FINANCIAL  
PERFORMANCE

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# Contents

The Department of Jobs, Precincts and Regions (DJPR) has presented its audited general purpose financial statements for the year ended 30 June 2020 in the following structure to provide users with information about the Department’s stewardship of resources entrusted to it.

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## Accountable Officer’s and Chief Finance Officer’s declaration

The attached financial statements for the Department of Jobs, Precincts and Regions have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards including interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions for the year ended 30 June 2020 and the financial position of the Department of Jobs, Precincts and Regions as at 30 June 2020.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 1 October 2020.

|  |  |
| --- | --- |
| **Simon Phemister**  Secretary Department of Jobs,  Precincts and Regions  1 October 2020 Melbourne | **Kevin Lee**  Chief Finance Officer Department of Jobs, Precincts and Regions  1 October 2020 Melbourne |

## Comprehensive operating statement For financial year ended 30 June 2020

|  |  | ($ thousand) | |
| --- | --- | --- | --- |
|  | Note | 2020 | Six months to 30 June 2019 |
| **Continuing operations income from transactions** |  |  |  |
| Output appropriations | 2.3 | 3,051,834 | 1,035,328 |
| Special appropriations | 2.3 | 1,775 | 1,052 |
| Regional Jobs and Infrastructure Fund appropriations | 2.2 | – | 62,500 |
| Grants | 2.4.1 | 177,303 | 45,050 |
| Sale of goods and services | 2.4.2 | 27,779 | 9,329 |
| Interest income | 2.4.3 | 3,629 | 2,324 |
| Other income | 2.4.4 | 12,356 | 5,541 |
| **Total income from transactions** |  | **3,274,676** | **1,161,124** |
| **Expenses from transactions** |  |  |  |
| Grants | 3.2 | (2,221,772) | (735,048) |
| Employee benefits | 3.3.1 | (380,167) | (179,145) |
| Capital asset charge | 3.4 | (74,190) | (35,152) |
| Depreciation and amortisation | 5.1.1 | (51,289) | (18,073) |
| Interest expense | 7.1.2 | (32,787) | (16,258) |
| Other operating expenses | 3.5 | (532,291) | (193,635) |
| **Total expenses from transactions** |  | **(3,292,496)** | **(1,177,311)** |
|  |  |  |  |
| **Net result from transactions** |  | **(17,820)** | **(16,187)** |
|  |  |  |  |
| Other economic flows included in net result |  |  |  |
| Net gain/(loss) on non-financial assets | 9.2 | 355 | (827) |
| Net gain/(loss) on financial instruments | 9.2 | 8,079 | (964) |
| Other losses from other economic flows | 9.2 | (1,101) | (506) |
| Total other economic flows included in net result |  | 7,333 | (2,297) |
|  |  |  |  |
| **Net result from continuing operations** |  | **(10,487)** | **(18,484)** |
|  |  |  |  |
| **Comprehensive result** |  | **(10,487)** | **(18,484)** |
| The above comprehensive operating statement should be read in conjunction with the notes to the financial statements.  Note:  (i) The 2019 comparative figures have been restated to reflect the impact of the prior year, refer to Note 9.6. | | | | |

## Balance sheet as at 30 June 2020

|  |  | ($ thousand) | |
| --- | --- | --- | --- |
|  | Note | 2020 | 2019(i) |
| **Assets** |  |  |  |
| **Financial assets** |  |  |  |
| Cash and cash equivalents | 7.3.1 | 404,326 | 511,871 |
| Receivables | 6.1 | 783,372 | 809,419 |
| Investments |  | 10,057 | 71 |
| **Total financial assets** |  | **1,197,755** | **1,321,361** |
| **Non-financial assets** |  |  |  |
| Non-financial assets held for sale | 9.3 | 495 | 350 |
| Property, plant and equipment | 5.1 | 1,210,443 | 1,204,481 |
| Intangible assets | 5.2 | 34,967 | 35,442 |
| Biological assets | 8.3.2 | 2,165 | 2,165 |
| Other non-financial assets | 6.3 | 19,276 | 6,590 |
| **Total non-financial assets** |  | **1,267,346** | **1,249,028** |
| **Total assets** |  | **2,465,101** | **2,570,389** |
| **Liabilities** |  |  |  |
| Payables | 6.2 | 333,438 | 357,883 |
| Borrowings | 7.1 | 611,697 | 636,326 |
| Employee provisions | 3.3.2 | 108,229 | 99,865 |
| Provisions | 6.4 | 10,733 | 10,206 |
| **Total liabilities** |  | **1,064,097** | **1,104,280** |
| **Net assets** |  | **1,401,004** | **1,466,109** |
| Contributed capital | 9.4 & 9.6 | 1,429,975 | 1,484,593 |
| Accumulated deficit |  | (28,971) | (18,484) |
| **Net worth** |  | **1,401,004** | **1,466,109** |
| The above balance sheet should be read in conjunction with the notes to the financial statements.  Note:  (i) The 2019 comparative figures have been restated to reflect the impact of the prior year adjustment, refer to Note 9.6. | | | |

## Statement of changes in equity For the financial year ended 30 June 2020

|  |  | ($ thousand) | | |
| --- | --- | --- | --- | --- |
|  | Note | Contributed capital | Accumulated deficit | Total |
| **Balance at 1 January 2019** |  | **–** | **–** | **–** |
| Prior year adjustment | 9.6 | (43,836) | (5,045) | (48,881) |
| Net result for the period |  | – | (13,439) | (13,439) |
| Capital funding to agencies within portfolio | 9.4 | (80,616) | – | (80,616) |
| Capital appropriations | 2.3 | 100,203 | – | 100,203 |
| Administrative restructure – net assets received | 9.4 | 4,581 | – | 4,581 |
| Net assets transferred from other government entities | 9.4 | 1,715,285 | – | 1,715,285 |
| Net assets transferred to other government entities | 9.4 | (211,024) | – | (211,024) |
| **Balance at 30 June 2019** |  | **1,484,593** | **(18,484)** | **1,466,109** |
| Net result for the period |  | – | (10,637) | (10,637) |
| Capital funding to agencies within portfolio | 9.4 | (239,395) | – | (239,395) |
| Capital appropriations | 2.3 | 187,632 | – | 187,632 |
| Net assets transferred from other government entities | 9.4 | 15 | – | 15 |
| Net assets transferred to other government entities | 9.4 | (2,870) | – | (2,870) |
| **Balance at 30 June 2020** |  | **1,429,975** | **(28,971)** | **1,401,004** |
| The above statement of changes in equity should be read in conjunction with the notes to the financial statements. | | | | |

