed 23 May 2019)
G L Martin (Chair) (term expired 31 March 2019)
T M Ackland (re-appointed 23 May 2019)
A Centofanti * (re-appointed 23 May 2019)
S K DiCicco (term expired 31 March 2019)
P Dowsett * (appointed 23 May 2019)
E T Dunn (appointed 23 May 2019)
L A Fell (re-appointed 23 May 2019)
L D Hindson (deputy member) (term expired 31 March 2019)
F P Knoll (re-appointed 23 May 2019)
K Koto (re-appointed 23 May 2019)
Dr B R Lloyd (deputy member) (term expired 31 March 2019)
W R Lowe (re-appointed 23 May 2019)
C McLean (deputy member) (appointed 23 May 2019)
M Mohammed (deputy member) (appointed 23 May 2019)
C Nicks (deputy member) (appointed 23 May 2019)
Dr B Nirmalaraja (deputy member) (re-appointed 23 May 2019)
G D Raven * (term expired 31 March 2019)
M S Rock (re-appointed 23 May 2019)
P L Sandercock (term expired 31 March 2019)
C Scarvelis (deputy member) (term expired 31 March 2019)
Dr M E Sexton * (deputy member) (re-appointed 23 May 2019)
N B Shelbourn (re-appointed 23 May 2019)
S Singh (deputy member) (appointed 23 May 2019)
D Skara (deputy member) (re-appointed 23 May 2019)
P Stocker (appointed 23 May 2019)
Dr A P Wigg (term expired 31 March 2019)

Minister's Recreational Fishing Advisory Council (MRFAC)

G Keegan (Chair) (appointed 25 March 2019)
I Fitzgerald (appointed 25 March 2019)
S Mensforth (appointed 25 March 2019)
D Schofield (appointed 25 March 2019)
P Teakle (appointed 25 March 2019)
J Thomas (appointed 25 March 2019)
T Tito (appointed 25 March 2019)
B Wheadon (appointed 25 March 2019)
A Whitehorn (appointed 25 March 2019)

Pastoral Board

Pastoral Unit transferred from DEW effective 1 January 2019
G D Mills (Chair)
M Anderson
A Barclay *
M A Fennell)
L Feuerherdt * (deputy member)
J Foulkes (deputy member)
T Naismith * (deputy member)
A Oldfield (deputy member)
K L Slade
J M Treloar (deputy member)
A K Tschirner

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2.2 Board and committee members (continued)

PIRSA Animal Ethics Committee

G Begg * (Chair) (appointed 13 December 2018)
 Dr R Hughes (Chair) (retired 13 December 2018)
 S L Baird (re-appointed 18 April 2019)
 Dr R Barekatain * (re-appointed 18 April 2019)
 S Barnes * (re-appointed 18 April 2019)
 J G Cooper (re-appointed 18 April 2019)
 Dr M Deveney * (re-appointed 18 April 2019)
 Dr R F Eyers (re-appointed 18 April 2019)
 Dr D W Jones (re-appointed 18 April 2019)
 K McGrath (re-appointed 18 April 2019)
 Dr J M Nicholls (retired 24 October 2018)
 S Rudiger * (re-appointed 18 April 2019)
 Dr A Whittaker (term expired 16 April 2019)
 S Tilbrook * (re-appointed 18 April 2019)
 J Zemitis * (re-appointed 18 April 2019)
 H Zemitis (re-appointed 18 April 2019)

Risk and Performance Committee

Y Sneddon (Chair)
 A E Harvey (Deputy Chair)
 A Alford * (appointed 1 February 2019)
 E Anear * (appointed 15 May 2019)
 C Ciui * (term expired 14 January 2019)
 Prof M Doroudi * (appointed 1 February 2019)
 S Dubrich * (term expired 14 January 2019)
 T Goodes * (re-appointed 1 February 2019)
 M Griffiths * (re-appointed 1 February 2019)
 A Lloyd-Wright * (retired 19 June 2019)
 Dr K M Ophel-Keller * (term expired 14 January 2019)
 R Robinson * (term expired 14 January 2019)
 K Swaffer * (term expired 14 January 2019)

Rural Assistance Appeals Committee

D J Hollands (Chair)
 J L Collins *
 J A Long

SA River Murray Sustainability Program Appeals Committee

P Dietman * (Chair)
 A E Harvey
 M O'Shea *

SA River Murray Sustainability Program Expert Assessment Panel

D Mutton (Chair)
 P J Cole
 M Cutting *
 D M Davidson
 N J Jachmann

SA River Murray Sustainability Program Steering Committee

R G Kerin (Chair)
 M D Akeroyd
 D Casement *
 D Jordan *
 Mayor N T Martinson
 J W Parish
 J Podoliak
 N Sincock *
 S R Starick
 T Stefanovic

* In accordance with the Premier and Cabinet Circular No. 016, government employees do not receive any remuneration for board/committee duties during the financial year.

Board and committee remuneration

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

| | 2019 | 2018 |
|--------------------------------|------------|-----------|
| \$0 - \$19 999 | 135 | 93 |
| Total number of members | 135 | 93 |

The total remuneration received or receivable by members was \$44 000 (2018: \$42 000). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
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2.3. Employee benefits expenses

| | 2019 | 2018 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Salaries and wages | 68 361 | 71 899 |
| Employment on-costs - superannuation* | 7 532 | 8 092 |
| Annual leave | 6 539 | 6 543 |
| Targeted voluntary separation packages | 4 501 | - |
| Employment on-costs - other | 4 312 | 4 427 |
| Long service leave | 3 681 | 2 425 |
| Skills and experience retention leave | 489 | 492 |
| Workers' compensation | 289 | 415 |
| Board and committee fees | 37 | 46 |
| Other employee related expenses | 203 | 785 |
| Total employee benefits expenses | 95 944 | 95 124 |

***Employment on-costs - superannuation**

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

Executive remuneration

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

| | 2019 | 2018 |
|-----------------------|-----------|-----------|
| | No | No |
| \$149 000 - \$151 000 | n/a | 1 |
| \$151 001 - \$171 000 | 12 | 12 |
| \$171 001 - \$191 000 | 6 | 6 |
| \$191 001 - \$211 000 | 5 | 5 |
| \$211 001 - \$231 000 | 3 | 4 |
| \$231 001 - \$251 000 | 2 | 1 |
| \$251 001 - \$271 000 | 1 | 2 |
| \$271 001 - \$291 000 | 2 | - |
| \$291 001 - \$311 000 | 4 | - |
| \$331 001 - \$351 000 | - | 2 |
| \$351 001 - \$371 000 | 4 | 1 |
| \$371 001 - \$391 000 | - | 1 |
| Total | 39 | 35 |

The \$149 000 to \$151 000 band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2017-18.

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 these employees for the year was \$8.6 million (2018: \$7.7 million).

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2.3. Employee benefits expenses (continued)

Targeted voluntary separation packages

The number of employees who received a TVSP during the reporting period was 50 (2018: Nil).

| | 2019 | 2018 |
|---|--------------|----------|
| | \$'000 | \$'000 |
| Amount paid and accrued during the reporting period to separated employees: | | |
| TVSPs | 4 501 | - |
| Leave paid to those employees | 1 869 | - |
| Total amount paid | 6 370 | - |
| Recovery from the Department of Treasury and Finance | 4 578 | - |
| Net cost to the department | 1 792 | - |

2.4. Employee benefits liability

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Current | | |
| Annual leave | 4 719 | 4 684 |
| Accrued salaries and wages | 1 957 | 1 470 |
| Long service leave | 1 926 | 1 777 |
| Skills and experience retention leave | 506 | 741 |
| Expected to be settled more than 12 months after reporting date | | |
| Annual leave | 1 153 | 1 156 |
| Skills and experience retention leave | 195 | - |
| Total current employee benefits | 10 456 | 9 828 |
| Non-current | | |
| Long service leave | 24 869 | 24 547 |
| Total non-current employee benefits | 24 869 | 24 547 |
| Total employee benefits | 35 325 | 34 375 |

Employee benefits accrue as a result of services provided up to the reporting date that remain unpaid.

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

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

Where the annual leave liability and the skills and experience retention leave liability are expected to be payable within twelve months, the liability has been measured at the undiscounted amount expected to be paid. Where annual leave

Department of Primary Industries and Regions
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2.4. Employee benefits liability (continued)

liability and skills and experience retention leave liability are expected to be payable later than 12 months, the liability is measured at present value.

The amount of unconditional annual leave and skills and experience retention leave liability expected to be settled more than 12 months after reporting date is based on the past experience of leave taken.

The amount for the unconditional skills and experience retention leave liability expected to be settled more than 12 months after reporting date is being reflected for the first time in 2018-19 as the transitional arrangements from introduction of this entitlement have ended and the amount of leave taken on an annual basis, deferred to be taken within the maximum five year window when the leave must be taken, or converted to payment can now be more reliably estimated.

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. Details about the measurement of long service leave liability is provided as note 11.1.

3. Expenses

Employee benefits expense are disclosed in note 2.3.

3.1. Supplies and services

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Professional and technical services ⁽¹⁾ | 13 258 | 14 348 |
| Utility and property costs | 10 537 | 9 263 |
| Administrative and operating costs | 9 201 | 8 731 |
| Computing and communication costs | 6 047 | 5 771 |
| Operating lease costs - accommodation | 3 464 | 3 221 |
| Travel | 2 680 | 2 386 |
| Vehicle lease and operating costs ⁽²⁾ | 2 666 | 2 537 |
| Shared Services costs | 1 990 | 1 889 |
| Staff development and safety | 1 147 | 1 132 |
| Other vehicle and equipment operating costs | 901 | 925 |
| Property and risk insurance | 449 | 484 |
| Operating lease costs - other | 118 | 136 |
| Total supplies and services | 52 458 | 50 823 |

⁽¹⁾ Includes consultancies costs which are further broken down below and audit fees paid/payable to the Auditor-General's Department of \$282 000 (2018: \$305 000) relating to work performed under the *Public Finance and Audit Act 1987*. No other services were provided by the Auditor-General's Department.

⁽²⁾ Includes all payments to LeasePlan for leasing, operating and maintaining vehicles under short and long term hire agreements.

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
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3.1 Supplies and services (continued)

Operating leases payments

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

Consultants

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

| | 2019 Number | 2019 \$'000 | 2018 Number | 2018 \$'000 |
|--|----------------|----------------|----------------|----------------|
| Below \$10 000 | 1 | 2 | 1 | 5 |
| \$10 000 or above | 2 | 95 | 1 | 41 |
| Total paid/payable to consultants engaged | 3 | 97 | 2 | 46 |

3.2. Depreciation and amortisation

| | 2019 \$'000 | 2018 \$'000 |
|--|----------------|----------------|
| Plant and equipment | 2 556 | 2 483 |
| Buildings and infrastructure | 3 073 | 2 856 |
| Large vessels | 98 | 98 |
| Leasehold improvements | 384 | 384 |
| Intangible assets | 858 | 680 |
| Total depreciation and amortisation | 6 969 | 6 501 |

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 is 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 and infrastructure | 1-80 |
| Leasehold improvements | 10 (or life of lease) |
| Plant and equipment | 1-40 |
| Intangibles | 1-10 |
| Large vessels | 1-20 |

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2019

3.3. Grants and subsidies

| | 2019 | 2018 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Recurrent grants | 48 200 | 79 877 |
| Intra government transfers | 1 791 | 2 692 |
| Total grants and subsidies | 49 991 | 82 569 |
| Major grant program expenditure during the year includes: | | |
| South Australian River Murray Sustainability Program | 23 046 | 45 906 |
| Regional Development Australia | 3 194 | 3 000 |
| Regional Development Fund | 7 260 | 14 757 |
| Regional Growth Fund | 440 | - |
| Jobs Accelerator Fund | - | 373 |
| Economic Sustainability Program | 469 | 3 062 |
| South East Forestry Partnership Program | 354 | - |
| Natural disaster recovery programs | | |
| Riverland Storm Recovery Grants | - | 347 |
| Cooperative Research projects ⁽¹⁾ | 4 333 | 3 812 |
| National Biosecurity Contributions | | |
| Red imported fire ants | 1 402 | 1 368 |
| Citrus Canker response | 1 074 | - |
| Industry development and restructuring initiatives greater than \$1 million made during the year were: | | |
| SA Wine Industry Development Scheme | 1 544 | 2 568 |
| Aggregate of all other payments less than \$1 million made during the year | 6 875 | 7 376 |
| Total grants and subsidies | 49 991 | 82 569 |

⁽¹⁾ Research expenditure mainly incurred by the South Australian Research and Development Institute working with state, national and international collaborators. This includes funding of an operating nature assisting with the engagement of research staff or resources, or support with infrastructure development and renewal to improve research capability.

3.4. Borrowing costs

| | 2019 | 2018 |
|--|------------|------------|
| | \$'000 | \$'000 |
| Interest paid/payable on financial liabilities | 600 | 535 |
| Guarantee fees | 4 | 9 |
| Total borrowing costs | 604 | 544 |

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
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3.5. Other expenses

| | 2019 | 2018 |
|---|--------------|--------------|
| | \$'000 | \$'000 |
| Forgiveness of loan debt ⁽¹⁾ | 1 346 | - |
| Royalty payments | 789 | 761 |
| Workers compensation provision movement | 199 | 171 |
| Deemed cost of produce consumed ⁽²⁾ | 174 | 791 |
| Intangible assets derecognised ⁽³⁾ | 168 | - |
| Publications, seed and miscellaneous stocks - cost of sales | 98 | 90 |
| Write down of assets to realisable value | - | 641 |
| Revaluation of assets | - | 4 848 |
| Property plant and equipment derecognised | - | 1 |
| Bad debts and allowances for doubtful debts | - | 78 |
| Workers compensation liability revaluation ⁽⁴⁾ | - | 2 453 |
| Other | 35 | 41 |
| Total other expenses | 2 809 | 9 875 |

⁽¹⁾ The Treasurer approved the waiver of a loan provided to Lenswood Cold Storage Cooperative Society Ltd., to alleviate the impact on the company and growers from the hail damage that occurred in October 2017 that adversely impacted both the quality and volume of fruit produced in the Adelaide Hills and other regions. The loan waiver has a corresponding offset in the waiver (release) of PIRSA from repaying the borrowing that was received from the Treasurer to facilitate the original loan Refer notes 4.9, 6.2 and 7.2.

⁽²⁾ Publications, seed and other miscellaneous stocks are disclosed separately from the cost of sales of agricultural produce and livestock. This line predominantly represents the value of the inventory movement within the year and excludes the cost of crop harvesting from the use of internal resources. These amounts are included within the financial statements under the notes for 'employee benefit expenses' and 'supplies and services'.

⁽³⁾ Derecognising software development expenditure on discontinued projects.

⁽⁴⁾ In 2018-19 the liability was revalued down. This is reported at note 4.9 'Other income'. A reconciliation of the movement in the workers compensation provision is at note 7.3.

4. Income

4.1. Net revenues from SA Government

| | 2019 | 2018 |
|---|----------------|-----------------|
| | \$'000 | \$'000 |
| Revenues from SA Government | | |
| Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i> | 99 323 | 106 790 |
| Appropriations received from the Treasurer's Contingency Fund (TVSPs) | 4 578 | - |
| Appropriations received from the Treasurer's Contingency Fund | - | 250 |
| Total revenues from SA Government | 103 901 | 107 040 |
| Payments to SA Government | | |
| Return of surplus cash pursuant to cash alignment policy | - | (20 141) |
| Other payments to Consolidated Account | (18) | (162) |
| Total payments to SA Government | (18) | (20 303) |
| Net revenues from SA Government | 103 883 | 86 737 |

Appropriations

Appropriations for program funding are recognised as revenues when the department obtains control over the funding. Control over appropriations is normally obtained upon their receipt.