## Cash flow statement For the financial year ended 30 June 2020

|  |  | ($ thousand) | |
| --- | --- | --- | --- |
|  | Note | 2020 | Six months to 30 June 2019 (iii) |
| **Cash flows from operating activities** |  |  |  |
| **Receipts** |  |  |  |
| Receipts from Victorian Government |  | 3,040,037 | 996,594 |
| Receipts from other entities |  | 222,499 | 97,318 |
| Goods and Services Tax recovered from the ATO (i) |  | 5,071 | 37,511 |
| Sale of services |  | 27,779 | 9,329 |
| Interest received |  | 3,629 | 2,324 |
| **Total receipts** |  | **3,299,015** | **1,143,076** |
|  |  |  |  |
| **Payments** |  |  |  |
| Payments of grants and other transfers |  | (2,282,784) | (597,478) |
| Payments to suppliers and employees |  | (80,143) | (236,516) |
| Capital asset charge payments |  | (74,190) | (35,152) |
| Interest and other costs of finance paid |  | (32,375) | (16,258) |
| **Total payments** |  | **(3,269,492)** | **(885,404)** |

|  |  | ($ thousand) | |
| --- | --- | --- | --- |
|  | Note | 2020 | Six months to 30 June 2019 (iii) |
| **Net cash flows used in operating activities** | **7.3.2** | **29,523** | **257,672** |
| Cash flows from investing activities |  |  |  |
| Payments for property, plant and equipment |  | (41,327) | (32,275) |
| Payments for intangible assets |  | (574) | (671) |
| Payment for biological assets |  | – | (25) |
| Purchase of investments |  | – | (71) |
| **Net cash flows used in investing activities** |  | **(41,901)** | **(33,042)** |
|  |  |  |  |
| **Cash flows from financing activities** |  |  |  |
| Owner contributions by Victorian Government |  | 187,632 | 100,203 |
| Capital funding to agencies within portfolio |  | (239,395) | (80,616) |
| Cash received from activities transferred due to machinery of government changes |  | – | 265,345 |
| Net proceeds/(repayments) of borrowings |  | (29,774) | (19,720) |
| Repayments of borrowing and principal portion of lease liabilities (2019: finance leases) (ii) |  | (13,630) | 22,029 |
| **Net cash flows from financing activities** |  | **(95,167)** | **287,241** |
|  | | | |
| **Net increase in cash and cash equivalents** |  | **(107,545)** | **511,871** |
|  |  |  |  |
| Cash and cash equivalents at the beginning of the financial year |  | 511,871 | – |
|  |  |  |  |
| **Cash and cash equivalents at the end of the financial year** | **7.3.1** | **404,326** | **511,871** |
| The above cash flow statement should be read in conjunction with the accompanying notes.  Notes:  (i) Goods and Services Tax (GST) recovered/(paid) to the ATO is presented on a net basis.  (ii) The DJPR has recognised cash payments for the principal portion of lease payments as financing activities; the cash payments for the interest portion as operating activities consistent with the presentation of interest payments as operating activities.  (iii) The 2019 comparative figures have been restated to reflect the impact of the prior year adjustment, refer to Note 9.6. | | | |

# 1. ABOUT THIS REPORT

The Department of Jobs, Precincts and Regions (DJPR) was established on 1 January 2019 as a government department of the State of Victoria. It is an administrative agency acting on behalf of the Crown. These annual financial statements represent the audited general purpose financial statements for the year ended 30 June 2020. As the DJPR was established on 1 January 2019, the comparative period is for the six month period ended 30 June 2019.

A description of the nature of its operations and its principal activities is included in the Report of operations, which does not form part of these financial statements.

### Basis of accounting preparation and measurement

These financial statements are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

The accrual basis of accounting has been applied in preparing these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Consistent with the requirements of AASB 1004 Contributions, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the DJPR.

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions to or distributions by owners have also been designated as contributions by owners.

Transfers of net assets arising from administrative restructures are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructures are treated as distributions to owners.

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in applying Australian Accounting Standards (AAS) that have significant effects on the financial statements and estimates are disclosed in the notes under the heading: ‘Significant judgements or estimates’.

These financial statements cover the Department of Jobs, Precincts and Regions as an individual reporting entity and include all the controlled activities of the Department.

The following agencies have been consolidated into the DJPR’s financial statements pursuant to a determination made by the Minister for Finance under section 53(1)(b) of the Financial Management Act 1994 (FMA). These agencies are reported in aggregate and are not controlled by the DJPR.

* The Rural Assistance Commissioner
* Victorian Racing Tribunal
* Victorian Racing Integrity Board

Racing Integrity Commissioner

Where control of an entity is obtained during the financial period, its results are included in the comprehensive operating statement from the date on which control commenced. Where control ceases during a financial period, the entity’s results are included for that part of the period in which control existed. Where entities adopt dissimilar accounting policies and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

In preparing consolidated financial statements for the DJPR, all material transactions and balances between consolidated entities are eliminated.

### Statement of compliance

These general purpose financial statements have been prepared in accordance with the FMA and applicable AASs, which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of AASB 1049 Whole of Government and General Government Sector Financial Reporting (AASB 1049).

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

### Rounding of amounts

Amounts in the financial statements have been rounded to the nearest $1,000, unless otherwise stated. Figures in the financial statements may not equate due to rounding (Note 9.17 – Style conventions).

# 2. FUNDING DELIVERY OF OUR SERVICES

### Introduction

The DJPR’s objective is to lift the living standards and wellbeing of all Victorians by sustainably growing Victoria’s economy and employment and by working with the private and public sectors to foster innovation, creativity, productivity, investment, and trade. To enable the DJPR to fulfil its objective and provide outputs as described in Note 4 – Disaggregated financial information by output, it receives income (predominantly accrual based parliamentary appropriations). The DJPR also receives market based fees for providing services in relation to agriculture.

### Structure

2.1 Summary of income that funds the delivery of our services

2.2 Appropriations

2.3 Summary of compliance with annual Parliamentary and special appropriations

2.4 Income from transactions

2.5 Annotated income

### 2.1 Summary of income that funds the delivery of our services

|  |  | ($ thousand) | |
| --- | --- | --- | --- |
|  | Note | 2020 | Six months to 30 June 2019 |
| Output appropriation | 2.3 | 3,051,834 | 1,035,328 |
| Special appropriation | 2.3 | 1,775 | 1,052 |
| Regional Jobs and Infrastructure Fund appropriation | 2.3 | – | 62,500 |
| Grants | 2.4.1 | 177,303 | 45,050 |
| Sale of goods and services | 2.4.2 | 27,779 | 9,329 |
| Interest income | 2.4.3 | 3,629 | 2,324 |
| Other income | 2.4.4 | 12,356 | 5,541 |
| **Total income from transactions** |  | **3,274,676** | **1,161,124** |

Revenue and income that fund delivery of the DJPR’s services are accounted for consistently with the requirements of the relevant standards disclosed in the following notes.