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
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4.1. Net revenues from SA Government (continued)

Other payments to the Consolidated Account

Other payments to the Consolidated Account include interest earned on Commonwealth funding agreements.

4.2. Fees and charges

| | 2019 | 2018 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Rural Solutions, consultancies and services | 4 665 | 4 163 |
| South Australian Research and Development Institute, consultancies and services | 4 433 | 4 481 |
| Agriculture, Biosecurity and Fisheries, consultancies and services | 3 544 | 3 768 |
| Other | 1 882 | 1 744 |
| Total revenues from fees and charges | 14 524 | 14 156 |

User fees and charges are categorised to reflect the nature of the income received and the division delivering the services sought.

4.3. Advances and grants

| | 2019 | 2018 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Industry grants | 36 804 | 34 358 |
| State grants - received from administered industry funds ⁽¹⁾ | 15 930 | 17 451 |
| State grants - received from SA Government entities | 2 124 | 2 086 |
| Commonwealth grants - other | 1 835 | 2 451 |
| Commonwealth grants - Concessional Loans Schemes ⁽²⁾ | 47 | 125 |
| Interstate government grants | 16 | 254 |
| Total advances and grants revenue | 56 756 | 56 725 |

Advances and grants (including contributions payments), received from all sources comprise funding for collaborative research, delivery of projects for industry development and funding from the Commonwealth to administer arrangements for financial assistance.

Grants, contributions and National Partnership payments (refer note 4.4) are recognised as an asset and income when the department obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met.

Generally, the department has obtained control or the right to receive when:

- an agreement becomes enforceable (agreements with unconditional stipulations), that is, the earlier of when the receiving entity has formally been advised that the contribution (for example, grant application) has been approved; agreement/contract is executed; and/or the contribution is received; or
- the enforceable stipulations specified in the agreement occur or are satisfied (agreements with conditional stipulations); that is income would be recognised for contributions received or receivable under the agreement.

Department of Primary Industries and Regions
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4.3. Advances and grants (continued)

| | 2019 | 2018 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Advances and grants were applied to the following business sectors | | |
| South Australian Research and Development Institute ⁽³⁾ | 42 468 | 40 012 |
| Fisheries ⁽³⁾ | 7 835 | 8 079 |
| Biosecurity | 5 297 | 5 988 |
| Aquaculture ⁽³⁾ | 954 | 1 476 |
| Prudential and Rural Financial Services ⁽²⁾ | - | 125 |
| Regions | 125 | 505 |
| Rural Solutions | 41 | - |
| Other | 36 | 540 |
| Total advances and grants revenue | 56 756 | 56 725 |

⁽¹⁾ Contributions from industry groups are received into the administered funds of the department (refer note A3.2 & A4.2) and may be transferred in part to PIRSA controlled to undertake specific research or to deliver projects proposed by the industry groups in their approved management plans.

⁽²⁾ Funding received from the Commonwealth for administering the various Concessional Loans Schemes.

⁽³⁾ Costs recovered from the Fisheries Research and Development Fund and the Aquaculture Resource Management Fund for the administration of licences and registration are applied to the delivery of projects in compliance, research and fishing industry development in the Division of Fisheries and Aquaculture, and South Australian Research and Development Institute. In 2018-19 the amount received from the Fisheries Research and Development Fund and the Aquaculture Resource Management Fund was \$13.9 million (2018: \$14.2 million).

4.4. Commonwealth Grants (National Partnership Payments)

| | 2019 | 2018 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| South Australian River Murray Sustainability Program (SARMS) ⁽¹⁾ | 31 500 | 25 000 |
| Pest Animal and Weed Management in Drought Affected Areas | 1 695 | - |
| On-Farm Emergency Water Infrastructure Rebate Scheme | 419 | - |
| Khapra Beetle Eradication Program | 11 | 554 |
| National Water Infrastructure Development Fund - Feasibility Component | - | 500 |
| Tourism Demand Driver Infrastructure (TDDI) - Monarto Zoo | - | 350 |
| Total commonwealth revenues | 33 625 | 26 404 |

⁽¹⁾ The SARMS is a non-recourse grant that has been recognised upon receipt. The program will support the sustainability of South Australian River Murray communities through investment in irrigation efficiencies, water returns, irrigation industry assistance and regional economic development.

National Partnership payments and Commonwealth funding were received for specific projects and to facilitate and/or reward States that deliver on nationally significant reforms.

4.5. Interest

| | 2019 | 2018 |
|--------------------------------|--------------|--------------|
| | \$'000 | \$'000 |
| Interest | 875 | 1 159 |
| Loans to the rural sector | 613 | 566 |
| Total interest revenues | 1 488 | 1 725 |

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4.6. Sale of goods

| | 2019 | 2018 |
|---|--------------|--------------|
| | \$'000 | \$'000 |
| Water sales ⁽¹⁾ | 1 915 | - |
| Livestock | 1 705 | 1 696 |
| Agricultural produce | 1 021 | 863 |
| Publications, books, maps and compact discs | 1 | - |
| Other | 222 | 300 |
| Total sale of goods | 4 864 | 2 859 |

⁽¹⁾ Sale on the open market of temporary water access entitlements for productive use.

4.7. Resources received free of charge

| | 2019 | 2018 |
|---|--------------|--------------|
| | \$'000 | \$'000 |
| Services received free of charge - Shared Services SA | 1 873 | 1 880 |
| Fair value of assets received free of charge | 10 | - |
| First time recognition of asset | - | 737 |
| Goods received free of charge | - | 15 |
| Total resources received free of charge | 1 883 | 2 632 |

Resources received free of charge are recorded at their fair value.

4.8. Net gain / (loss) from the disposal of non-current assets

| | 2019 | 2018 |
|---|-------------|-------------|
| | \$'000 | \$'000 |
| Land and buildings | | |
| Net book value of assets disposed | - | (6) |
| Net gain/(loss) from disposal of land and buildings | - | (6) |
| Plant and equipment | | |
| Proceeds from disposal | 156 | 314 |
| Less net book value of assets disposed | (60) | (261) |
| Net gain/(loss) from disposal of plant and equipment | 96 | 53 |
| Computer software | | |
| Less net book value of assets disposed | (44) | (72) |
| Net gain/(loss) from disposal of computer software | (44) | (72) |
| Total assets | | |
| Proceeds from disposal | 156 | 314 |
| Less net book value of assets disposed | (104) | (339) |
| Net gain/(loss) from disposal of assets | 52 | (25) |

Gains/losses on disposal are recognised at the date control of the asset is passed to the buyer and are determined after deducting the carrying amount of the asset from the proceeds at that time. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

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4.9. Other income

| | 2019 | 2018 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Workers compensation liability revaluation ⁽¹⁾ | 3 194 | - |
| Seed and other royalties | 2 322 | 2 485 |
| Reimbursements/recoveries | 1 694 | 1 848 |
| Forgiveness of liabilities ⁽²⁾ | 1 346 | - |
| Dividends | 593 | 740 |
| Gain/(loss) from changes in fair value of biological assets ⁽³⁾ | 217 | 10 |
| Diesel fuel rebates | 136 | 103 |
| Reduction in allowance for doubtful debts | 31 | - |
| Other | 58 | 114 |
| Total other income | 9 591 | 5 300 |

⁽¹⁾ In 2017-18 the liability was revalued up. This is reflected under note 3.5 'Other expenses'. A reconciliation of the movement in the workers compensation provision is at note 7.3.

⁽²⁾ The Treasurer approved the waiver of a loan provided to Lenswood Cold Storage Cooperative Society Ltd., to alleviate the impact on the company and growers from the hail damage that occurred in October 2017 that adversely impacted both the quality and volume of fruit produced in the Adelaide Hills and other regions. The loan waiver has a corresponding offset in the waiver (release) of PIRSA from repaying the borrowing that was received from the Treasurer to facilitate the original loan. Refer notes 3.5, 6.2 and 7.2.

⁽³⁾ The changes in fair values of livestock is reconciled along with the movement in inventory in note 5.3.

Dividends

Dividend income is recognised when the unconditional right to receive the dividend is established.

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
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5. Non-financial assets

5.1. Property, plant and equipment

| | 2019 | 2018 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| Land and buildings | | |
| Land at fair value | 28 545 | 28 545 |
| Buildings and infrastructure at cost (deemed fair value) | 1 370 | 327 |
| Buildings and infrastructure at fair value | 75 079 | 74 753 |
| Accumulated depreciation | (3 149) | (77) |
| Constructions and works in progress at cost | 119 | - |
| Total land and buildings | 101 964 | 103 548 |
| Leasehold improvements | | |
| Leasehold improvements at cost (deemed fair value) | 4 177 | 5 429 |
| Accumulated amortisation | (3 016) | (3 884) |
| Total leasehold improvements | 1 161 | 1 545 |
| Plant and equipment | | |
| Plant and equipment at cost (deemed fair value) | 42 189 | 39 590 |
| Accumulated depreciation | (25 638) | (25 033) |
| Construction and works in progress at cost | 114 | 1 396 |
| Total plant and equipment | 16 665 | 15 953 |
| Large vessels | | |
| Large vessels at fair value | 1 000 | 1 000 |
| Accumulated depreciation | (392) | (294) |
| Total large vessels | 608 | 706 |
| Bearer plants | | |
| Orchards and vineyards at cost (deemed fair value) | 105 | 105 |
| Total bearer plants | 105 | 105 |
| Total property, plant and equipment | 120 503 | 121 857 |

Property, plant and equipment with a value equal to or in excess of \$10 000 is capitalised, otherwise it is expensed.

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.

Constructions and works in progress

Works in progress relate to costs associated with systems development, purchases of plant and equipment and other developments.

Impairment

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

Department of Primary Industries and Regions
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5.1. Property, plant and equipment (continued)

Reconciliation 2018-19

| | Land \$'000 | Buildings and infrastructure \$'000 | Leasehold improvements \$'000 | Bearer plants \$'000 | Plant and equipment \$'000 |
|--|----------------|---|-------------------------------------|-------------------------|----------------------------------|
| Carrying amount at 1 July 2018 | 28 545 | 75 003 | 1 545 | 105 | 14 557 |
| Acquisitions | - | 1 370 | - | - | 1 434 |
| Disposals | - | - | - | - | (60) |
| Depreciation/amortisation expense | - | (3 073) | (384) | - | (2 556) |
| Transfer between asset classes | - | - | - | - | 3 166 |
| Assets received free of charge | - | - | - | - | 10 |
| Carrying amount at 30 June 2019 | 28 545 | 73 300 | 1 161 | 105 | 16 551 |

| | Large vessels \$'000 | Constructions and works in progress - Plant and equipment \$'000 | Constructions and works in progress - Buildings \$'000 | Total \$'000 |
|--|----------------------------|---|---|-----------------|
| Carrying amount at 1 July 2018 | 706 | 1 396 | - | 121 857 |
| Acquisitions | - | 1 881 | 119 | 4 804 |
| Disposals | - | - | - | (60) |
| Depreciation/amortisation expense | (98) | - | - | (6 111) |
| Transfer between asset classes | - | (3 163) | - | 3 |
| Assets received free of charge | - | - | - | 10 |
| Carrying amount at 30 June 2019 | 608 | 114 | 119 | 120 503 |

Reconciliation 2017-18

| | Land \$'000 | Buildings and infrastructure \$'000 | Leasehold improvements \$'000 | Bearer plants \$'000 | Plant and equipment \$'000 |
|--|----------------|--|-------------------------------------|-------------------------|----------------------------------|
| Carrying amount at 1 July 2017 | 22 661 | 71 245 | 1 929 | 106 | 14 687 |
| Acquisitions | - | 15 | - | - | 2 125 |
| Disposals | - | (6) | - | - | (261) |
| Depreciation/amortisation expense | - | (2 856) | (384) | - | (2 483) |
| Revaluation increment/(decrement) ⁽¹⁾ | 6 924 | 7 279 | - | - | - |
| Revaluation movements expensed ⁽¹⁾ | - | (4 848) | - | - | - |
| Assets write down | (318) | (323) | - | - | - |
| Transfer between asset classes | (772) | 3 811 | - | - | 489 |
| First time recognised assets ⁽²⁾ | 50 | 687 | - | - | - |
| Biologicals - movements | - | - | - | (1) | - |
| Other movements | - | (1) | - | - | - |
| Carrying amount at 30 June 2018 | 28 545 | 75 003 | 1 545 | 105 | 14 557 |

Department of Primary Industries and Regions
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5.1. Property, plant and equipment (continued)

| | Large vessels | Constructions and works in progress - Plant and equipment | Constructions and works in progress - Buildings | Total |
|--|------------------|---|--|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Carrying amount at 1 July 2017 | 804 | 541 | 1 956 | 113 929 |
| Acquisitions | - | 1 420 | 1 017 | 4 577 |
| Disposals | - | - | - | (267) |
| Depreciation/amortisation expense | (98) | - | - | (5 821) |
| Revaluation increment/(decrement) ⁽¹⁾ | - | - | - | 14 203 |
| Revaluation movements expensed ⁽¹⁾ | - | - | - | (4 848) |
| Assets write down | - | - | - | (641) |
| Transfer between asset classes | - | (565) | (2 973) | (10) |
| First time recognised assets ⁽²⁾ | - | - | - | 737 |
| Biologicals - movements | - | - | - | (1) |
| Other movements | - | - | - | (1) |
| Carrying amount at 30 June 2018 | 706 | 1 396 | - | 121 857 |

⁽¹⁾ Revaluation movements expensed relate to downward movements in the value of land, building and infrastructure assets in excess of the amounts held in revaluation reserves – see note 3.5.

⁽²⁾ First time recognised assets comprises infrastructure valued for the first time across a number of sites.

5.2. Intangible assets

| | 2019 \$'000 | 2018 \$'000 |
|--|----------------|----------------|
| Software | | |
| Computer software | 16 766 | 15 067 |
| Accumulated amortisation | (11 425) | (10 716) |
| Total software | 5 341 | 4 351 |
| Computer software development (works in progress) | 593 | 1 393 |
| Water and convertible accommodation lease rights at cost ⁽¹⁾ | 173 | 158 |
| Total intangible assets | 6 107 | 5 902 |

Intangible assets are initially measured at cost and are tested for indicators 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 or internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$10 000.

All research and development costs that do not meet the capitalisation criteria in *AASB 138 Intangible Assets* are expensed.

Water rights are valued at cost determined from an infrastructure levy payable in instalments to the water provider. The right grants access to a contracted fixed annual supply of water while PIRSA maintains a supply agreement and shares

Department of Primary Industries and Regions
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5.2. Intangible assets (continued)

with the provider. Where water use restrictions apply within the year the value of the resource is diminished and an impairment allowance is recognised, conversely where there are no restrictions the impairment is removed.

Reconciliation 2018-19

| | Computer software \$'000 | Computer software development \$'000 | Water and convertible accommodation lease rights \$'000 | Total \$'000 |
|--|--------------------------------|---|---|-----------------|
| Carrying amount at 1 July 2018 | 4 351 | 1 393 | 158 | 5 902 |
| Additions | 50 | 1 213 | 15 | 1 278 |
| Disposals | (44) | - | - | (44) |
| Transfer between asset classes | 1 842 | (1 845) | - | (3) |
| Amortisation expense | (858) | - | - | (858) |
| Derecognition | - | (168) | - | (168) |
| Carrying amount at 30 June 2019 | 5 341 | 593 | 173 | 6 107 |

Reconciliation 2017-18

| | Computer software \$'000 | Computer software development \$'000 | Water and convertible accommodation lease rights \$'000 | Total \$'000 |
|--|--------------------------------|---|---|-----------------|
| Carrying amount at 1 July 2017 | 2 984 | 1 955 | 145 | 5 084 |
| Additions | 14 | 1 533 | 15 | 1 562 |
| Disposals | (72) | - | - | (72) |
| Reduction of lease rights | - | - | (2) | (2) |
| Transfer between asset classes | 2 105 | (2 095) | - | 10 |
| Amortisation expense | (680) | - | - | (680) |
| Carrying amount at 30 June 2018 | 4 351 | 1 393 | 158 | 5 902 |

- (1) An agreement secures access to water resources for the research farm operated by the South Australian Research and Development Institute at Nuriootpa. This provides a perpetual right to an annual water allocation. Water allowances are now at 100% (100%), with no rationing.

The department has no contractual commitments for the acquisition of intangible assets.

Department of Primary Industries and Regions
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5.3. Inventories

| | 2019 | 2018 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Current inventories | | |
| Biological assets | | |
| Livestock (at fair value less estimated costs to sell) | 1 991 | 1 813 |
| Agricultural produce (at fair value less estimated costs to sell) | 212 | 122 |
| Total biological assets | 2 203 | 1 935 |
| Other inventories | | |
| Chemicals and other (at the lower of cost and net realisable value) | 39 | 98 |
| Fuel and related items (at the lower of cost and net realisable value) | 34 | 32 |
| Total other inventories | 73 | 130 |
| Total current inventories | 2 276 | 2 065 |
| Total inventories | 2 276 | 2 065 |

Biological assets are livestock valued at fair value less estimated costs to sell. Agricultural produce, including wool, fruit and harvested crops is valued at fair value less estimated costs to sell, using level 2 inputs. Gains and losses resulting from measurement at fair value, and from changes in fair value, are recognised in the Statement of Comprehensive Income.

Fair value for biological assets and agricultural produce has been determined by reference to quoted prices in the markets in which the produce is ordinarily sold, reduced by estimated point of sale costs that include commissions, packing and handling, brokerage selling charges and levies from regulatory bodies.

Other inventories are measured at the lower of cost and net realisable value.

Inventories include chemicals, fuel, seed stocks and other goods held either for sale or distribution at no or nominal cost in the ordinary course of business. It excludes depreciable assets.

Inventories held for distribution, for no or nominal consideration, are measured at cost and adjusted when applicable for any loss of service potential.

Cost is measured on the basis of the first-in, first-out method or using the weighted average price of the stock purchased and on hand. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

The amount of any inventory write-down to net realisable value/replacement cost or inventory losses are recognised as an expense in the period the write-down or loss occurred.

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
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5.3. Inventories (continued)

| | Agricultural produce \$'000 | Livestock \$'000 |
|---|-----------------------------------|---------------------|
| Balance at the beginning of the period | 122 | 1 813 |
| Acquisitions | 337 | 526 |
| Sales | (474) | (1 159) |
| Used as feed stock | (863) | - |
| Harvests transferred to inventories | 1 090 | - |
| Increase due to natural accretion | - | 627 |
| Inventory changes (biological growth) | - | (33) |
| Change in fair value less estimated costs to sell | - | 217 |
| Balance at the end of the period | 212 | 1 991 |

Agricultural activities are carried on to assist with research, but are conducted on a commercial basis. At 30 June 2019 inventory included 6 574 sheep, 1 096 cattle and 682 tonnes of crops and grain.

Production for the year included 211 tonnes of grapes and fruit, 5 334 lambs, 126 calves and 3 107 tonnes of other grain crops.

Department of Primary Industries and Regions
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6. Financial assets

6.1. Cash and cash equivalents

| | 2019 | 2018 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| Deposits with the Treasurer | 130 445 | 123 682 |
| Deposits with SAFA (foreign currency) ⁽¹⁾ | 137 | - |
| Imprest account and cash on hand | 1 | 1 |
| Total cash and cash equivalents | 130 583 | 123 683 |

Deposits with the Treasurer includes the following fund balances that have restricted conditions:

| | | |
|---|----------------|----------------|
| Funds held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use (i.e. the funds can only be used in accordance with the Treasurer's/Under Treasurer's approval) | 17 956 | 16 820 |
| Funds held pursuant to the <i>Rural Industry Adjustment and Development Act 1985</i> and other State and Commonwealth Schemes for rural financial assistance | 57 267 | 57 457 |
| External funds held in the nature of grants or under cooperative agreements where unspent funds may be returned to the funder | 15 568 | 18 487 |
| Commonwealth funds held for the SARMS Program | 12 078 | 8 662 |
| Commonwealth funds held pursuant to the various Concessional Loans Schemes | 591 | 10 220 |
| Deposits with the Treasurer held as working capital, but subject to Department of Treasury and Finance budget and cash alignment policies | 26 985 | 12 036 |
| Total deposits with the Treasurer | 130 445 | 123 682 |

⁽¹⁾ PIRSA is a project lead for an externally funded collaborative International Research project. Funds are both received from the funding body and disbursed to project partners in US dollars. The single currency arrangement softens the impact of exchange rate differences across the participant countries.

The amount reflects the Australian dollar equivalent of the US dollars held at 30 June 2019.

Deposits with the Treasurer

Deposits into interest earning accounts with the Treasurer, are at call and earn a floating interest rate.

Department of Primary Industries and Regions
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6.2. Receivables

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Current | | |
| Trade receivables | | |
| From government entities | 2 181 | 1 178 |
| From non-government entities | 4 675 | 6 859 |
| Less: allowance for doubtful debts | (141) | (165) |
| Total trade receivables | 6 715 | 7 872 |
| Loans receivable | | |
| Loans to cooperatives | 1 346 | 1 346 |
| Less: debt forgiveness ⁽¹⁾ | (1 346) | - |
| | - | 1 346 |
| Loans - Commonwealth concessional loan schemes | 450 | - |
| Other receivables | | |
| Workers compensation recoveries | 7 | 23 |
| Accrued interest on loans and deposits | 169 | 179 |
| Other accrued revenue | 4 603 | 4 426 |
| GST receivable | 1 504 | 1 568 |
| Prepayments | 418 | 354 |
| Total current receivables | 13 866 | 15 768 |
| Non-Current | | |
| Expected to be recovered more than 12 months after reporting date | | |
| Loans receivable | | |
| Loans - Commonwealth concessional loan schemes | 17 875 | 19 527 |
| Workers compensation recoveries | 10 | 108 |
| Total expected to be recovered more than 12 months after reporting date | 17 885 | 19 635 |
| Total receivables | 31 751 | 35 403 |

⁽¹⁾ The Treasurer approved the waiver of a loan provided to Lenswood Cold Storage Cooperative Society Ltd., to alleviate the impact on the company and growers from the hail damage that occurred in October 2017 that adversely impacted both the quality and volume of fruit produced in the Adelaide Hills and other regions. Refer notes 3.5 and 7.2.

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. Trade 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.

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.

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6.2. Receivables (continued)

Loans receivable consist of:

Loans to cooperatives

Cooperative loans are agreements between the Treasurer, PIRSA and an approved loan applicant, whereby the principal borrowed by PIRSA from the Treasurer is on-lent to an approved loan applicant (refer note 7.2). Similarly, repayments of principal made by an approved loan applicant are returned to the Treasurer to reduce the level of borrowing made by PIRSA. The legal agreement with the loan recipient provides for a set loan term, and that the client can set interest rate structures within that period from time to time. At the end of each negotiated interest period the client can elect to repay the principal in full or part, or roll the entire balance for another interest period. The interest rate is determined by the Treasurer through SAFA at the time of settling the loan approval and remains fixed over the negotiated interest period. Interest periods can range between 30 days to 10 years subject to agreement through SAFA. A lending margin is added to the interest rate incurred by Cooperatives to cover related costs.

Loans to eligible applicants of various concessional loan schemes offered by the Commonwealth Government

Commonwealth loan programs administered by the department include the Farm Finance Concessional Loans Scheme, Drought Concessional Loans Scheme, Drought Recovery Concessional Loans Scheme, Dairy Recovery Concessional Loans Scheme and Farm Business Concessional Loans Scheme (which included Drought Assistance, Dairy Recovery and Business Improvement Concessional Loans).

All of the Commonwealth concessional loan programs are now closed but the department will continue to administer the outstanding loan agreements until the end of the loan term or the loan is repaid or refinanced by another financier.

Commencing 1 July 2018, the Regional Investment Corporation was established by the Commonwealth Government as a national administrator of future Concessional loan schemes.

The department's role with the Commonwealth Concessional Loan Schemes was to assess applications and offer to eligible applicants, loans under the terms, conditions and interest rates prescribed by the Commonwealth, and subsequently manage the administration of the loan facility over its offered term. Funding was received from the Commonwealth (through the State) for each scheme and all or part of that funding was on-lent by the department to eligible applicants meeting the requirements of the Commonwealth program. Uncommitted funds from the loan pool funds received were returned to the Commonwealth at the end of the program.

In assessing the requirements of *AASB9 Financial Instruments* the department has taken the position that in the provision of these loans the department operates as only a pass-through delivery agent and administrator for the Commonwealth Funds. Further, it bears no financial or credit risk, nor foregoes any resources from the concessional interest rate under the Commonwealth agreement.

Refer to note 11.3 for further information on risk management.

Impairment of receivables

| | 2019 \$'000 | 2018 \$'000 |
|---|----------------|----------------|
| Balance at 30 June 2018 under AASB 139 | 165 | 89 |
| Adjustments on initial adoption of AASB 9 | 11 | - |
| Carrying amount at the beginning of the period | 176 | 89 |
| Amounts written off | (4) | (2) |
| Increase/(Decrease) in allowance recognised in profit or loss | (31) | 78 |
| Carrying amount at the end of the period | 141 | 165 |

Refer to note 9.2 for details regarding credit risk and the methodology for determining impairment.

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6.3. Other financial assets

| | 2019 | 2018 |
|---|---------------|--------------|
| | \$'000 | \$'000 |
| Non-current | | |
| Investments in shares - unlisted public companies | 20 643 | 4 518 |
| Total other financial assets | 20 643 | 4 518 |

The department measures equity instruments (shares) at fair value and the department has made an irrevocable election that the investments will be categorised as Fair Value through Other Comprehensive Income (FVOCI). As such, while the fair value will be recognised in the statement of financial position, changes in value will be recognised in other comprehensive income rather than profit and taken to the investment reserve.

On disposal of these equity investments, any related balance within the investment reserve will be reclassified to retained earnings. Dividends arising from these investments will be recognised in the statement of comprehensive income.

Investments are primarily held to secure long term benefits from research partnerships and access to resources (water entitlements). The shares are not held for trading purposes. The department's investments include:

- Ordinary shares in Australian Grain Technologies Pty Ltd (AGT), an entity involved in research to assist wheat breeding programs. The department is a shareholder along with the University of Adelaide, Grains Research and Development Corporation and Vilmorin & CIE SA.

The fair value of the AGT investment was \$20.613m. An independent valuation was conducted by Ernst & Young of the respective interests of shareholders as at 1 July 2018 (commencement date of AASB9 Financial Instruments), and again on 31 May 2019 (for the year ended 30 June, 2019). The valuation methodology consisted primarily of a discounted free cash flow applied to long range business and earnings forecasts provided by AGT.

The discounts applied in the valuation take into consideration both the size of AGT relative to reference markets and other comparative companies considered in the valuation approach, and specific risk premiums for uncertainties associated with market expansion.

In assessing the value of the department's shareholding, further discounts were applied for minority shareholding and marketability of shareholder interests.

Measurement uncertainty, valuation sensitivity and valuation risk mitigation -

The valuation approach considered long range (14 year) forecast business and earnings data provided by AGT. Ernst & Young, in their measurement approach, undertook a number of valuation cross checks including earnings and trading multiples and considered companies that operate in the same industry and geography or exposed to similar risks. Ernst & Young noted that the investments value is most sensitive to changes in volume assumptions. Trading multiples were also considered to vary significantly with potential comparable companies being larger in size and/or more diversified than AGT. To mitigate these risks, Ernst & Young provided a range of possible outcomes to allow for valuation sensitivities and used long term historical averages and harvest forecasts in its valuation methodology. The Department considered the information presented by Ernst & Young and taken a conservative approach in using the midpoint (\$20.613m) of the low-high range of possible outcomes (between \$17.669m and \$23.557m) as the basis of measurement for the investment. The variation from the midpoint is +/- \$2.944m. Selecting a measurement point different to the midpoint will increase or reduce the fair value movement recognised through other comprehensive income.

Liquidation value of the investment -

As an unlisted public company there is no true active market for the disposal of these shares. The constitution of AGT outlines the process for the disposal or the transfer of shares, but this operates in a restrictive manner and may strongly influence share value. A liquidation value for the investment cannot be reliably forecast and may be considerably different to the fair value determined under AASB9.

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6.3 Other financial assets (Continued)

Assessment summary

The Ernst & Young valuation provides an independent assessment of the valuation of the investment, which can be periodically remeasured. The analysis and report was prepared in accordance with the requirements of AASB9, and in the judgement of the Department the valuation represents a fair estimate of the value of the investment at 30 June 2019.

- Shares in Barossa Infrastructure Limited (\$12 500) acquired in 2000-01 and a further investment in 2014-15 (\$17 500) to secure a water entitlement for the department's research farm located at Nuriootpa. All shares acquired in Barossa Infrastructure were at a transaction price of \$1.00 per unit. The market buy-in price for new subscribers to the company in the last published financial statements of Barossa Infrastructure Ltd (30 June 2018) remains at \$1.00 per share. The valuation method is a market approach based on observable inputs of share market price available from the published financial statements of Barossa Infrastructure Ltd.

The investments have an associated water infrastructure levy payable under a fixed schedule calculated on the mega litres of water allocated. The remaining commitment is reflected under note 10.1 'Expenditure commitments other'.

Impairment of financial assets is assessed by reviewing external or internal evidence for indicators of changes that occurred in the period, or are expected to occur in the near future, in the technological, market, economic or legal environment of the investee.

| | 2019 | 2018 |
|---|---------------|--------------|
| | \$'000 | \$'000 |
| Movement in financial assets | | |
| Balance at 30 June 2018 under AASB 139 | 4 518 | 4 518 |
| Adjustment on initial adoption of AASB 9 ⁽¹⁾ | 13 171 | - |
| Carrying amount at the beginning of the period | 17 689 | 4 518 |
| Fair value movement | 2 954 | - |
| Carrying amount at the end of the period | 20 643 | 4 518 |

⁽¹⁾ Investments in shares - unlisted public companies were previously recognised at cost. On adoption of AASB9 'Financial Instruments' these investments are now measured at fair value. The adjustment reflects the change in valuation methodology at 1 July 2018, the date of commencement of the new accounting standard. The adjustment is recognised against the opening balance of retained earnings.

For further information on risk management refer to note 11.3.

Department of Primary Industries and Regions
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7. Liabilities

Employee benefits liabilities are disclosed in note 2.4.

7.1. Payables

| | 2019 \$'000 | 2018 \$'000 |
|-----------------------------------|----------------|----------------|
| Current | | |
| Trade payables | 1 | 2 |
| Accrued expenses | 11 865 | 11 664 |
| Accrued interest on borrowings | 183 | 174 |
| Paid parental leave scheme | 4 | 5 |
| Employment on-costs | 1 698 | 1 799 |
| Total current payables | 13 751 | 13 644 |
| Non-current | | |
| Employment on-costs | 2 301 | 2 298 |
| Total non-current payables | 2 301 | 2 298 |
| Total payables | 16 052 | 15 942 |

Payables and accruals are raised for all amounts owing but unpaid. 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, workers compensation 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 dates relates to any contributions due but not yet paid to employee's superannuation funds.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has changed from 2018 rate (40%) to 41%.

The department's contributions to the superannuation plan mix of its employees determines an average employer superannuation on-cost rate. This rate changed from the 2018 rate (10.50%) to 10%.

The net financial effect of the changes in the current financial year is a decrease in the employment on-cost of \$28 000 and employee benefits expense of \$28 000.