### 2.2 Appropriation

Once annual Parliamentary appropriations are applied by the Treasurer, they become controlled by the DJPR and are recognised as income when applied for the purposes defined under the relevant Appropriations Act.

Output appropriations: Income from the outputs the DJPR provides to the Government is recognised when those outputs have been delivered and the relevant minister has certified delivery of those outputs in accordance with specified performance criteria.

Special appropriation is a provision within an Act that provides authority to spend money for particular purposes, for example, to fund a particular project or function.

Other forms of appropriation includes ‘Additions to the Net Assets Base’ (ATNAB) that provides for an increase in the net capital base and ‘Payments on behalf of the State’ (POBOS). POBOS provides for payments to be made on behalf of the State as the Department making the payment has no direct control with respect to the quantity of outputs delivered and classified as an Administered function.

**Regional Jobs and Infrastructure Fund (RJIF) appropriations**

The RJIF was established in 2015 under the Regional Development Victoria Act 2002 to receive money that is appropriated by Parliament for the purposes of the fund.

Money from the investments and money received from any other source for the purposes of the fund is to be used for expenses incurred in administering, monitoring and reporting on the fund, to provide for better infrastructure, facilities and services, strengthen the economic, social and environmental bases of communities, create jobs and improve career opportunities, support the development and planning of local projects in rural and regional Victoria, and to support the economic or community development of rural and regional Victoria.

RJIF appropriation income becomes controlled and is recognised by the DJPR when it is appropriated from the Consolidated Fund by the Victorian Parliament and applied to the purposes defined under the relevant Appropriations Act.

### 2.3 Summary of compliance with annual Parliamentary and special appropriations

The following table discloses the details of the various annual Parliamentary appropriations received by the DJPR for the year.

In accordance with accrual output-based management procedures, ‘provision of outputs’ and ‘additions to net assets’ are disclosed as ‘controlled’ activities of the DJPR. Administered transactions are those that are undertaken on behalf of the State over which DJPR has no control or discretion.

|  | ($ thousand) | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Appropriations Act | | Financial Management Act | | | |  |  |  |
|  | Annual Appropriation (i) | Advance from Treasurer | Section 29 | Section 30 | Section 32 | Total Parliamentary authority | | Appropriations applied | Variance (ii) |
| **2020** |  |  |  |  |  |  | |  |  |
| **Controlled** |  |  |  |  |  |  | |  |  |
| Provision for outputs | 1,884,530 | 1,299,876 | 101,952 | (306) | 79,171 | 3,365,223 | | 3,051,834 | 313,389 |
| Additions to net assets | 367,069 | 6,548 | – | 306 | 3,000 | 376,923 | | 187,632 | 189,291 |
| **Administered** |  |  |  |  |  |  | |  |  |
| Payments made on behalf of the State | 75,245 | – | – | – | – | 75,245 | | 70,592 | 4,653 |
| **2020 total** | **2,326,844** | **1,306,424** | **101,952** | **–** | **82,171** | **3,817,391** | | **3,310,058** | **507,333** |
| **2019** |  |  |  |  |  |  | |  |  |
| **Controlled** |  |  |  |  |  |  | |  |  |
| Provision for outputs | 1,172,831 | 90,977 | 61,394 | 13,858 | 1,287 | 1,340,347 | | 1,035,328 | 305,019 |
| Regional Jobs and Infrastructure Fund | 62,500 | – | – | – | – | 62,500 | | 62,500 | – |
| Additions to net assets | 114,468 | 7,184 | – | (13,858) | 1,586 | 109,380 | | 100,203 | 9,177 |
| **Administered** |  |  |  |  |  |  | |  |  |
| Payments made on behalf of the State | 37,968 | 100 | – | – | – | 38,068 | | 35,761 | 2,307 |
| **2019 total** | **1,387,767** | **98,261** | **61,394** | **–** | **2,873** | **1,550,295** | | **1,233,792** | **316,503** |
| (i) Annual appropriation reflects the parliamentary appropriations received by the Department as per the published 2019–20 Appropriation Bill.  (ii) The variance is primarily due to budget updates being made during the financial year including rephases from 2019–20 into future years and agreed changes in committed projects being delivered in the next financial year. | | | | | | | | | | |

##### Special appropriation

|  |  | ($ thousand) | |
| --- | --- | --- | --- |
| Authority | Purpose | Appropriations applied | |
|  |  | 2020 | Six months to 30 June 2019 |
| **Operating** |  |  |  |
| Section 10 of the Financial Management Act 1994 Appropriation of Commonwealth grants etc | Under arrangement between the Commonwealth and the State, money is granted or made available from the Consolidated Fund with the approval of the Governor in Council. | 1,775 | 1,052 |
| **Total Operating** |  | **1,775** | **1,052** |

### 2.4 Income from transactions

#### 2.4.1 Grants

The DJPR has determined that all grant income is recognised as income of not-for-profit entities in accordance with AASB 1058, except for grants that are enforceable and with sufficiently specific performance obligations. These are accounted for as revenue from contracts with customers in accordance with AASB 15.

Income from grants that are enforceable and with sufficiently specific performance obligations and are accounted for as revenue from contracts with customers. Revenue is recognised when the DJPR satisfies the performance obligation by providing the relevant services to the relevant agencies. This is recognised based on the consideration specified in the funding agreement and to the extent that it is highly probable a significant reversal of the revenue will not occur. The funding payments are normally received in advance or shortly after the relevant obligation is satisfied.

Income from grants without any sufficiently specific performance obligations, or that are not enforceable, is recognised when the department has an unconditional right to receive cash which usually coincides with receipt of cash. On initial recognition of the asset, the department recognises any related contributions by owners, increases in liabilities, decreases in assets, and revenue (‘related amounts’) in accordance with other Australian Accounting Standards.

Related amounts may take the form of:

1. contributions by owners, in accordance with AASB 1004;
2. revenue or a contract liability arising from a contract with a customer, in accordance with AASB 15;
3. a lease liability in accordance with AASB 16;
4. a financial instrument, in accordance with AASB 9; or
5. a provision, in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

Income received for specific purpose grants for on‑passing is recognised simultaneously as the funds are immediately on passed to the relevant recipient entities on behalf of the Commonwealth Government.