Paid parent leave scheme

Paid Parental Leave Scheme – represents amounts which the department has received from the Commonwealth Government to forward onto eligible employees via the department's standard payroll process. 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.

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7.2. Financial liabilities

| | 2019 | 2018 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Current | | |
| Indebtedness to the Treasurer | | |
| Borrowings for commonwealth concessional loan schemes | 950 | 10 151 |
| Borrowings for loans to cooperatives | - | 1 346 |
| Total current borrowings | 950 | 11 497 |
| Non-current | | |
| Indebtedness to the Treasurer | | |
| Borrowings for commonwealth concessional loan schemes | 17 875 | 19 527 |
| Total non-current borrowings | 17 875 | 19 527 |
| Total borrowings | 18 825 | 31 024 |

The department measures financial liabilities including borrowings/debt at amortised cost.

Borrowings consist of:

Loans to cooperatives

Cooperative loans are agreements between the Treasurer, PIRSA and an approved loan applicant, whereby the principal borrowed by PIRSA from the Treasurer is on-lent to an approved loan applicant (refer note 6.2). Similarly, repayments of principal made by an approved loan applicant are returned to the Treasurer to reduce the level of borrowing made by PIRSA. The legal agreement with the loan recipient provides for a set loan term, and that the client can set interest rate structures within that period from time to time. At the end of each negotiated interest period the client can elect to repay the principal in full or part, or roll the entire balance for another interest period. The interest rate is determined by the Treasurer through SAFA at the time of settling the loan approval and remains fixed over the negotiated interest period. Interest periods can range between 30 days to 10 years subject to agreement through SAFA. A lending margin is added to the interest rate incurred by Cooperatives to cover related costs.

Loans to eligible applicants of various concessional loan schemes offered by the Commonwealth Government

Commonwealth loan programs administered by the department include the Farm Finance Concessional Loans Scheme, Drought Concessional Loans Scheme, Drought Recovery Concessional Loans Scheme, Dairy Recovery Concessional Loans Scheme and Farm Business Concessional Loans Scheme (which included Drought Assistance, Dairy Recovery and Business Improvement Concessional Loans).

All of these Commonwealth concessional loan programs are now closed but the department will continue to administer the outstanding loan agreements until the end of the loan term or the loan is repaid or refinanced by another financier.

Funding was received from the Commonwealth (through the State) for each scheme and all or part of that funding was on-lent by the department to eligible applicants meeting the requirements of the Commonwealth program. Uncommitted funds from the loan pool funds received were returned to the Commonwealth at the end of the program. In addition, any loan principal and interest repaid by eligible applicants to the department is returned on collection to the Commonwealth and the associated borrowing is reduced.

From 1 July, 2018 new concessional loans are managed through the Commonwealth Government's single National Administrator, the Regional Investment Corporation.

In assessing the requirements of AASB9 Financial Instruments the department has taken the position that borrowings in respect of Commonwealth Concessional Loan schemes are a pass-through arrangement between the Commonwealth, State and department, with the department operating as a delivery agent and administrator for the Commonwealth

Department of Primary Industries and Regions
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7.2 Financial liabilities (continued)

Funds. Further, the department bears no financial or credit risk, nor foregoes any resources from the concessional interest rate under the Commonwealth agreement.

| | 2019 \$'000 | 2018 \$'000 |
|---|----------------|----------------|
| Movement in financial liabilities | | |
| Carrying amount at the beginning of the period | 31 024 | 25 712 |
| Additional borrowing during the year | - | 10 122 |
| Repayment of borrowings | (10 853) | (4 810) |
| Forgiveness of loan liability ⁽¹⁾ | (1 346) | - |
| Carrying amount at the end of the period | 18 825 | 31 024 |

⁽¹⁾ The Treasurer approved the waiver of loans provided to Lenswood Cold Storage Cooperative Society Ltd., to alleviate the impact on the company and growers from the hail damage that occurred in October 2017 that adversely impacted both the quality and volume of fruit produced in the Adelaide Hills and other regions. Refer notes 4.9 and 6.2.

7.3. Provisions

| | 2019 \$'000 | 2018 \$'000 |
|---|----------------|----------------|
| Current | | |
| Provision for workers compensation | 303 | 608 |
| Total provisions current | 303 | 608 |
| Non-current | | |
| Provision for workers compensation | 474 | 3 163 |
| Total provisions non-current | 474 | 3 163 |
| Total provisions | 777 | 3 771 |
| Carrying amount at the beginning of the period | 3 771 | 1 147 |
| Reductions arising from payments | (332) | (427) |
| Revaluation of liability ⁽¹⁾ | (3 194) | 2 453 |
| Additional provisions recognised | 532 | 598 |
| Carrying amount at the end of the period | 777 | 3 771 |

⁽¹⁾ Open seriously injured worker (SIW) claims reduced from two (at previous valuation) to zero.

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.

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7.3. Provisions (continued)

Additional Compensation for Certain Work-Related Injuries or Illnesses (Additional Compensation provision)

Following changes to relevant *Public Sector Enterprise Agreements and Awards*, the department has recognised an Additional Compensation provision as at 30 June 2019.

The new Additional Compensation provision provides continuing benefits to workers who have suffered eligible work-related injuries and whose entitlements have ceased under the statutory workers compensation scheme. Eligible injuries are non-serious injuries sustained in circumstances which involved, or appeared to involve, the commission of a criminal offence, or which arose from a dangerous situation.

The Additional Compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2019 provided by a consulting actuary engaged by the Office for the Public Sector. The liability was calculated in accordance with Australian Accounting Standard AASB 137 *'Provisions, Contingent Liabilities and Contingent Assets'* as the present value of the expenditures expected to be required to settle obligations incurred as at 30 June. The liability comprises an estimate for known claims and an estimate of incurred but not reported (IBNR) applications. No risk margin is included in the estimate.

Key assumptions in the estimate include:

- application frequency
- the probability of applications becoming successful claims
- projections of annual claim payments
- rates of benefit continuance
- retirement age and mortality rates.

There is a significant degree of uncertainty associated with this estimate. In addition to the general uncertainties associated with estimating future claim and expense payments, the Additional Compensation provision is impacted by the absence of claims history and the evolving nature of the interpretation of, and evidence required to meet, eligibility criteria.

Given these uncertainties, the actual cost of Additional Compensation claims may differ materially from the estimate. The assumptions used will continue to be refined to reflect emerging experience.

7.4. Other liabilities

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Current | | |
| Lease incentive | 73 | 130 |
| Unearned revenue (1) | 12 488 | 15 093 |
| Total other current liabilities | 12 561 | 15 223 |
| Non-current | | |
| Lease incentive | 550 | 567 |
| Other liabilities | 2 | 3 |
| Total other non-current liabilities | 552 | 570 |
| Total other liabilities | 13 113 | 15 793 |

(1) Funding received primarily for research and fee for service contracts that are uncompleted at the end of the period. Revenue is earned as expenditure is incurred under the project or contract.

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8. Other disclosures

8.1. Equity

Asset Revaluation

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

Investment reserve

The reserve is used to record all changes in fair value of investments classified as fair value through other comprehensive income from 1 July 2018.

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.

Cash flow reconciliation

| | 2019 | 2018 |
|--|-----------------|------------------|
| | \$'000 | \$'000 |
| Reconciliation of cash and cash equivalents at the end of the reporting period | | |
| Cash and cash equivalents disclosed in the Statement of Financial Position | 130 583 | 123 683 |
| Balance as per the Statement of Cash Flows | 130 583 | 123 683 |
| Reconciliation of net cash provided by operating activities to net cost of providing services | | |
| Net cash provided by / (used in) operating activities | 20 037 | (37 371) |
| Less revenues from SA Government | (103 901) | (107 040) |
| Add payments to SA Government | 18 | 20 303 |
| Add / (less) non-cash items | | |
| Depreciation and amortisation | (6 969) | (6 501) |
| Gain/(loss) on disposal of non - current assets | 52 | (25) |
| Gain/(loss) on inventories | 546 | 370 |
| Recognition and derecognition of assets | (168) | (1) |
| Lease incentives | 74 | 73 |
| Doubtful debts movement | 34 | (76) |
| Asset write down | - | (641) |
| Revaluation of assets expense | - | (4 848) |
| First time asset recognition | - | 737 |
| Forgiveness of loan debt | (1 346) | - |
| Forgiveness of liabilities | 1 346 | - |
| Fair value of assets received free of charge | 10 | - |
| Movement in assets/liabilities | | |
| (Decrease)/increase in receivables | (644) | 1 486 |
| (Decrease)/(decrease) in inventories | (264) | (886) |
| Decrease/(increase) in payables and provisions | 3 353 | (2 033) |
| (Increase)/(increase) in employee benefits | (752) | (16) |
| Decrease/decrease in other liabilities | 2 582 | 809 |
| Net cost of providing services | (85 992) | (135 660) |

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8.3. Prior period adjustments

During the financial year adjustments were made to prior year balances. The impact of these adjustments is detailed in the table below:

| | Note | 2018 Original balance \$'000 | 2018 Restated balance \$'000 | Change \$'000 |
|---|------|---------------------------------------|---------------------------------------|------------------|
| Statement of Comprehensive Income | | | | |
| Supplies and services | 3.1 | 50 813 | 50 823 | (10) |
| Depreciation and amortisation | 3.2 | 6 469 | 6 501 | (32) |
| Resources received free of charge | 4.7 | (2 617) | (2 632) | 15 |
| Prior period adjustments relating to net result | | | | <u>(27)</u> |
| Statement of Financial Position | | | | |
| Property, plant and equipment | 5.1 | 121 862 | 121 857 | (5) |
| Intangible assets | 5.2 | 5 922 | 5 902 | (20) |
| Accrued expenses | 7.1 | (11 665) | (11 664) | 1 |
| Total prior period adjustments | | | | <u>(24)</u> |
| Net prior period adjustments reflected in equity | | | | |
| Retained earnings | | | | <u>3</u> |
| | | | | <u>3</u> |

8.4. Trust funds

The department has received monies in a trustee capacity for trusts. As the department performs only a custodial role in respect of these monies, and because the monies cannot be used for achievement of the department's objectives, the revenues and expenditures are only disclosed by way of note and are not brought to account in the department's financial statements.

Pleura Pneumonia Fund

This fund consists of monies belonging to all State Governments and the Federal Government. The fund is controlled by the Standing Committee of Agriculture and all expenditure is subject to the approval of the Chairman. Funds are to be used principally for publication of the history of the Pleura Pneumonia Eradication Campaign and are held in a Section 21 Deposit Account.

| | 2019 \$'000 | 2018 \$'000 |
|---|----------------|----------------|
| Operations | | |
| Revenue | - | 1 |
| Net operating surplus | <u>-</u> | <u>1</u> |
| Net assets | | |
| Cash at bank | 16 | 16 |
| Net assets | <u>16</u> | <u>16</u> |
| Funds | | |
| Balance of funds at beginning of period | 16 | 15 |
| Net receipts/(net payments) | - | 1 |
| Fund balance at end of period | <u>16</u> | <u>16</u> |

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8.4. Trust Funds (continued)

Daniel Livingston Scholarship

This fund consists of monies bequested to the State Government by a 1937-38 memorandum to provide an annual student award in the University of Adelaide School of Agriculture, Food and Wine. Disbursements from the fund require the approval of the Minister or the Minister's delegate. The fund is held as a Section 21 Deposit Account.

Administration of the fund transferred from the Department of Treasury and Finance during 2018.

| | 2019 \$'000 | 2018 \$'000 |
|---|----------------|----------------|
| Operations | | |
| Revenue | - | 1 |
| Expenses | - | 1 |
| Net operating surplus | - | - |
| Net assets | | |
| Cash at bank | 35 | 35 |
| Net assets | 35 | 35 |
| Funds | | |
| Balance of funds at beginning of period | 35 | 35 |
| Fund balance at end of period | 35 | 35 |

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9. Changes in accounting policy

9.1. Treasurer's Instructions (Accounting Policy Statements)

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

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

The new Accounting Policy Statements have largely been prepared on a no-policy change basis. Changes that impact on these financial statements are:

- removal of the additional 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 to be presented in a separate line item in the statement of comprehensive income if material. In prior year, this information was presented as part of other expenses. In 2019 it is deemed to be immaterial.
- *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.

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

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

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9.2 AASB 9 Financial Instruments (continued)

The total impact on the department's retained earnings as at 1 July 2018 is as follows:

| | 2018 \$'000 |
|--|----------------|
| Closing retained earnings 30 June 2018 – AASB 139 | 143 252 |
| Increase in impairment provision for trade receivables | (11) |
| Adjustment to other financial assets from adoption of AASB 9 | 13 171 |
| Opening retained earnings 1 July 2018 – AASB 9 | 156 412 |

On 1 July 2018, the department has assessed and reclassified its financial assets into the appropriate AASB 9 categories depending on the business model and contractual cash flow characteristics applying to the asset. AASB 9 eliminates the AASB 139 categories of held to maturity, loans and receivables and available for sale.

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

| | Measurement category | | AASB 139 | Carrying | AASB 9 at 1 |
|---|----------------------|---|------------------------------|-------------------------------------|---------------------|
| | AASB 139 | AASB 9 | at 30 June 2018 \$'000 | amount re- measurement \$'000 | July 2018 \$'000 |
| <u>Current financial assets</u> | | | | | |
| Trade & Other receivables | Loans & receivable | Amortised cost | 12 476 | (11) | 12 465 |
| Loans receivable | Loans & receivable | Amortised cost | 1 346 | - | 1 346 |
| <u>Non-current financial assets</u> | | | | | |
| Loans receivable | Loans & receivable | Amortised cost | 19 527 | - | 19 527 |
| | | Fair value through other comprehensive income | 4 518 | 13 171 | 17 689 |
| Investments in shares | Historical cost | | | | |
| <u>Current financial liabilities</u> | | | | | |
| Trade payables | Amortised cost | Amortised cost | 11 536 | - | 11 536 |
| Borrowings | Amortised cost | Amortised cost | 11 497 | - | 11 497 |
| <u>Non-current financial liabilities</u> | | | | | |
| Borrowings | Amortised cost | Amortised cost | 19 527 | - | 19 527 |

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9.2 AASB 9 Financial Instrument (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 earlier recognition of credit losses than the previous one.

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. This resulted in an increase of the loss allowance on 1 July 2018 of \$11 000 for trade receivables external to Government.

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

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

Investments in shares

Investments in shares that would previously have been classified as historical cost have been designated as fair value through other comprehensive income because these investments are held to secure long term benefits from research partnerships and access to water entitlements.

The adjustment to fair value on initial adoption of AASB 9 on 1 July 2018 was recognised as an opening balance adjustment to retained earnings in equity. Subsequent fair value movements are recognised through other comprehensive income and are taken to an investment reserve in equity.

Loans Receivables

The department manages loan schemes on behalf of the Commonwealth (refer note 6.2) in accordance with the expected management practices and loan policy and procedure documents that satisfied conditions precedent under the Commonwealth State agreement for the loan schemes.

PIRSA has worked with the Commonwealth, and at its request, conducted an impairment review of specific loans in accordance with AASB9, including the impact of different scenarios on the recoverability of the sample of loans. This process was to inform the Commonwealth of jurisdictional matters and to assist with consolidated impairment recognition at the Commonwealth level.

In the provision of Commonwealth Concessional Loans the department operates as only a pass-through delivery agent and administrator for the Commonwealth Funds. The Department bears no financial or credit risk from this arrangement.

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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.

Capital commitments

Capital expenditure contracted for at the reporting date but are recognised as liabilities in the financial report, are payable as follows:

| | 2019 | 2018 |
|----------------------------------|------------|------------|
| | \$'000 | \$'000 |
| Within one year | 139 | 454 |
| Total capital commitments | 139 | 454 |

Capital commitments relate to current contractual agreements for the development and supply of plant and equipment.

Expenditure commitments – other

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Within one year | 55 325 | 67 702 |
| Later than one year but not longer than five years | 25 567 | 19 373 |
| Later than five years | 1 512 | 217 |
| Total other commitments | 82 404 | 87 292 |

The department's other commitments include amounts owing under fixed price contracts outstanding at the end of the reporting period and future amounts payable under approved grant and funding agreements where payment by the department is conditional on the grant applicant meeting any conditions precedent in the agreement. Non-performance by the applicant would result in a withdrawal of the grant offer.

Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

| | 2019 | 2018 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Within one year | 4 493 | 4 579 |
| Later than one year and not later than five years | 12 960 | 13 200 |
| Later than five years | 442 | 3 684 |
| Total operating lease commitments | 17 895 | 21 463 |
| Representing: | | |
| Non-cancellable operating leases | 17 895 | 21 463 |
| Total operating lease commitments | 17 895 | 21 463 |

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10.1. Unrecognised contractual commitments (continued)

The department's non-cancellable operating leases are for office accommodation and equipment.

Office accommodation is primarily leased from the Department of Planning, Transport and Infrastructure. Provisions, within the lease agreements, allow for periodic review of lease payments. Changes in lease payments may be updated using indices or levered to market rates. Options may exist in the lease agreement for the lessee to exercise one or more rights of renewal to extend the lease term, or the lease may be renewed on expiry.

Rent is payable monthly in advance.

The department's non-cancellable operating leases also include agreements with LeasePlan for long term hire of light vehicles. The 2018 comparative has been updated to only include the financial components of the lease arrangement that will be recognised under AASB16, effective from 1 July 2019. Payments to LeasePlan for the provision of lease management arrangements have been re-recognised in the 2018 comparative for 'Expenditure commitments - Other'.

Non-cancellable operating leases have also been entered into for plant and office equipment. The rental period may continue beyond the expiry date expressed in the initial agreement, in which case, the agreement extends until either party gives written notice of their intention to terminate the agreement. Rent for plant and office equipment is generally payable in advance.

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 owns intangible assets consisting of intellectual property from its core research activities. These assets are not recognised in the financial statements due to difficulties in determining reliable fair values.

The department may also accept bank guarantees or other forms of securities like mortgages over land as security for loans advanced. Bank guarantees held at 30 June 2019, have a potential realisable value of \$3.4 million (2018: \$4.8 million). The department may claim on these funds if the borrower defaults on the conditions of the loan agreement.

The department also holds contractor performance and aquaculture lease site rehabilitation guarantees that have a potential realisable value of \$0.8 million (2018: \$0.8 million).

Contingent liabilities

The nature of activities that the department is involved in can create potential exposure to environmental matters, which the department may be required to remedy in the future.

The department has some potential outstanding litigation in a number of these areas.

Certain matters associated with contaminants such as contaminated land and hazardous materials have been identified and are managed in accordance with recognised standards, minimising the likelihood of future environmental risks to Government. Work is progressing to determine any liabilities that may be associated with this role. At this time, the financial impact 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 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

The Department main sources of revenue are derived from advances and grants received from all sources (refer note 4.3 and 4.4) and comprises funding for collaborative research, delivery of projects for industry development and funding from the Commonwealth to deliver projects under the National Partnerships Program and administer arrangements for financial assistance. The Department also generates revenue from fee for service contracts (Refer note 4.2). Each of these arrangements are characterised by the existence of formal contracts and agreements with specific milestones for project deliverables and the disbursement of funds.

For this stream of revenue the specific performance obligation is considered to be the completion of the overall contract or project objective (ie there are no interim specific performance obligations over the life of the project). The Department current policy is that the funding received is recognized as unearned revenue (refer note 7.4) and revenue is earned to the extent of the expenditure incurred under the project.

Under AASB15 the attribution of revenue will be based on direct project input costs incurred under the project. The application of AASB15 is not expected to have a material impact on the timing of recognition of revenue by the department for these revenue streams.

Under AASB15 cash received in prior periods but not yet recognised as revenue is recorded as a contract liability in the Statement of Financial Position. The estimated impact on the Statement of Financial Position of adopting AASB 15 and AASB 1058 is set out below.

| | as at 1 July 2019 \$'000 |
|--------------------------------------|--------------------------------|
| Liabilities | |
| Contract liabilities | 12 378 |
| Other liabilities (unearned revenue) | (12 378) |
| Net impact on equity | <u> </u> |

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

The Department also generates revenue from the incidental sale of goods and services from its activities (refer note 4.6). These are not normally subject to formal contracts but reflect an exchange of consideration for the product or service provided where offer, acceptance and performance all simultaneously occur at the point of sale

The application of AASB 15 and AASB 1058 is not expected to have a material impact on the timing of recognition of revenue by the department for these revenue streams.

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.

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.

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

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.

The estimated impact is set out below.

| | as at 1 July 2019 \$'000 |
|-----------------------------|--------------------------------|
| Assets | |
| Right-of-use assets | 30 433 |
| Liabilities | |
| Lease liabilities | 31 280 |
| Lease incentive | - |
| Net impact on equity | (847) |

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 | 4 685 |
| Supplies and services | (4 336) |
| Borrowing costs | 572 |
| Net impact on net cost of providing services | 921 |

The amounts disclosed are current estimates only. The department is continuing to refine its calculations of lease assets and liabilities for 2019-20 financial reporting purposes and expects that these figures will change. This includes accounting for non-lease components and clarifying lease terms and treatment of contractual rent increases.

Related accounting policies

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.

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:

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

- 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

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

No events have occurred after balance date that would affect the financial statements of PIRSA as at 30 June 2019.

11. Measurement and risk

11.1. Long service leave liability – measurement

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

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

AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 2018 (2.5%) to 2019 (1.25%).

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 \$2 281 000 and employee benefit expense of \$2 281 000. 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.

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11.1. Long service leave liability – measurement (continued)

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

The actuary determined that of the total liability of \$26.795m (\$26.324m) that \$22.658m (\$22.814m) was unconditionally payable to employees as they had greater than 10 years of service. Leave analysis indicates that a significant amount of long service leave is accumulated and taken well beyond the 10 year mark. The current portion of the long service leave provision therefore reflects the unconditional amount expected to be paid within the next reporting period, calculated from a long term average of recurrent long service leave payments

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.

The revaluation process is reviewed by the department each year.

Non-current tangible assets are valued at fair value and revaluation of non-current assets or a group of assets is only performed when the fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

Revaluation is undertaken on a 5 year cycle. 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.

Equity instruments are re-measured to fair value at each reporting period.

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 department's 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
- Level 3 - not traded in an active market and are derived from unobservable inputs.

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11.2. Fair value (continued)

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 - at 30 June 2019 | | 2019 | Level 2 | Level 3 |
|--|-----|----------------|----------------|----------------|
| Recurring fair value measurements | | \$'000 | \$'000 | \$'000 |
| Land | 5.1 | 28 545 | 28 545 | - |
| Buildings and infrastructure specialised | | 64 879 | - | 64 879 |
| Buildings non specialised | | 8 421 | 8 421 | - |
| Leasehold improvements | | 1 161 | - | 1 161 |
| Bearer plants | | 105 | - | 105 |
| Plant and equipment | | 16 550 | - | 16 550 |
| Large vessels | | 608 | - | 608 |
| Other financial assets | 6.3 | 20 643 | - | 20 643 |
| Total recurring fair value measurements | | 140 912 | 36 966 | 103 946 |
| Total | | 140 912 | 36 966 | 103 946 |

| Fair value classification - at 30 June 2018 | | 2018 | Level 2 | Level 3 |
|--|-----|----------------|----------------|----------------|
| Recurring fair value measurements | | \$'000 | \$'000 | \$'000 |
| Land | 5.1 | 28 545 | 28 545 | - |
| Buildings and infrastructure specialised | | 66 343 | - | 66 343 |
| Buildings non specialised | | 8 660 | 8 660 | - |
| Leasehold improvements | | 1 545 | - | 1 545 |
| Bearer plants | | 105 | - | 105 |
| Plant and equipment | | 14 557 | - | 14 557 |
| Large vessels | | 706 | - | 706 |
| Other financial assets | 6.3 | 4 518 | - | 4 518 |
| Total recurring fair value measurements | | 124 979 | 37 205 | 87 774 |
| Total | | 124 979 | 37 205 | 87 774 |

Land, buildings and infrastructure

Land, buildings and infrastructure were independently reviewed and revalued to fair value as at 30 June 2018, by Liquid Pacific Pty Ltd, in accordance with *AASB 116 Property, Plant and Equipment*. The valuer arrived at fair value using the market approach based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use.

The valuer used depreciated replacement cost for specialised buildings, due to there not being an active market for such buildings. The depreciated replacement cost considered the need for ongoing provision of government services, specialised nature of the assets, including the restricted use of the assets; the size, condition, location. The valuation was based on a combination of internal records, specialised knowledge and the acquisition/transfer costs.

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11.2. Fair value (continued)

Large vessels

The department's purpose built high speed patrol vessel 'Southern Ranger' used for South Australia's Fisheries and Aquaculture operations was independently reviewed by Southern Marine Brokers Pty Ltd and revalued to fair market value as at 24 April 2015. The market value appraisal was arrived at from market research and recent market evidence through Southern Marine Brokers Pty Ltd. This asset is classified at level 3.

Other financial assets – investments in shares

The fair value of unlisted investments are based on expected cash flows discounted at a market interest rate and taking into account the risk premium specific to the investments. These investments are classified as Level 3 in the hierarchy. Refer to note 6.3.

Plant and equipment

All items of plant and equipment that had a fair value at the time of acquisition of less than \$1 million or had an estimated useful life that was less than three years, have not been revalued in accordance with APS 116.D. The carrying value of these items are deemed to approximate fair value.

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

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

| | Buildings and infrastructure specialised \$'000 | Plant and equipment \$'000 | Large vessels \$'000 | Leasehold improvements \$'000 | Bearer plants \$'000 | Other financial assets \$'000 |
|--|--|----------------------------------|----------------------------|-------------------------------------|----------------------------|--|
| Opening balance at the beginning of the period | 66 343 | 14 557 | 706 | 1 545 | 105 | 4 518 |
| Adjustment on initial adoption of AASB 9 | - | - | - | - | - | 13 171 |
| Restated opening balance at the beginning of the period | 66 343 | 14 557 | 706 | 1 545 | 105 | 17 689 |
| Acquisitions | 1 370 | 1 434 | - | - | - | - |
| Transfer between asset classes | - | 3 166 | - | - | - | - |
| Disposals | - | (60) | - | - | - | - |
| Assets received free of charge | - | 10 | - | - | - | - |
| | 67 713 | 19 107 | 706 | 1 545 | 105 | 17 689 |
| Gains / (Losses) for the period recognised in net result | | | | | | |
| Depreciation/amortisation | (2 834) | (2 557) | (98) | (384) | - | - |
| Total gains / (losses) recognised in net result | (2 834) | (2 557) | (98) | (384) | - | - |
| Gains / (Losses) for the period recognised in other comprehensive income (OCI) | | | | | | |
| Changes in fair value of investments classified as fair value through other comprehensive income | - | - | - | - | - | 2 954 |
| Total gains / (losses) for the period recognised in other comprehensive income (OCI) | - | - | - | - | - | 2 954 |
| Carrying amount at the end of the period | 64 879 | 16 550 | 608 | 1 161 | 105 | 20 643 |

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11.2. Fair value (continued)

Reconciliation of level 3 recurring fair value measurements as at 30 June 2018

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

| | Surplus land, buildings and infrastructure \$'000 | Plant and equipment \$'000 | Large vessels \$'000 | Leasehold improvements \$'000 | Bearer plants \$'000 | Other financial assets \$'000 |
|--|--|----------------------------------|----------------------------|-------------------------------------|----------------------------|--|
| Opening balance at the beginning of the period | 69 315 | 14 687 | 804 | 1 929 | 106 | 4 518 |
| Acquisitions | 15 | 2 125 | - | - | - | - |
| Transfer between asset classes | 960 | 489 | - | - | - | - |
| Disposals | (6) | (261) | - | - | - | - |
| Asset write down | (52) | - | - | - | - | - |
| First time asset recognition | 585 | - | - | - | - | - |
| Assets previously classified as level 3 | (5 726) | - | - | - | - | - |
| Other movements | (1) | - | - | - | - | - |
| Biologicals - movements | - | - | - | - | (1) | - |
| | 65 090 | 17 040 | 804 | 1 929 | 105 | 4 518 |
| <u>Gains / (Losses) for the period recognised in net result</u> | | | | | | |
| Depreciation/amortisation | (2 522) | (2 483) | (98) | (384) | - | - |
| Revaluation movements expensed | (2 652) | - | - | - | - | - |
| Total gains / (losses) recognised in net result | (5 174) | (2 483) | (98) | (384) | - | - |
| <u>Gains / (Losses) for the period recognised in other comprehensive income (OCI)</u> | | | | | | |
| Revaluation increment | 6 427 | - | - | - | - | - |
| Total gains / (losses) for the period recognised in other comprehensive income (OCI) | 6 427 | - | - | - | - | - |
| Carrying amount at the end of the period | 66 343 | 14 557 | 706 | 1 545 | 105 | 4 518 |

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11.3. Financial instruments

Financial risk management

Risk management is managed by the department's corporate services section and 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 (refer note 4.1). 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 notes 6.2 and 7.2 for information in relation to loans and borrowings.

The department's performance against budget is presented at note 1.4.

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 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 expected credit losses, receivables are grouped based on shared risks characteristics and the days past due. When estimating expected credit loss, 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 where practicable forward-looking information.

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

The process of analysis involved profiling all customer, invoice payment and write off data for a two year period, segmenting that information into risk groups determined by market area and customer type. The risk groups considered were –

Domestic market – Government debtors

Domestic market – Commonwealth debtors

Domestic market - Other State and Territory Government debtors

Domestic market – Universities

Domestic market – Schools

Domestic market – Private sector debtors

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11.3. Financial instruments (continued)

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

The domestic market – private sector risk group was assessed as the most susceptible to credit losses.

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 expected credit loss for the domestic market – private sector risk group.

| | Carrying Value of Risk | | Lifetime expected |
|----------------------------|------------------------|--------|-------------------|
| | Class | Loss % | losses |
| | \$'000 | | \$'000 |
| Current (not past due) | 5 | - | - |
| 1-30 days past due | 2 727 | 0.10% | 3 |
| 31-60 days past due | 127 | 0.16% | - |
| 61-90 days past due | 38 | 0.87% | - |
| More than 90 days past due | 1 374 | 10.04% | 138 |
| Loss allowance | | | <u>141</u> |

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.

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 expected credit loss is nil.

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

In the comparative period, the impairment of receivables was assessed based on the incurred loss model. The allowance was recognised when there was objective evidence that a receivable was impaired. The allowance for impairment was recognised in other expenses for specific debtors and debtors assessed on a collective basis for which such evidence existed.

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11.3. Financial instruments (continued)

Market risk

The department does not trade in foreign currency, 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. PIRSA'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. Except as noted at 6.1. there is no exposure to foreign currency or other price risks.

There have been no changes in risk exposure since the last reporting period.

Categorisation of financial instruments

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

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

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

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

PIRSA 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 notes 6.2 and 7.1).
- Borrowings are recognised at cost which approximates fair value (refer note 7.2).
- Held to maturity investments are initially recognised at cost which approximates fair value (refer 6.3).

Classification applicable from 1 July 2018 under AASB 9 Financial Instruments

On initial recognition, a financial asset which is a debt instrument is classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. A financial asset which is an equity instrument is classified as measured at fair value through other comprehensive income 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; and
- 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, except investments in shares, at amortised cost.