The adoption of AASB 15 and AASB 1058 had minimal impact on the DJPR financial statements.

**Previous accounting policy for 30 June 2019**

Grant income arises from transactions in which a party provides goods, services, assets (or extinguishes a liability) or labour to the DJPR without receiving approximately equal value in return.

While grants may result in the provision of some goods or services to the transferring party, they do not provide a claim to receive benefits directly of approximately equal value (and are termed ‘non-reciprocal’ transfers). Receipt and sacrifice of approximately equal value may occur, but only by coincidence.

Some grants are reciprocal in nature (i.e. equal value is given back by the recipient of the grant to the provider). The DJPR recognises income when it has satisfied its performance obligations under the terms of the grant.

For non-reciprocal grants, the DJPR recognises revenue when the grant is received.

Grants can be received as general purpose grants, which refers to grants which are not subject to conditions regarding their use. Alternatively, they may be received as specific purpose grants, which are paid for a particular purpose and/or have conditions attached regarding their use.

Grants for on passing are grants paid to one institutional sector (e.g. a state based general government entity) to be passed on to another institutional sector (e.g. local government or a private non-profit institution).

#### 2.4.2 Sale of goods and services

The sale of goods and services are transactions that the DJPR has determined to be classified as revenue from contracts with customers in accordance with AASB 15.

**Performance obligations and revenue recognition policies**

Revenue is measured based on the consideration specified in the contract with the customer. The DJPR recognises revenue when it transfers control of a good or service to the customer, i.e. when, or as, the performance obligations for the sale of goods, biological assets and services to the customer are satisfied.

* Customers obtain control of the supplies and consumables at a point in time when the goods are delivered to and have been accepted at their premises.
* Revenue from the sale of goods are recognised when the goods are delivered and have been accepted by the customer at their premises.

Revenue from the rendering of services is recognised at a point in time when the performance obligation is satisfied when the service is completed; and over time when the customer simultaneously receives and consumes the service as it is provided.

Customers are invoiced and revenue is recognised when the goods are delivered and accepted by customers. For services rendered, where customers simultaneously receive and consume the services as it is provided, revenue is recognised progressively as contract assets until the customer is subsequently invoiced in accordance with the terms of the service agreement. For other customers that are only able to consume the services when they have been completed, revenue is only recognised upon completion and delivery of the services. In rare circumstance where there may be a change in the scope of services provided, the customer will be provided with a new contract for the additional services to be rendered and revenue is recognised consistent with accounting policy above.

For contracts that permit the customer to return an item, revenue is recognised to the extent it is highly probable that a significant cumulative reversal will not occur. Therefore, the amount of revenue recognised is adjusted for the expected returns, which are estimated based on the historical data. In these circumstances, a refund liability and a right to recover returned goods asset are recognised. The right to recover the returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The refund liability is included in other payables (Note 6.2) and the right to recover returned goods is included in inventory (Note 6.3). The DJPR reviews its estimate of expected returns at each reporting date and updates the amount of the asset and liability accordingly. As the sales are made with a short credit term, there is no financing element present. There has been no change in the recognition of revenue from the sale of goods as a result of the adoption of AASB 15.

Consideration received in advance of recognising the associated revenue from the customer is recorded as a contract liability (Note 6.2). Where the performance obligations is satisfied but not yet billed, a contract asset is recorded (Note 6.1).

**Previous accounting policy for 30 June 2019**

Income from the sale of goods is recognised when:

* the DJPR no longer has any of the significant risks and rewards of ownership of the goods transferred to the buyer;
* the DJPR no longer has continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
* the amount of income, and the costs incurred or to be incurred in respect of the transactions, can be reliably measured; and

it is probable that the economic benefits associated with the transaction will flow to the DJPR.

#### 2.4.3 Interest income

Interest income includes interest received on bank term deposits and other investments and the unwinding over time of the discount on financial assets. Interest income is recognised using the effective interest method, which allocates the interest over the relevant period.

#### 2.4.4 Other income

##### Total other income

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2020 | Six months to 30 June 2019 |
| Regulatory charges, fees and fines | 6,787 | 3,127 |
| Trust income | 5,527 | 1,762 |
| Miscellaneous income | 42 | 652 |
| **Total other income** | **12,356** | **5,541** |
| Regulatory charges, fees and fines are recognised at the time of billing. | | |

### 2.5 Annotated income

The DJPR is permitted under section 29 of the Financial Management Act 1994 (FMA) to have certain income annotated to the annual appropriation. The income which forms part of a section 29 agreement is recognised by the DJPR as an administered item and the receipts paid into the consolidated fund. If a section 29 agreement is in place, the relevant appropriation item will be increased by the equivalent amount at the point of income recognition.

The following is a listing of Section 29 agreements approved by the Treasurer:

|  | ($ thousand) | |
| --- | --- | --- |
|  | Actual | |
|  | 2020 | Six months to 30 June 2019 |
| **User charges, sale of goods and services** |  |  |
| Agriculture and Veterinary Chemical Permits | 1,575 | 1,563 |
| Bioscience Research Centre – La Trobe contribution to quarterly services payments | 2,440 | 1,302 |
| Catchment Management Authorities | – | 29 |
| New and Emerging Plant Industries (i) (ii) | 41 | (26) |
| Gardiner Foundation Contributions from Commonwealth-Funded Bodies | – | 208 |
| Livestock Electronic Tags | 9,433 | 3,911 |
| Melbourne Convention Exhibition Centre – Operating | 4,839 | 2,243 |
| Paper Australia Pulpwood Agreement | 32,618 | 18,482 |
| Research and Development Corporations Contributions (i) | – | (219) |
| Research and Development Corporations – Horticulture Contributions | – | 409 |
| Research and Experimental Projects – Industry Contributions | 6,064 | – |
| Pest and Disease Preparedness and Response program (i) | (39) | – |
| Commercial Forest | 100 | – |
| National Bee Pest Surveillance Program | 135 | – |
|  | **57,206** | **27,902** |
| **Commonwealth payments** |  |  |
| Cooperative Research Centre Contributions (i) | 240 | (209) |
| Establish Pest Animal and Weed Management (i) | – | (635) |
| Pest and Disease Preparedness and Response program (i) | (139) | 2 |
| Research and Development Corporations Contributions | 34,590 | 19,967 |
| Research and Experimental Projects – Industry Contributions | 5,672 | 2,284 |
| Geelong City Deal | 1,100 | – |
|  | **41,462** | **21,409** |
| **Municipal payments** |  |  |
| Domestic Animals Act | 1,240 | 229 |
|  |  |  |
| **Total annotated income agreements** | **99,908** | **49,540** |
| (i) Negative balances represent overpayment and a return of funds into the Consolidated Fund and/or to the Commonwealth.  (ii) Initiative name has been changed from Cultivating and Processing of Poppies to New and Emerging Plant Industries. | | |

# 3. THE COST OF DELIVERING SERVICES

### Introduction

This section provides an account of the expenses incurred by the DJPR in delivering services and outputs. In Note 2 – Funding delivery of our services, the funds that enable the provision of services were disclosed. Note 4 – Disaggregated financial information by output, discloses aggregated information in relation to the income and expenses by output.