Classification at fair value through other comprehensive income

At 1 July 2018, the department designated investments in shares previously classified as historical cost as fair value through other comprehensive income since these equity instruments represent investments that the department intends to hold for the long-term for strategic purposes.

No strategic investments were disposed of during 2018 or 2019 and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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11.3 Financial instruments (continued)

| 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 equivalents | | | | | |
| - Cash and cash equivalents | 6.1 | 130 583 | 130 583 | - | - |
| Financial assets at amortised cost | | | | | |
| - Receivables | 6.2 | 11 487 | 11 487 | - | - |
| - Loans receivable | 6.2 | 18 325 | 450 | 4 925 | 12 950 |
| Financial assets at fair value through other comprehensive income | | | | | |
| - Other financial assets | 6.3 | 20 643 | 20 643 | - | - |
| Total financial assets | | 181 038 | 163 163 | 4 925 | 12 950 |
| Financial liabilities | | | | | |
| Financial liabilities at amortised cost | | | | | |
| - Payables | 7.1 | 11 767 | 11 767 | - | - |
| - Borrowings | 7.2 | 18 825 | 950 | 4 925 | 12 950 |
| Total financial liabilities | | 30 592 | 12 717 | 4 925 | 12 950 |
| | | | | | |
| | | | | | |
| Category of financial asset and financial liability | Note | 2018 Carrying amount/fair value \$'000 | 2018 Contractual maturities | | |
| | | | Within 1 year \$'000 | 1-5 years \$'000 | More than 5 years \$'000 |
| Financial assets | | | | | |
| Cash and equivalents | | | | | |
| - Cash and cash equivalents | 6.1 | 123 683 | 123 683 | - | - |
| Loans and receivables | | | | | |
| - Receivables | 6.2 | 33 350 | 13 822 | 6 676 | 12 852 |
| Investments at cost | | | | | |
| - Other financial assets | 6.3 | 4 518 | 4 518 | - | - |
| Total financial assets | | 161 551 | 142 023 | 6 676 | 12 852 |
| Financial liabilities | | | | | |
| Financial liabilities at cost | | | | | |
| - Payables | 7.1 | 11 536 | 11 536 | - | - |
| - Borrowings | 7.2 | 31 024 | 11 497 | 6 676 | 12 851 |
| Total financial liabilities | | 42 560 | 23 033 | 6 676 | 12 851 |

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11.3 Financial instruments (continued)

Receivables and payables

The receivables and payables amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. 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 etc they would be excluded from the disclosure. All amounts recorded are carried at amortised cost.

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

**Department of Primary Industries and Regions
(PIRSA)**

Administered Financial Statements

For the year ended 30 June 2019

Department of Primary Industries and Regions
Certification of Financial Statements
for the year ended 30 June 2019

We certify that the attached general purpose financial statements for the Department of Primary Industries and Regions:

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

We certify that the internal controls employed by the Department of Primary Industries and Regions for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Scott Ashby
Chief Executive
16 September 2019



Julie Best
Acting Chief Financial Officer
16 September 2019

Department of Primary Industries and Regions
Statement of Administered Comprehensive Income
for the year ended 30 June 2019

| | Note | 2019 \$'000 | 2018 \$'000 |
|--|------|----------------|----------------|
| Administered Expenses | | | |
| Employee benefits expenses | A2.3 | 457 | 698 |
| Supplies and services | A3.1 | 2 305 | 2 295 |
| Grants and subsidies | A3.2 | 30 037 | 33 637 |
| Levies payments | A3.3 | 201 | 248 |
| Other expenses | A3.4 | 1 | 63 |
| Total administered expenses | | 33 001 | 36 941 |
| Administered Income | | | |
| Fees and charges | A4.2 | 28 021 | 29 525 |
| Interest | A4.3 | 215 | 228 |
| Levies collection | A4.4 | 196 | 218 |
| Other income | A4.5 | 136 | 7 |
| Total administered income | | 28 568 | 29 978 |
| Net cost of providing services | | 4 433 | 6 963 |
| Revenues from / (payments to) SA Government | | | |
| Revenues from SA Government | A4.1 | 4 868 | 5 466 |
| Payments to SA Government | A4.1 | (5) | - |
| Total net revenues from SA Government | | 4 863 | 5 466 |
| Net result | | 430 | (1 497) |
| Total comprehensive result | | 430 | (1 497) |

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

Department of Primary Industries and Regions
Statement of Administered Financial Position
as at 30 June 2019

| | Note | 2019 \$'000 | 2018 \$'000 |
|---|------|----------------|----------------|
| Administered Current Assets | | | |
| Cash and cash equivalents | A6.1 | 22 702 | 20 800 |
| Receivables | A6.2 | 287 | 1 257 |
| Total current assets | | 22 989 | 22 057 |
| Administered non-current assets | | | |
| Property, plant and equipment | A5.1 | 54 116 | - |
| Total non-current assets | | 54 116 | - |
| Total assets | | 77 105 | 22 057 |
| Administered Current Liabilities | | | |
| Payables | A7.1 | 1 658 | 669 |
| Other current liabilities | A7.2 | 3 756 | 4 265 |
| Total current liabilities | | 5 414 | 4 934 |
| Total liabilities | | 5 414 | 4 934 |
| Net assets | | 71 691 | 17 123 |
| Administered Equity | | | |
| Retained earnings | | 71 691 | 17 123 |
| Total equity | | 71 691 | 17 123 |

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

Department of Primary Industries and Regions
Statement of Administered Cash Flows
for the year ended 30 June 2019

| | | 2019 (Outflows) Inflows \$'000 | 2018 (Outflows) Inflows \$'000 |
|---|-------------|---|---|
| Cash flows from operating activities | Note | | |
| Cash outflows | | | |
| Employee benefit payments | | (457) | (698) |
| Payments for supplies and services | | (2 270) | (2 364) |
| Payments of grants and subsidies | | (29 083) | (34 099) |
| Levy payments | | (201) | (248) |
| Other payments | | (1) | - |
| Cash used in operations | | (32 012) | (37 409) |
| Cash inflows | | | |
| Fees and charges | | 28 491 | 29 700 |
| Interest received | | 215 | 232 |
| Levy collections | | 196 | 218 |
| Other receipts | | 22 | 7 |
| Cash generated from operations | | 28 924 | 30 157 |
| Cash flows from SA Government | | | |
| Receipts from SA Government | | 4 868 | 5 466 |
| Payments to SA Government | | (5) | - |
| Cash generated from SA Government | | 4 863 | 5 466 |
| Net cash provided by / (used in) operating activities | A8.1 | 1 775 | (1 786) |
| Cash flows from financing activities | | | |
| Cash inflows | | | |
| Cash received from restructuring activities | | 127 | - |
| Cash generated from financing activities | | 127 | - |
| Net cash provided by / (used in) financing activities | | 127 | - |
| Net increase / (decrease) in cash and cash equivalents | | 1 902 | (1 786) |
| Cash and cash equivalents at the beginning of the reporting period | | 20 800 | 22 586 |
| Cash and cash equivalents at the end of the reporting period | A6.1 | 22 702 | 20 800 |

The accompanying notes form part of these financial statements.

Department of Primary Industries and Regions
Expenses and Income by Administered Programs
for the year ended 30 June 2019

| Programs - refer note A1.1. | Adelaide Hills Wine Industry Fund | | Aquaculture Resource Management Fund | | Barossa Wine Industry Fund | |
|--|-----------------------------------|----------------|--------------------------------------|----------------|----------------------------|----------------|
| | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 |
| Administered Expenses | | | | | | |
| Employee benefits expenses | - | - | - | - | - | - |
| Supplies and services | 25 | 29 | - | 109 | 70 | 69 |
| Grants and subsidies | 457 | 534 | 1 347 | 1 744 | 1 080 | 1 255 |
| Levies payments | - | - | - | - | - | - |
| Other expenses | - | - | - | 21 | - | - |
| Total administered expenses | 482 | 563 | 1 347 | 1 874 | 1 150 | 1 324 |
| Administered Income | | | | | | |
| Fees and charges | 278 | 414 | 1 318 | 1 987 | 808 | 1 013 |
| Interest | 4 | 6 | 20 | 22 | 8 | 12 |
| Levies collection | - | - | - | - | - | - |
| Other income | - | - | 67 | - | - | - |
| Total administered income | 282 | 420 | 1 405 | 2 009 | 816 | 1 025 |
| Net cost of / (benefit from) providing services | 200 | 143 | (58) | (135) | 334 | 299 |
| Revenues from / (payments to) SA Government | | | | | | |
| Revenues from SA Government | - | - | - | - | - | - |
| Total net revenues from SA Government | - | - | - | - | - | - |
| Net result | (200) | (143) | 58 | 135 | (334) | (299) |

| Programs - refer note A1.1. | Citrus Growers Fund | | Clare Valley Wine Industry Fund | | Eyre Peninsula Grain Growers Rail Fund | |
|--|---------------------|----------------|---------------------------------|----------------|--|----------------|
| | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 |
| Administered Expenses | | | | | | |
| Employee benefits expenses | - | - | - | - | - | - |
| Supplies and services | 15 | 12 | 13 | 10 | 4 | 5 |
| Grants and subsidies | - | 150 | 300 | 98 | - | - |
| Levies payments | - | - | - | - | - | - |
| Other expenses | - | - | - | - | - | - |
| Total administered expenses | 15 | 162 | 313 | 108 | 4 | 5 |
| Administered Income | | | | | | |
| Fees and charges | 184 | 186 | 303 | 188 | - | - |
| Interest | 3 | 2 | 3 | 1 | - | - |
| Levies collection | - | - | - | - | - | - |
| Other income | - | - | - | - | - | - |
| Total administered income | 187 | 188 | 306 | 189 | - | - |
| Net cost of / (benefit from) providing services | (172) | (26) | 7 | (81) | 4 | 5 |
| Revenues from / (payments to) SA Government | | | | | | |
| Revenues from SA Government | - | - | - | - | - | - |
| Total net revenues from SA Government | - | - | - | - | - | - |
| Net result | 172 | 26 | (7) | 81 | (4) | (5) |

Department of Primary Industries and Regions
Expenses and Income by Administered Programs
for the year ended 30 June 2019

| Programs - refer note A1.1. | Fisheries Research and Development Fund | | ForestrySA Community Service Obligations | | Grain Industry Fund | |
|--|---|---------------|--|--------------|---------------------|--------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Administered Expenses | | | | | | |
| Employee benefits expenses | - | - | - | - | - | - |
| Supplies and services | 1 578 | 1 516 | - | - | 21 | 23 |
| Grants and subsidies | 13 294 | 13 351 | 4 519 | 4 834 | 1 480 | 1 800 |
| Levies payments | - | - | - | - | - | - |
| Other expenses | - | 42 | - | - | - | - |
| Total administered expenses | 14 872 | 14 909 | 4 519 | 4 834 | 1 501 | 1 823 |
| Administered Income | | | | | | |
| Fees and charges | 14 925 | 14 625 | - | - | 975 | 1 508 |
| Interest | - | - | - | - | 26 | 31 |
| Levies collection | - | - | - | - | - | - |
| Other income | 67 | 7 | - | - | - | - |
| Total administered income | 14 992 | 14 632 | - | - | 1 001 | 1 539 |
| Net cost of / (benefit from) providing services | (120) | 277 | 4 519 | 4 834 | 500 | 284 |
| Revenues from / (payments to) SA Government | | | | | | |
| Revenues from SA Government | - | - | 4 521 | 4 788 | - | - |
| Total net revenues from SA Government | - | - | 4 521 | 4 788 | - | - |
| Net result | 120 | (277) | 2 | (46) | (500) | (284) |

| Programs - refer note A1.1. | Grain Industry Research and Development Fund | | Langhorne Creek Wine Industry Fund | | McLaren Vale Wine Industry Fund | |
|--|--|--------------|------------------------------------|--------------|---------------------------------|--------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Administered Expenses | | | | | | |
| Employee benefits expenses | - | - | - | - | - | - |
| Supplies and services | 21 | 21 | 24 | 18 | 45 | 48 |
| Grants and subsidies | 1 507 | 2 614 | 313 | 374 | 758 | 961 |
| Levies payments | - | - | - | - | - | - |
| Other expenses | - | - | - | - | - | - |
| Total administered expenses | 1 528 | 2 635 | 337 | 392 | 803 | 1 009 |
| Administered Income | | | | | | |
| Fees and charges | 1 462 | 2 263 | 261 | 257 | 614 | 643 |
| Interest | 3 | 6 | 3 | 4 | 6 | 10 |
| Levies collection | - | - | - | - | - | - |
| Other income | - | - | - | - | - | - |
| Total administered income | 1 465 | 2 269 | 264 | 261 | 620 | 653 |
| Net cost of / (benefit from) providing services | 63 | 366 | 73 | 131 | 183 | 356 |
| Revenues from / (payments to) SA Government | | | | | | |
| Revenues from SA Government | - | - | - | - | - | - |
| Total net revenues from SA Government | - | - | - | - | - | - |
| Net result | (63) | (366) | (73) | (131) | (183) | (356) |

Department of Primary Industries and Regions
Expenses and Income by Administered Programs
for the year ended 30 June 2019

| Programs - refer note A1.1. | Riverland Wine Industry Fund | | South Australian Apiary Industry Fund | | South Australian Cattle Industry Fund | |
|--|------------------------------|----------------|---------------------------------------|----------------|---------------------------------------|----------------|
| | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 |
| Administered Expenses | | | | | | |
| Employee benefits expenses | - | - | - | - | 24 | 12 |
| Supplies and services | 230 | 185 | 6 | 6 | 50 | 22 |
| Grants and subsidies | 773 | 776 | 44 | 24 | 583 | 682 |
| Levies payments | - | - | - | - | - | - |
| Other expenses | - | - | - | - | - | - |
| Total administered expenses | 1 003 | 961 | 50 | 30 | 657 | 716 |
| Administered Income | | | | | | |
| Fees and charges | 1 101 | 987 | 61 | 57 | 1 204 | 664 |
| Interest | 8 | 10 | 4 | 4 | 9 | 7 |
| Levies collection | - | - | - | - | - | - |
| Other income | - | - | - | - | - | - |
| Total administered income | 1 109 | 997 | 65 | 61 | 1 213 | 671 |
| Net cost of / (benefit from) providing services | (106) | (36) | (15) | (31) | (556) | 45 |
| Revenues from / (payments to) SA Government | | | | | | |
| Revenues from SA Government | - | - | - | - | - | - |
| Total net revenues from SA Government | - | - | - | - | - | - |
| Net result | 106 | 36 | 15 | 31 | 556 | (45) |

| Programs - refer note A1.1. | South Australian Grape Growers Industry Fund | | South Australian Pig Industry Fund | | South Australian Sheep Industry Fund | |
|--|--|----------------|------------------------------------|----------------|--------------------------------------|----------------|
| | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 |
| Administered Expenses | | | | | | |
| Employee benefits expenses | - | - | - | - | 35 | 29 |
| Supplies and services | 130 | 120 | 14 | 43 | 52 | 48 |
| Grants and subsidies | 462 | 519 | 221 | 251 | 2 899 | 3 672 |
| Levies payments | - | - | - | - | - | - |
| Other expenses | - | - | - | - | - | - |
| Total administered expenses | 592 | 639 | 235 | 294 | 2 986 | 3 749 |
| Administered Income | | | | | | |
| Fees and charges | 509 | 541 | 200 | 210 | 3 818 | 3 981 |
| Interest | 5 | 6 | 53 | 54 | 60 | 52 |
| Levies collection | - | - | - | - | - | - |
| Other income | - | - | - | - | 2 | - |
| Total administered income | 514 | 547 | 253 | 264 | 3 880 | 4 033 |
| Net cost of / (benefit from) providing services | 78 | 92 | (18) | 30 | (894) | (284) |
| Revenues from / (payments to) SA Government | | | | | | |
| Revenues from SA Government | - | - | - | - | - | - |
| Total net revenues from SA Government | - | - | - | - | - | - |
| Net result | (78) | (92) | 18 | (30) | 894 | 284 |

Department of Primary Industries and Regions
Expenses and Income by Administered Programs
for the year ended 30 June 2019

Programs - refer note A1.1.

| | Other Funds | | Total | |
|--|----------------|----------------|----------------|----------------|
| | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 |
| Administered Expenses | | | | |
| Employee benefits expenses | 398 | 657 | 457 | 698 |
| Supplies and services | 7 | 11 | 2 305 | 2 295 |
| Grants and subsidies | - | (2) | 30 037 | 33 637 |
| Levies payments | 201 | 248 | 201 | 248 |
| Other expenses | 1 | - | 1 | 63 |
| Total administered expenses | 607 | 914 | 33 001 | 36 941 |
| Administered Income | | | | |
| Fees and charges | - | 1 | 28 021 | 29 525 |
| Interest | - | 1 | 215 | 228 |
| Levies collection | 196 | 218 | 196 | 218 |
| Other income | - | - | 136 | 7 |
| Total administered income | 196 | 220 | 28 568 | 29 978 |
| Net cost of / (benefit from) providing services | 411 | 694 | 4 433 | 6 963 |
| Revenues from / (payments to) SA Government | | | | |
| Revenues from SA Government | 347 | 678 | 4 868 | 5 466 |
| Payments to SA Government | (5) | - | (5) | - |
| Total net revenues from SA Government | 342 | 678 | 4 863 | 5 466 |
| Net result | (69) | (16) | 430 | (1 497) |

The accompanying notes form part of these financial statements.