### Structure

3.1 Expenses incurred in delivery of services

3.2 Grants

3.3 Employee benefits

3.4 Capital asset charge

3.5 Other operating expenses

### 3.1 Expenses incurred in delivery of services

|  |  | ($ thousand) | |
| --- | --- | --- | --- |
|  | Note | 2020 | Six months to 30 June 2019 |
| Grants | 3.2 | (2,221,772) | (735,048) |
| Employee benefits | 3.3 | (380,167) | (179,145) |
| Capital asset charge | 3.4 | (74,190) | (35,152) |
| Other operating expenses | 3.5 | (532,291) | (193,635) |
| **Total expenses incurred in delivery of services** |  | **(3,208,420)** | **(1,142,980)** |
| (i) The 2019 comparative figures have been restated to reflect the impact of the prior year adjustment, refer to Note 9.6. | | | |

The above table excludes interest and depreciation and amortisation expenses which are separately shown in Notes 7.1.2 and 5.1.1 respectively.

### 3.2 Grants

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2020 | Six months to 30 June 2019 (i) |
| **Grants to portfolio agencies** |  |  |
| Creative Victoria agencies | (269,592) | (139,627) |
| Visit Victoria | (103,655) | (40,681) |
| Film Victoria | (23,420) | (16,527) |
| Other grants to portfolio agencies | (222,366) | (87,311) |
| **Total grants to portfolio agencies** | **(619,033)** | **(284,146)** |
| **Grants to local government** |  |  |
| Local government | (185,183) | (127,251) |
| Total grants to local government | (185,183) | (127,251) |
| **Grants and other transfers to state government departments and associated entities outside portfolio** |  |  |
| Other state government departments and associated entities | (91,680) | (7,578) |
| **Total grants and other transfers to state government departments and associated entities outside portfolio** | **(91,680)** | **(7,578)** |
| **Grants to external organisations and individuals** |  |  |
| Other non-government agencies | (508,492) | (316,073) |
| Business Support Fund | (784,535) | – |
| Working for Victoria | (32,849) | – |
| **Total grants to external organisations and individuals** | **(1,325,876)** | **(316,073)** |
| **Total grants and other transfers** | **(2,221,772)** | **(735,048)** |
| (i) The 2019 comparative figures have been restated to reflect the impact of the prior year adjustment, refer to Note 9.6. | | |

Grant expenses are contributions of the DJPR’s resources to another party for specific or general purposes where there is no expectation that the amount will be repaid in equal value (either by money, goods or services).

Grants can either be operating or capital in nature. Grants can be paid as general purpose grants, which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Grant expenses are recognised in the reporting period in which they are paid or payable. Grants can take the form of money, assets, goods, services or forgiveness of liabilities.

In response to the economic impact of coronavirus (COVID-19), the Victorian Government announced a $1.7 billion economic survival and jobs package in March 2020. The DJPR led initiatives include:

* Business Support Fund: Majority of which relates to one-off funding for businesses.

Working for Victoria: Grants to facilitate jobseekers to find work and employers to find workers.

### 3.3 Employee benefits

#### 3.3.1 Employee benefits in the comprehensive operating statement

##### Employee benefits

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2020 | Six months to 30 June 2019 |
| Salaries and wages, annual leave, long service leave and on-costs | (350,203) | (166,353) |
| Termination benefits | (732) | – |
| Defined contribution superannuation expense | (26,601) | (11,424) |
| Defined benefit superannuation expense | (2,631) | (1,368) |
| **Total employee benefits** | **(380,167)** | **(179,145)** |

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, WorkCover premiums, defined benefits superannuation plans, and defined contribution superannuation plans.

The amount recognised in the comprehensive operating statement in relation to superannuation, is the employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

Termination benefits are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the DJPR is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

#### 3.3.2 Employee benefits in the balance sheet

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

##### Provision for employee benefits

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2020 | Six months to 30 June 2019 |
| **Current provisions** |  |  |
| **Employee benefits** |  |  |
| **Annual leave** |  |  |
| – Unconditional and expected to wholly settle within 12 months (i) | 14,979 | 13,619 |
| – Unconditional and expected to wholly settle after 12 months (ii) | 12,653 | 11,486 |
| **Long service leave** |  |  |
| – Unconditional and expected to wholly settle within 12 months (i) | 8,650 | 8,486 |
| – Unconditional and expected to wholly settle after 12 months (ii) | 41,506 | 39,948 |
|  | **77,788** | **73,539** |
| **Provisions related to employee benefit on-costs** |  |  |
| – Unconditional and expected to wholly settle within 12 months (i) | 3,754 | 3,464 |
| – Unconditional and expected to wholly settle after 12 months (ii) | 8,602 | 8,084 |
|  | **12,356** | **11,548** |
| **Total current provisions** | **90,144** | **85,087** |
| **Non-current provisions** |  |  |
| Employee benefits | 15,599 | 12,768 |
| Provisions for on-costs | 2,486 | 2,010 |
| **Total non-current provisions** | **18,085** | **14,778** |
| **Total provisions for employee benefits** | **108,229** | **99,865** |
| (i) Nominal amounts are disclosed.  (ii) The amounts disclosed are discounted to present value. | | |

Wages and salaries, annual leave and sick leave Liabilities for wages and salaries (including non‑monetary benefits, annual leave and on‑costs) are recognised as part of the employee benefit provision as current liabilities, because the DJPR does not have an unconditional right to defer settlements of these liabilities.

The liability for salaries and wages are recognised in the balance sheet at remuneration rates which are current at the reporting date. As the DJPR expects the liabilities to be wholly settled within 12 months of the reporting date, they are measured at undiscounted amounts.