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2019

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Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2019

A1. About the Department of Primary Industries and Regions

The basis of preparation for administered financial statements is the same as the basis outlined in note 1.1. The Department of Primary Industries and Regions (PIRSA/the department) applies the same accounting policies to the administered financial statements as set out in the notes to PIRSA's controlled financial statements.

A1.1. Administered funds of the department

The program schedule provides details of expenses and revenues applicable to the administered funds of PIRSA. Information about the PIRSA administered funds is set out below:

Adelaide Hills Wine Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 8 August 2003. The primary purposes of the fund are to promote the Adelaide Hills wine industry, undertake research and development and encourage communication and cooperation between participants in the Adelaide Hills wine industry.

Aquaculture Resource Management Fund

This fund, established under the *Aquaculture Act 2001*, came into operation on 11 November 2002. Under the Act, fees are paid into the fund and are to be utilised primarily for the purposes of any investigation or other projects relating to the management of aquaculture resources.

Barossa Wine Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 29 November 2007. The primary purposes of the fund are to promote the Barossa wine industry, undertake research and development and encourage communication and cooperation between participants in the Barossa wine industry.

Citrus Growers Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 20 October 2005. The primary purposes of the fund are to provide services to growers, promote the SA citrus industry, represent growers in regional, State or national citrus or horticulture industry forums and encourage communication and cooperation between participants in the citrus industry.

Clare Valley Wine Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 21 February 2008. The primary purposes of the fund are to promote the Clare Valley wine industry, undertake research and development and encourage communication and cooperation between participants in the Clare Valley wine industry.

Eyre Peninsula Grain Growers Rail Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 7 September 2006. The primary purpose of the fund is to collect \$2 million towards the cost of improving the Eyre Peninsula grain railway line and associated equipment or infrastructure. The purpose of the fund has been met and the prescribed contribution rate has been reduced to zero.

Fisheries Research and Development Fund

Under the *Fisheries Management Act 2007*, all commercial licence fees received by PIRSA are required to be paid into this fund. The primary purposes of the fund are to carry out research, exploration, experiments, works or operations for the conservation, management or enhancement of living resources found in waters to which the Act applies or promotion of any fishing, fish farming or fish processing activity.

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2019

A1.1. Administered funds of the department (continued)

ForestrySA Community Service Obligations

PIRSA receives appropriation to make payments to ForestrySA representing Community Service Obligations for the provision of: management of native forests for biodiversity conservation; community use of forest reserves; forest research programs; and provision of community fire protection services near forest reserves.

Grain Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 1 March 2012. The primary purposes of the fund are to promote the grain industry, through industry field days, conferences and other events; represent grain growers in regional, state or national grain or agriculture industry forums; collect and disseminate to grain growers information relevant to the grain industry; and undertake programs designed to encourage communication and cooperation between grain growers and other persons associated with the grain industry.

Grain Industry Research and Development Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 8 August 2013. The primary purposes of the fund are to collect industry funds and make payments to the South Australian Grain Industry Trust Fund and others; to undertake or facilitate research and development into the growing, harvesting, storage, processing and marketing of grain; and collect and disseminate to grain growers information relevant to research and development into grains.

Langhorne Creek Wine Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 14 June 2001 with new Regulations assented to on 1 September 2016. The primary purposes of the fund are to promote the Langhorne Creek wine industry, undertake research and development and encourage communication and cooperation between participants in the Langhorne Creek wine industry.

McLaren Vale Wine Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 5 June 2003. The primary purposes of the fund are to promote the McLaren Vale wine industry, undertake research and development and encourage communication and cooperation between participants in the McLaren Vale wine industry.

Pastoral Land Management Fund

This fund was established pursuant to section 9 of the *Pastoral Land Management and Conservation Act 1989*. The primary purposes of the fund is to provide funding for research into techniques for pastoral land management, for prevention or minimisation of pastoral land degradation and for rehabilitation of degraded pastoral land, and other purposes consistent with the management and conservation of pastoral land.

Riverland Wine Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 14 June 2001 with new Regulations assented to on 1 September 2016. The primary purposes of the fund are to promote the Riverland wine industry, undertake research and development and encourage communication and cooperation between participants in the Riverland wine industry.

South Australian Apiary Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 31 January 2001 with new Regulations assented to on 1 September 2016. The primary purpose of the fund is to undertake programs relating to the apiary industry or apiary products or any other aspect of the apiary industry that is considered will benefit the apiary industry.

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2019

A1.1. Administered funds of the department (continued)

South Australian Cattle Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 1 July 2000 with new Regulations assented to on 14 May 2015. The primary purposes of the fund are to undertake programs relating to cattle, cattle products or any other aspect of the cattle industry, and payment of compensation and other amounts in line with Regulations.

South Australian Grape Growers Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 29 November 2007. The primary purposes of the fund are to promote the SA grape growers industry, undertake research and development and encourage communication and cooperation between participants in the SA grape growers industry.

South Australian Pig Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 1 October 2001 with new Regulations assented to on 1 September 2016. The primary purposes of the fund are to undertake research, investigations or other programs relating to pigs, pig products or any other aspect of the pig industry and payment of compensation in line with Regulations.

South Australian Sheep Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 28 October 1999 with new Regulations assented to on 14 August 2014. The purposes of the fund are to make financial assistance or ex gratia payments to farmers in line with the Regulations, undertake programs as recommended by the South Australian Sheep Advisory Group and provide contributions to the Dog Fence Board towards the maintenance or improvement of the dog proof fence.

Other Funds

This is the total of all other administered funds including the payment of Ministerial salaries and allowances, and seed levies collected and remitted pursuant to the Commonwealth *Pasture Seed Levy Collection Act 1989* and amending Act *Primary Industries Levies and Charges Collection (Consequential Provisions) Act 1991*.

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2019

A1.2. Changes to the department

Under the *Administrative Arrangements (Minister for Primary Industries and Regional Development) Proclamation 2018*:

- the Pastoral Board was transferred from the Department of Environment and Water (DEW). The effective date of the transfer was 1 January 2019.

Transferred in

| | Dept of Environment and Water July 2018 to Dec 2018 \$'000 | Dept for Primary Industries and Regions Administered Jan 2019 to June 2019 \$'000 | TOTAL \$'000 |
|--|--|---|-----------------|
| Total income and expenses attributable to the Pastoral Board for 2018-19 were: | | | |
| Appropriation | 14 | - | 14 |
| Total income | 14 | - | 14 |
| Net result | 14 | - | 14 |

On transfer of the Pastoral Board, the Department for Primary Industries and Regions recognised the following assets and liabilities:

| | \$'000 |
|-------------------------------------|---------------|
| Cash | 127 |
| Property, plant and equipment | 54 116 |
| Total assets | 54 243 |
| Total net assets transferred | 54 243 |

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. The net assets transferred were treated as a contribution by the government as owner.

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2019

A1.3. 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 of Administered Comprehensive Income | Note | Original | Actual | Variance |
|--|------|-----------------------|---------------|----------------|
| | | budget ⁽¹⁾ | 2019 | 2019 |
| | | 2019 | 2019 | Variance |
| | | \$'000 | \$'000 | \$'000 |
| Expenses | | | | |
| Employee benefits expenses | | 478 | 457 | (21) |
| Supplies and services | | 2 363 | 2 305 | (58) |
| Grants and subsidies | (a) | 34 592 | 30 037 | (4 555) |
| Levies payments | | 166 | 201 | 35 |
| Other expenses | | 15 | 1 | (14) |
| Total expenses | | 37 614 | 33 001 | (4,613) |
| Income | | | | |
| Fees and charges | | 30 513 | 28 021 | (2 492) |
| Advances and grants | | 2 | - | (2) |
| Interest | | 332 | 215 | (117) |
| Levies collection | | 166 | 196 | 30 |
| Other income | | - | 136 | 136 |
| Total income | | 31 013 | 28 568 | (2 445) |
| Net cost of providing services | | 6 601 | 4 433 | (2 168) |
| Revenues from SA Government | | | | |
| Revenues from SA Government | | 4 898 | 4 868 | (30) |
| Payments to SA Government | | - | (5) | (5) |
| Total revenues from SA Government | | 4 898 | 4 863 | (35) |
| Net result | | (1 703) | 430 | 2 133 |
| Total comprehensive result | | (1 703) | 430 | 2 133 |

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) Grants and subsidies payments were lower than the original budget primarily due to the realignment of expenditure profiles and timelines to reflect 2018-19 service delivery in line with industry management plans, and reduced expenditure offsetting reduced levy collections into the Industry Funds.

Department of Primary Industries and Regions
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A1.4. Significant transactions with government related entities

The department had no significant transactions with government related entities except for the appropriation funding received from the Department of Treasury and Finance (DTF) (note A4.1) and grant payments made to ForestrySA of \$4.5m (note A3.2).

Contributions from industry groups are received into the administered funds of the department (refer to note A4.2) and may be transferred in part to PIRSA controlled (refer to notes A3.2 and 4.3) to undertake specific research or to deliver projects proposed by the industry groups in their approved management plans.

A2. Board, committees and employees

A2.1. Key management personnel

The Minister for Primary Industries and Regional Development has responsibility for all of the administered funds included under note A1.1 and discharges his duties in accordance with the governance arrangements in the legislation and regulations that underpin each fund. The Minister is deemed to be a key management person for the administered funds.

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 DTF) under section 6 the *Parliamentary Remuneration Act 1990*.

A2.2. Board and committee members

Members during 2019 financial year were:

South Australian Cattle Advisory Group

L F Cleggett (Chair) (term expired 30 June 2019)
Dr M R Carr * (term expired 30 June 2019)
K I Dennis (appointed 12 July 2018)
L S Fitzgerald * (appointed 01 July 2018) (term expired 30 June 2019)
A Giles (deputy member) (appointed 12 July 2018)
J J Greenfield (appointed 24 August 2018)
P J Hicks (appointed 12 July 2018)
T J Honner (term expired 30 June 2019)
S A Joppich (term expired 30 June 2019)
H F E Keatley (term expired 30 June 2019)
Dr E K Matthews * (deputy member) (term expired 30 June 2019)
B F W McHugh (deputy member) (term expired 30 June 2019)
P J Schulz (appointed 12 July 2018)

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A2.2. Board and committee members (continued)

South Australian Sheep Advisory Group

I H Rowett (Chair) (term expired 30 June 2019)
 B J Bateman (term expired 30 June 2019)
 K T Bolto (appointed 12 July 2018)
 Dr M R Carr * (term expired 30 June 2019)
 K I Dennis (deputy member) (term expired 30 June 2019)
 J I Fischer (appointed 12 July 2018)
 L S Fitzgerald * (appointed 01 July 2018) (term expired 30 June 2019)
 R E Giles (appointed 12 July 2018)
 J Kellock (appointed 12 July 2018)
 A J P MacLachlan (deputy member) (term expired 30 June 2019)
 Dr E K Matthews * (deputy member) (term expired 30 June 2019)
 L J Mills (appointed 12 July 2018)
 A S Pearce (term expired 30 June 2019)
 P J Schulz (deputy member) (term expired 30 June 2019)
 W L Stewart (appointed 12 July 2018)
 M M Whittlesea (deputy member) (term expired 30 June 2019)

* In accordance with the Premier and Cabinet Circular PC016, government employees did not receive any remuneration for board/committee duties during the financial year.

Board and committee remuneration

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

| | 2019 | 2018 |
|--------------------------------|-----------|-----------|
| \$0 - \$19 999 | 24 | 29 |
| Total number of members | 24 | 29 |

The total remuneration received or receivable by member was \$26 000 (2018: \$24 000). Remuneration of members includes sitting fees, superannuation contribution, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

A2.3. Employee benefit expenses

| | 2019 | 2018 |
|--|------------|------------|
| | \$'000 | \$'000 |
| Salaries and wages | 409 | 635 |
| Board and committee fees | 25 | 18 |
| Workers' compensation | 20 | 43 |
| Employment on-costs - superannuation | 2 | 1 |
| Employment on-costs - other | 1 | 1 |
| Total employee benefit expenses | 457 | 698 |

***Employment on-costs - superannuation**

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

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A3. Expenses

Employee benefits expenses are disclosed in note A2.3.

A3.1. Supplies and services

| | 2019 | 2018 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Professional and technical services ⁽¹⁾ | 1 794 | 1 752 |
| Administrative and operating costs | 499 | 526 |
| Travel | 6 | 6 |
| Other | 6 | 11 |
| Total supplies and services | 2 305 | 2 295 |

⁽¹⁾ Includes audit fees paid/payable to the Auditor-General's Department of \$106 400 (2018: \$104 400) relating to work performed under the *Public Finance and Audit Act 1987*. No other services were provided by the Auditor-General's Department.

A3.2. Grants and subsidies

| | 2019 | 2018 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Recurrent grants | 9 134 | 10 983 |
| Transfer payments to PIRSA for industry research and project delivery | 15 930 | 17 451 |
| Intra government transfers | 4 973 | 5 203 |
| Total grants and subsidies | 30 037 | 33 637 |

The major grant programs and subsidies paid/payable during the year were:

| | | |
|--|---------------|---------------|
| Fisheries Research and Development Fund | 13 294 | 13 350 |
| ForestrySA - Community Service Obligations | 4 519 | 4 834 |
| South Australian Sheep Industry Fund | 2 899 | 3 671 |
| Grain Industry Research and Development Fund | 1 507 | 2 614 |
| Aquaculture Resource Management Fund | 1 347 | 1 744 |
| Grain Industry Fund | 1 480 | 1 800 |
| South Australian Cattle Industry Fund | 583 | 682 |
| Barossa Wine Industry Fund | 1 080 | 1 255 |
| McLaren Vale Wine Industry Fund | 758 | 961 |
| Riverland Wine Industry Fund | 773 | 776 |
| South Australian Grape Growers Industry Fund | 462 | 519 |
| Langhorne Creek Wine Industry Fund | 313 | 374 |
| Adelaide Hills Wine Industry Fund | 457 | 533 |
| Citrus Growers Fund | - | 150 |
| South Australian Pig Industry Fund | 221 | 252 |
| Clare Valley Wine Industry Fund | 300 | 98 |
| South Australian Apiary Industry Fund | 44 | 24 |
| Total grants and subsidies | 30 037 | 33 637 |

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A3.3. Levies payments

| | 2019 | 2018 |
|------------------------------|------------|------------|
| | \$'000 | \$'000 |
| Seed levies ⁽¹⁾ | 201 | 248 |
| Total levies payments | 201 | 248 |

⁽¹⁾ Seed levies collected pursuant to the Commonwealth *Pasture Seed Levy Collection Act 1989* are paid to the Commonwealth Department of Agriculture and Water Resources. Fees charged by Australian Seed Authority Ltd (ASA) are by an agreement with the department, collected and remitted to ASA.