The annual leave liability is classified as a current liability and measured at the undiscounted amount expected to be paid, as the DJPR does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the comprehensive operating statement as it is taken.

Employment on-costs such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

Unconditional LSL is disclosed as a current liability; even where the DJPR does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

* undiscounted value – if the DJPR expects to wholly settle within 12 months; or

present value – if the DJPR does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is a conditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non‑current LSL is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an ‘other economic flow’ in the net result.

#### 3.3.3 Superannuation contributions

Employees of the DJPR are entitled to receive superannuation benefits and the DJPR contributes to both defined benefit and defined contribution plans. The defined benefit plans provide benefits based on years of service and final average salary.

Superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the DJPR.

The DJPR does not recognise any liability in respect of the defined benefit plans because the entity has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance (DTF) recognises and discloses the State’s defined benefit liabilities in its financial statements as an administered liability.

The name, details and amounts expensed in relation to the major employee superannuation funds and contributions made by the DJPR are as follows:

|  | ($ thousand) | |
| --- | --- | --- |
|  | Paid contribution for the period (ii) | |
|  | 2020 | Six months to 30 June 2019 |
| **Fund** |  |  |
| **Defined benefit plans (i)** |  |  |
| State Superannuation Fund – revised and new | (2,631) | (1,368) |
| **Defined contribution plans** |  |  |
| VicSuper | (16,115) | (7,158) |
| Other | (10,486) | (4,266) |
| **Total** | **(29,232)** | **(12,792)** |
| (i) The basis for determining the level of contributions is determined by the various actuaries of the defined benefit superannuation plans.  (ii) There were no outstanding contributions at 30 June 2020. | | |

### 3.4 Capital asset charge

The capital asset charge is a charge levied on the written down value of controlled non‑current physical assets which aims to attribute to departmental outputs the opportunity cost of capital used in service delivery, and provide incentives to departments to identify and dispose of underutilised or surplus assets in a timely manner. It is calculated on the budgeted carrying amount of applicable non‑financial physical assets.

### 3.5 Other operating expenses

##### Total other operating expenses

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2020 | Six months to 30 June 2019 |
| **Supplies and services** |  |  |
| Contracts and services | (129,270) | (49,902) |
| Consultants and professional services | (56,078) | (28,749) |
| Computer services and equipment | (25,577) | (16,762) |
| Accommodation | (107,508) | (21,295) |
| Marketing and media | (11,523) | (10,390) |
| Laboratory, farm and livestock | (28,957) | (13,637) |
| Travel and related | (9,589) | – |
| Administrative expenses | (81,832) | (47,343) |
| **Other** |  |  |
| Financial guarantee expense | (61,120) | – |
| Payments to Consolidated Funds | (18,669) | – |
| **Lease rental expenses** |  |  |
| Lease payments | (2,168) | (5,443) |
| Fair value of assets and services provided free of charge | – | (114) |
| **Total other operating expenses** | **(532,291)** | **(193,635)** |

Other operating expenses generally represent the day-to-day running costs incurred in normal operations. It also includes bad debts expense from transactions that are mutually agreed.

Supplies and services are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when the inventories are distributed.

Operating lease payments up until 30 June 2019 (including contingent rentals) are recognised on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

From 1 July 2019, the following lease payments are recognised on a straight-line basis:

* Short-term leases – leases with a term less than 12 months; and

Low value leases – leases with the underlying asset’s fair value (when new, regardless of the age of the asset being leased) is no more than $10,000.

Variable lease payments that are not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate and which are not, in substance fixed) such as those based on performance or usage of the underlying asset, are recognised in the comprehensive operating statement (except for payments which have been included in the carrying amount of another asset) in the period in which the event or condition that triggers those payments occur.

Fair value of assets and services provided free of charge or for nominal consideration are recognised at their fair value when the recipient obtains control over the resources, irrespective of whether restrictions or conditions are imposed over the use of the contributions. The exception to this would be when the resource is received from another government department (or agency) as a consequence of a restructuring of administrative arrangements, in which case such a transfer will be recognised at its carrying value in the transferring department or agency. Contributions in the form of services are recognised only when a fair value can be reliably determined and the services would have been purchased if not donated.

# 4. DISAGGREGATED FINANCIAL INFORMATION BY OUTPUT

### Introduction

The DJPR is predominantly funded by accrual based parliamentary appropriations for the provision of outputs. This section provides a description of the departmental outputs performed during the year ended 30 June 2020 along with the objectives of those outputs.

This section disaggregates revenue and income that enables the delivery of service (described in Note 2 – Funding delivery of our services) by output and records the allocation of expenses incurred (described in Note 3 – The cost of delivering services) also by output.

It provides information on controlled and administered items in connection with these outputs.

### Structure

4.1 Departmental outputs

4.2 Administered items

4.3 Restructuring of administrative arrangements

#### 4.1.1 Departmental outputs

As at 30 June 2020, the department supported the ministerial portfolios of Agriculture; Creative Industries; Employment; Innovation, Medical Research and the Digital Economy; Small Business; Regional Development; Resources; Community Sport; Suburban Development; Trade; Business Precincts; Industry Support and Recovery; Racing; and Tourism, Sport and Major Events.

##### Departmental mission statement

The Department is focused on growing our state’s economy and ensuring it benefits all Victorians – by creating more jobs for more people, building thriving places and regions, and supporting inclusive communities.

##### Objectives and descriptions

The objectives and descriptions of the departmental outputs performed during the financial year ended 30 June 2020 are summarised in Note 9.15 – Output objectives and descriptions.

#### 4.1.2 Departmental outputs: Controlled income and expenses

|  | ($ thousand) | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Agriculture | | Creative Industries Access, Development and Innovation | | Creative Industries  Portfolio Agencies | | Cultural Infrastructure | | Industry, Innovation and Small Business | |
|  | 2020 | Six months to 30 June 2019 | 2020 | Six months to 30 June 2019 | 2020 | Six months to 30 June 2019 | 2020 | Six months to 30 June 2019 | 2020 | Six months to 30 June 2019 |
| **Income from transactions** |  |  |  |  |  |  |  |  |  |  |
| Output appropriations | 540,231 | 295,329 | 67,128 | 41,368 | 315,196 | 165,491 | 114,423 | 38,486 | 98,780 | 65,860 |
| Special appropriations | – | – | – | – | – | – | – | – | – | – |
| Regional Jobs and Infrastructure Fund appropriations | – | – | – | – | – | – | – | – | – | – |
| Grants | 8,094 | 3,623 | 4,941 | 1,788 | 1,533 | – | 10 | – | 17,364 | – |
| Sale of services | 27,439 | 9,960 | – | – | – | – | – | – | – | – |
| Interest income | 606 | 612 | – | – | – | – | – | – | – | – |
| Other income | 7,492 | 3,820 | – | 10 | 15 | 48 | – | 2 | – | 59 |
| **Total income from transactions** | **583,862** | **313,344** | **72,069** | **43,166** | **316,744** | **165,539** | **114,433** | **38,488** | **116,144** | **65,919** |
|  |  |  |  |  |  |  |  |  |  |  |
| **Expenses from transactions** |  |  |  |  |  |  |  |  |  |  |
| Grant | (121,639) | (104,561) | (60,538) | (36,003) | (245,970) | (163,969) | (80,366) | (16,513) | (68,032) | (35,359) |
| Employee expenses | (168,209) | (77,662) | (4,224) | (4,309) | (9,165) | (728) | (2,676) | (2,045) | (27,521) | (14,588) |
| Capital asset charge | (23,238) | (8,646) | (4,036) | (119) | (380) | (78) | (20,119) | (12,118) | (1,877) | (634) |
| Depreciation and amortisation | (24,177) | (11,878) | (458) | 94 | (1,021) | (649) | (7,634) | (6,422) | (1,928) | (64) |
| Interest expense | (28,550) | (15,023) | (44) | – | (29) | – | (11) | (2) | (557) | (4) |
| Other operating expenses | (194,707) | (86,909) | (4,620) | (6,288) | (3,831) | (408) | (3,631) | (4,720) | (22,789) | (20,208) |
| **Total expenses from transactions** | **(560,520)** | **(304,679)** | **(73,920)** | **(46,625)** | **(260,396)** | **(165,832)** | **(114,437)** | **(41,820)** | **(122,704)** | **(70,857)** |
|  |  |  |  |  |  |  |  |  |  |  |
| **Net result from transactions** | **23,342** | **8,665** | **(1,851)** | **(3,459)** | **56,348** | **(293)** | **(4)** | **(3,332)** | **(6,560)** | **(4,938)** |
|  |  |  |  |  |  |  |  |  |  |  |
| **Other economic flows included in net result** |  |  |  |  |  |  |  |  |  |  |
| Net gain/(loss) on non-financial assets | 711 | 755 | (10) | 21 | (6) | 14 | 15 | 8 | (7) | 98 |
| Net gain/(loss) on financial instruments | (182) | – | (7) | – | (5) | – | (1) | – | (23) | – |
| Other losses from other economic flows | (670) | (323) | (9) | (11) | (28) | (1) | (5) | (4) | (49) | (40) |
| **Total other economic flows included in net result** | **(141)** | **432** | **(26)** | **10** | **(39)** | **13** | **9** | **4** | **(79)** | **58** |
| **Net result** | **23,201** | **9,097** | **(1,877)** | **(3,449)** | **56,309** | **(280)** | **5** | **(3,328)** | **(6,639)** | **(4,880)** |
| **Comprehensive result** | **23,201** | **9,097** | **(1,877)** | **(3,449)** | **56,309** | **(280)** | **5** | **(3,328)** | **(6,639)** | **(4,880)** |

#### 4.1.2 Departmental outputs: Controlled income and expenses (continued)

|  | ($ thousand) | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Jobs | | | Priority Precincts and Suburban Development | | | Regional Development | | Resources | | Sport, Recreation and Racing | |
|  | 2020 | Six months to 30 June 2019 | 2020 | | Six months to 30 June 2019 | 2020 | | Six months to 30 June 2019 (i) | 2020 | Six months to 30 June 2019 | 2020 | Six months to 30 June 2019 |
| **Income from transactions** |  |  |  | |  |  | |  |  |  |  |  |
| Output appropriations | 1,140,729 | 59,197 | 27,432 | | 38,008 | 219,900 | | 102,834 | 67,366 | 35,356 | 269,565 | 136,214 |
| Special appropriations | – | – | – | | – | – | | – | 1,775 | 1,052 | – | – |
| Regional Jobs and Infrastructure Fund appropriations | – | – | – | | – | – | | 62,500 | – | – | – | – |
| Grants | 22,405 | 2,098 | 19 | | – | 28,222 | | 11,518 | 1,261 | – | 7,376 | 8,410 |
| Sale of services | – | – | – | | – | – | | – | 250 | – | 90 | 277 |
| Interest income | 247 | – | – | | – | 2,415 | | 1,712 | – | – | – | – |
| Other income | – | 37 | 1,205 | | 4 | – | | 60 | 515 | 162 | 3,129 | 371 |
| **Total income from transactions** | **1,163,381** | **61,332** | **28,656** | | **38,012** | **250,537** | | **178,624** | **71,167** | **36,570** | **280,160** | **145,272** |
|  |  |  |  | |  |  | |  |  |  |  |  |
| **Expenses from transactions** |  |  |  | |  |  | |  |  |  |  |  |
| Grant | (976,369) | (39,471) | (5,213) | | (21,439) | (208,101) | | (133,082) | (4,094) | (18,567) | (224,078) | (118,961) |
| Employee expenses | (25,987) | (14,694) | (12,597) | | (4,287) | (41,621) | | (21,246) | (33,699) | (15,793) | (30,688) | (14,335) |
| Capital asset charge | (6,627) | (501) | (1,810) | | (9,722) | (5,378) | | (1,392) | (2,150) | (547) | (4,406) | (1,041) |
| Depreciation and amortisation | (3,033) | 216 | (175) | | 25 | (3,252) | | 184 | (2,726) | 47 | (4,331) | 173 |
| Interest expense | (211) | (2) | (16) | | (1) | (264) | | (11) | (192) | (16) | (361) | (3) |
| Other operating expenses | (164,561) | (11,257) | (4,365) | | (5,458) | (20,415) | | (11,669) | (72,199) | (24,849) | (14,151) | (6,596) |
| **Total expenses from transactions** | **(1,176,788)** | **(65,709)** | **(24,176)** | | **(40,882)** | **(279,031)** | | **(167,216)** | **(115,060)** | **(59,725)** | **(278,015)** | **(140,763)** |
|  |  |  |  | |  |  | |  |  |  |  |  |
| **Net result from transactions** | **(13,407)** | **(4,377)** | **4,480** | | **(2,870)** | **(28,494)** | | **11,408** | **(43,893)** | **(23,155)** | **2,145** | **4,509** |
|  |  |  |  | |  |  | |  |  |  |  |  |
| Other economic flows included in net result |  |  |  | |  |  | |  |  |  |  |  |
| Net gain/(loss) on non-financial assets | (294) | 106 | 13 | | (1,494) | 62 | | 202 | (26) | (643) | (74) | 148 |
| Net gain/(loss) on financial instruments | 9,050 | (407) | (3) | | – | (139) | | (150) | 124 | – | (53) | – |
| Other losses from other economic flows | (72) | (38) | (30) | | 2 | (107) | | (31) | (76) | (31) | (14) | (13) |
| **Total other economic flows included in net result** | **8,684** | **(339)** | **(20)** | | **(1,492)** | **(184)** | | **21** | **22** | **(674)** | **(141)** | **135** |
| **Net result** | **(4,723)** | **(4,716)** | **4,460** | | **(4,362)** | **(28,678)** | | **11,429** | **(43,871)** | **(23,829)** | **2,004** | **4,644** |
| **Comprehensive result** | **(4,723)** | **(4,716)** | **4,460** | | **(4,362)** | **(28,678)** | | **11,429** | **(43,871)** | **(23,829)** | **2,004** | **4,644** |