Income is recognised under note A4.4.

A3.4. Other expenses

| | 2019 | 2018 |
|-----------------------------|----------|-----------|
| | \$'000 | \$'000 |
| Doubtful debts | - | 63 |
| Other | 1 | - |
| Total other expenses | 1 | 63 |

A4. Income

A4.1. Net revenues from SA Government

| | 2019 | 2018 |
|---|--------------|--------------|
| | \$'000 | \$'000 |
| Revenues from SA Government | | |
| Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i> | 4 521 | 4 788 |
| Reimbursements received for Parliamentary salaries and expense allowances | 347 | 678 |
| Total revenues from SA Government | 4 868 | 5 466 |

Payments to SA Government

| | | |
|--|--------------|--------------|
| Other payments to the Consolidated Account | (5) | - |
| Total payments to SA Government | (5) | - |
| Net revenues from SA Government | 4 863 | 5 466 |

Appropriations

Appropriations for program funding are recognised as revenues when the department obtains control over the funding. Control over appropriations is normally obtained upon their receipt.

A4.2. Fees and charges

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Aquaculture and fishing licences | 14 265 | 14 168 |
| Industry contributions | 11 778 | 12 913 |
| Penalties and fines | 33 | 53 |
| Other fees and levies | 1 945 | 2 391 |
| Total revenue from fees and charges | 28 021 | 29 525 |

Department of Primary Industries and Regions
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4.2. Fees and charges (continued)

Aquaculture and Fishing Licences

Revenue is recognised at the date of grant of a new licence and on any subsequent renewal, at the date of commencement of the new licence period. The operations of Fisheries and Aquaculture are largely cost recovered and annual licence fee revenue collections fund legislative compliance, research and other industry specific projects, in accordance with strategic plans developed by the industry.

Industry contributions

Under the Primary Industry Funding Schemes Act 1998 certain administered industry funds may impose a levy on industry participants to raise funds for the conduct of approved projects to advance research or development in the industry sector. For each industry fund, regulations under the Act specify the amount and nature of levies payable. Revenue from this source is recognised as income when received.

A4.3. Interest

| | 2019 | 2018 |
|-------------------------------|------------|------------|
| | \$'000 | \$'000 |
| Interest received | 215 | 228 |
| Total interest revenue | 215 | 228 |

A4.4. Levies collections

| | 2019 | 2018 |
|---------------------------------|------------|------------|
| | \$'000 | \$'000 |
| Seed levies ⁽¹⁾ | 196 | 218 |
| Total levies collections | 196 | 218 |

⁽¹⁾ Seed levies comprise amounts collected pursuant to the Commonwealth *Pasture Seed Levy Collection Act 1989* and amending Act *Primary Industries Levies and Charges Collection (Consequential Provisions) Act 1991* for certification of pasture seed by the State and fees charged by ASA under licence by the Commonwealth Department of Agriculture and Water Resources. ASA undertake the role of the National Designated Authority for the Organisation for Economic Cooperation and Development (OECD) seed schemes, and, at the request of the Australian seed industry, operates the Australian Seed Certification Scheme which is used principally for seed not destined for export. The department has an agreement with ASA to collect and remit the levy on their behalf.

Payments are recognised under note A3.3.

A4.5. Other income

| | 2019 | 2018 |
|--|------------|----------|
| | \$'000 | \$'000 |
| Reimbursements/recoveries | 2 | - |
| Reduction in allowances for doubtful debts | 127 | - |
| Other | 7 | 7 |
| Total other income | 136 | 7 |

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A5. Non-financial assets

A5.1. Property, plant and equipment

| | 2019 | 2018 |
|--|---------------|----------|
| | \$'000 | \$'000 |
| Land | | |
| Land at fair value | 54 116 | - |
| Total land | <u>54 116</u> | <u>-</u> |
| Total property, plant and equipment | <u>54 116</u> | <u>-</u> |

Land relates to crown tenure over pastoral lands in South Australia covering the more arid lands north of, and immediately below, the dog fence

The value recognised is the value transferred in from the Department of Environment and Water (DEW) arising from the transfer of the Pastoral Board on 1 January 2019 (refer note A1.2). The unimproved value of the land is a value determined by the Valuer-General.

The Valuer-General conducts the valuation and the determination of pastoral lease rents in accordance with the Pastoral Land Management and Conservation Act 1989 (Section 23 (1) and (2)). The unimproved land value is determined using Level 2 inputs (refer PIRSA Controlled note 11.2).

Reconciliation 2018-19

| | Land | Total |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Carrying amount at 1 July 2018 | - | - |
| Acquisition through administrative restructuring | 54 116 | 54 116 |
| Carrying amount at 30 June 2019 | <u>54 116</u> | <u>54 116</u> |

A6. Financial assets

A6.1. Cash and cash equivalents

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Deposits with the Treasurer | 22 702 | 20 800 |
| Total cash and cash equivalents | <u>22 702</u> | <u>20 800</u> |

Deposits with the Treasurer

Deposits into interest earning accounts with the Treasurer, are at call and earn a floating interest rate.

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A6.2. Receivables

| | 2019 | 2018 |
|-----------------------------------|------------|--------------|
| | \$'000 | \$'000 |
| Current | | |
| Trade receivables | 602 | 1 636 |
| Less allowance for doubtful debts | (329) | (393) |
| | <u>273</u> | <u>1 243</u> |
| Accrued interest on deposits | 14 | 14 |
| Total current receivables | <u>287</u> | <u>1 257</u> |
| Total receivables | <u>287</u> | <u>1 257</u> |

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 are non-interest bearing. Receivables are held with the objectives of collecting the contractual cash flows and they are measured at amortised cost.

Impairment of receivables

| | 2019 | 2018 |
|--|------------|------------|
| | \$'000 | \$'000 |
| Balance at 30 June 2018 under AASB 139 | 393 | 335 |
| Adjustment on initial adoption of AASB 9 | 105 | - |
| Carrying amount at the beginning of the period | <u>498</u> | <u>335</u> |
| Amounts written off | (42) | (5) |
| (Decrease) / increase in allowance recognised in profit and loss | (127) | 63 |
| Carrying amount at the end of the period | <u>329</u> | <u>393</u> |

Refer to note A11.1 for details regarding credit risk and the methodology for determining impairment.

A7. Liabilities

A7.1. Payables

| | 2019 | 2018 |
|-------------------------------|--------------|------------|
| | \$'000 | \$'000 |
| Current | | |
| Accrued expenses | 1 658 | 669 |
| Total current payables | <u>1 658</u> | <u>669</u> |
| Total payables | <u>1 658</u> | <u>669</u> |

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A7.2. Other liabilities

| | 2019 | 2018 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Current | | |
| Unearned revenue ⁽¹⁾ | 3 701 | 4 223 |
| Other | 55 | 42 |
| Total current other liabilities | <u>3 756</u> | <u>4 265</u> |
| Total other liabilities | <u>3 756</u> | <u>4 265</u> |

(1) Licence fees paid in advance of the licence period start date.

A8. Other disclosures

A8.1. 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.

Cash flow reconciliation

| | 2019 | 2018 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| Reconciliation of cash and cash equivalents at the end of the reporting period | | |
| Cash and cash equivalents disclosed in the Statement of Administered Financial Position | 22 702 | 20 800 |
| Balance as per the Statement of Administered Cash Flows | 22 702 | 20 800 |
| Reconciliation of net cash provided by / (used in) operating activities to net cost of providing services | | |
| Net cash provided by/(used in) operating activities | 1 775 | (1 786) |
| Less revenues from SA Government | (4 868) | (5 466) |
| Add payments to SA Government | 5 | - |
| Add / (less) non-cash items | | |
| Doubtful debts | 127 | (58) |
| Movement in assets and liabilities | | |
| (Decrease) /increase in receivables | (992) | 637 |
| (Increase) /decrease in payables | (989) | 531 |
| Decrease /(increase) in other liabilities | 509 | (821) |
| Net cost of providing services | <u>(4 433)</u> | <u>(6 963)</u> |

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A9. Changes in accounting policy

A9.1. Treasurer's Instructions (Accounting Policy Statements)

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

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

The new Accounting Policy Statements have largely been prepared on a no-policy change basis. Changes that impact on these financial statements are:

- removal of the additional 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 A10.2.

A9.2. 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 to be presented in a separate line item in the statement of comprehensive income if material. In prior year, this information was presented as part of other expenses. In 2019 it is deemed to be immaterial
- *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.

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

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A9.2. AASB 9 Financial instruments (continued)

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

The total impact on the department's retained earnings as at 1 July 2018 is as follows:

| | |
|--|---------------|
| | 2018 |
| | <u>\$'000</u> |
| Closing retained earnings 30 June 2018 – AASB 139 | 17 123 |
| Adjustment to impairment provision for trade receivables from adoption of AASB 9 | <u>(105)</u> |
| Opening retained earnings 1 July 2018 – AASB 9 | 17 018 |

On 1 July 2018, the department has assessed and reclassified its financial assets into the appropriate AASB 9 categories depending on the business model and contractual cash flow characteristics applying to the asset. AASB 9 eliminates the AASB 139 categories of held to maturity, loans and receivables and available for sale.

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

| | Measurement category | | AASB 139 | Carrying | AASB 9 at 1 |
|---|-----------------------|----------------|------------------------------|-------------------------------------|---------------------|
| | AASB 139 | AASB 9 | at 30 June 2018 \$'000 | amount re- measurement \$'000 | July 2018 \$'000 |
| <u>Current financial assets</u> | | | | | |
| Trade & Other receivables | Loans and receivables | Amortised cost | 1 257 | (105) | 1 152 |
| <u>Current financial liabilities</u> | | | | | |
| Trade payables | Amortised cost | Amortised cost | 566 | - | 566 |

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 earlier recognition of credit losses than the previous one.

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. This resulted in an increase of the loss allowance on 1 July 2018 of \$105 000 for trade receivables external to Government.

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

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

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A10. Outlook

A10.1. Contingent assets and liabilities

The department is not aware of any contingent assets affecting the administered entities comprising the consolidated financial report as at 30 June 2019.

Contingent liabilities - refunds of contributions

Funds established by Regulations under the *Primary Industry Funding Schemes Act 1998* may enable contributors to claim a refund for contributions made in relation to a prescribed period. At the reporting date the possible emergence of valid refund requests within each fund is present. However, as uncertainty exists as to the number of refund requests that will be received, and their timing and amount, these potential obligations cannot be reliably estimated and therefore represent a contingent liability for the fund. Once a valid refund request has been received from a past contributor and it is approved by the Minister or delegate, a present obligation to pay the refund arises. The refund amount is then recognised as a liability and expense of the fund.

A10.2. 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 A9.1. There are no Accounting Policy Statements that are not yet effective.

An assessment has been made of the impact of AASB 15, AASB1058 and AASB 16 on the administered funds.

The Administered funds primarily receive income from fees and charges (refer note A4.2). With the two main revenue sources being licence fee revenue and contributions from industry.

Licence fee revenue was assessed under AASB15. The characteristics of this revenue are that licences are ordinarily for a 12 month period, renewed annually, with the licence fee payable in full or by instalments over the licence period. Revenue is recognised at the date of grant of a new licence and on any subsequent renewal, at the date of commencement of the new licence period.

The impact of AASB15 is considered to be immaterial as the requirements of AASB15 are consistent with the department's current accounting policy.

Contributions from industry relate to the Administered industry funds established under the *Primary Industry Funding Schemes Act 1998* and was assessed under AASB1058. Regulations established for the funds may impose a levy on industry participants to raise funds for the conduct of approved projects to advance research or development in the industry sector. For each industry fund, the regulations specify the amount and nature of levies payable. Revenue from this source is recognised as income when received.

The impact of AASB1058 is considered to be immaterial as the requirements of AASB1058 are consistent with the department's current accounting policy.

The Administered funds are not impacted by AASB16

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A10.3. Events after the reporting period

No events have occurred after balance date that would affect the consolidated administered financial statements of PIRSA as at 30 June 2019.

A11. Measurement and risk

A11.1. Financial instruments

Impairment of financial assets

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss 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 expected credit losses, receivables are grouped based on shared risks characteristics and the days past due. When estimating expected credit loss, 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 where practicable forward-looking information.

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

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 process of analysis involved profiling all customer, invoice payment and write off data for a two year period, segmenting that information into risk groups determined by market area and customer type. The risk groups considered were –

Domestic market – Government debtors

Domestic market – Private sector debtors

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

The domestic market – private sector risk group was assessed as the most susceptible to credit losses.

The following table provides information about the exposure to credit risk and expected credit loss for non-government debtors.

| | Carrying Value of risk class (1) | Loss % | Lifetime expected losses |
|----------------------------|-------------------------------------|--------|--------------------------------|
| | \$'000 | | \$'000 |
| Current (not past due) | - | - | - |
| 1-30 days past due | - | 5.17% | - |
| 31-60 days past due | 225 | 13.33% | 30 |
| 61-90 days past due | - | 44.14% | - |
| More than 90 days past due | 377 | 79.31% | 299 |
| Loss allowance | | | 329 |

(1) Refer note A6.2

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A11.1. 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.

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 expected credit loss is nil.

In the comparative period, the impairment of receivables was assessed based on the incurred loss model. The allowance was recognised when there was objective evidence that a receivable was impaired. The allowance for impairment was recognised in other expenses for specific debtors and debtors assessed on a collective basis for which such evidence existed.

Categorisation of financial instruments

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

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

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

- Loan and receivables
- Financial liabilities measured at cost.

Classification applicable from 1 July 2018 under AASB 9 Financial Instruments

On initial recognition, a financial asset which is a debt instrument is classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. A financial asset which is an equity instrument is classified as measured at fair value through other comprehensive income 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; and
- 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.

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A11.1. Financial instruments (continued)

| 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 equivalents | | | | | |
| Cash and cash equivalents | A6.1 | 22 702 | 22 702 | - | - |
| Financial assets at amortised cost | | | | | |
| Receivables | A6.2 | 287 | 287 | - | - |
| Total financial assets | | 22 989 | 22 989 | - | - |
| Financial liabilities | | | | | |
| Financial liabilities at amortised cost | | | | | |
| Payables | A7.1 | 1 553 | 1 553 | - | - |
| Total financial liabilities | | 1 553 | 1 553 | - | - |

| Category of financial asset and financial liability | Note | 2018 Carrying amount/fair value \$'000 | 2018 Contractual maturities | | |
|---|------|--|-----------------------------|---------------------|--------------------------------|
| | | | Within 1 year \$'000 | 1-5 years \$'000 | More than 5 years \$'000 |
| Financial assets | | | | | |
| Cash and equivalents | | | | | |
| Cash and cash equivalents | A6.1 | 20 800 | 20 800 | - | - |
| Loans and receivables | | | | | |
| Receivables | A6.2 | 1 257 | 1 257 | - | - |
| Total financial assets | | 22 057 | 22 057 | - | - |
| Financial liabilities | | | | | |
| Financial liabilities at cost | | | | | |
| Payables | A7.1 | 566 | 566 | - | - |
| Total financial liabilities | | 566 | 566 | - | - |

Receivables and payables

The receivables and payables amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. 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 etc., they would be excluded from the disclosure. All amounts recorded are carried at amortised cost.

The receivables amount disclosed here excludes prepayments as they are not financial assets.