#### 4.1.2 Departmental outputs: Controlled income and expenses (continued)

|  | ($ thousand) | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
|  | Trade and Global Engagement | | Tourism and Major Events | | Departmental Totals | |
|  | 2020 | Six months to 30 June 2019 | 2020 | Six months to 30 June 2019 | 2020 | Six months to 30 June 2019 (i) |
| **Income from transactions** |  |  |  |  |  |  |
| Output appropriations | 45,955 | 11,506 | 145,129 | 45,679 | 3,051,834 | 1,035,328 |
| Special appropriations | – | – | – | – | 1,775 | 1,052 |
| Regional Jobs and Infrastructure Fund appropriations | – | – | – | – | – | 62,500 |
| Grants | 8,931 | – | 77,147 | 17,613 | 177,303 | 45,050 |
| Sale of services | – | – | – | (908) | 27,779 | 9,329 |
| Interest income | – | – | 361 | – | 3,629 | 2,324 |
| Other income | – | 4 | – | 964 | 12,356 | 5,541 |
| **Total income from transactions** | **54,886** | **11,510** | **222,637** | **63,348** | **3,274,676** | **1,161,124** |
|  |  |  |  |  |  |  |
| **Expenses from transactions** |  |  |  |  |  |  |
| Grant | (23,841) | (739) | (203,531) | (46,384) | (2,221,772) | (735,048) |
| Employee expenses | (17,594) | (4,902) | (6,186) | (4,556) | (380,167) | (179,145) |
| Capital asset charge | (1,007) | (106) | (3,162) | (248) | (74,190) | (35,152) |
| Depreciation and amortisation | (1,606) | 7 | (948) | 194 | (51,289) | (18,073) |
| Interest expense | (70) | – | (2,482) | (1,196) | (32,787) | (16,258) |
| Other operating expenses | (16,799) | (7,860) | (10,223) | (7,413) | (532,291) | (193,635) |
| **Total expenses from transactions** | **(60,917)** | **(13,600)** | **(226,532)** | **(59,603)** | **(3,292,496)** | **(1,177,311)** |
|  |  |  |  |  |  |  |
| **Net result from transactions** | **(6,031)** | **(2,090)** | **(3,895)** | **3,745** | **(17,820)** | **(16,187)** |
|  |  |  |  |  |  |  |
| **Other economic flows included in net result** |  |  |  |  |  |  |
| Net gain/(loss) on non-financial assets | (9) | (6) | (20) | (36) | 355 | (827) |
| Net gain/(loss) on financial instruments | (729) | (407) | 47 | – | 8,079 | (964) |
| Other losses from other economic flows | (28) | (9) | (13) | (7) | (1,101) | (506) |
| **Total other economic flows included in net result** | **(766)** | **(422)** | **14** | **(43)** | **7,333** | **(2,297)** |
| **Net result** | **(6,797)** | **(2,512)** | **(3,881)** | **3,702** | **(10,487)** | **(18,484)** |
| **Comprehensive result** | **(6,797)** | **(2,512)** | **(3,881)** | **3,702** | **(10,487)** | **(18,484)** |

#### 4.1.3 Departmental outputs: Controlled assets and liabilities

|  | ($ thousand) | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Agriculture | | Creative Industries Access, Development and Innovation | | Creative Industries  Portfolio Agencies | | Cultural Infrastructure | | Industry, Innovation and Small Business | |
|  | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Assets** |  |  |  |  |  |  |  |  |  |  |
| Financial assets | 497,023 | 334,857 | 9,321 | 22,891 | 73,577 | 76,202 | 9,487 | 11,048 | 78,425 | 34,866 |
| Non-financial assets | 673,860 | 681,382 | 880 | 413 | 411,315 | 407,626 | 7,282 | 9,329 | 7,843 | 9,544 |
| Total assets | 1,170,883 | 1,016,239 | 10,201 | 23,304 | 484,892 | 483,828 | 16,769 | 20,377 | 86,268 | 44,410 |
|  |  |  |  |  |  |  |  |  |  |  |
| **Total liabilities** | **480,536** | **427,278** | **9,789** | **6,454** | **11,753** | **13,320** | **1,351** | **1,769** | **22,954** | **18,765** |
|  |  |  |  |  |  |  |  |  |  |  |
| **Net assets** | **690,347** | **588,961** | **412** | **16,850** | **473,139** | **470,508** | **15,418** | **18,608** | **63,314** | **25,645** |

#### 4.1.3 Departmental outputs: Controlled assets and liabilities (continued)

|  | ($ thousand) | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Jobs | | Priority Precincts and Suburban Development | | Regional Development (i) | | Resources | | Sport, Recreation  and Racing | |
|  | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Assets** |  |  |  |  |  |  |  |  |  |  |
| Financial assets | 137,881 | 4,368 | 33,981 | 24,785 | 490,825 | 592,109 | 16,390 | 77,527 | (110,779) | 97,799 |
| Non-financial assets | 18,830 | 4,841 | 6,676 | 19,441 | 14,011 | 5,492 | 6,212 | 7,504 | 32,243 | 35,415 |
| **Total assets** | **156,711** | **9,209** | **40,657** | **44,226** | **504,836** | **597,601** | **22,602** | **85,031** | **(78,536)** | **133,214** |
|  |  |  |  |  |  |  |  |  |  |  |
| **Total liabilities** | **117,869** | **24,167** | **5,971** | **12,886** | **302,027** | **344,126** | **20,118** | **23,482** | **36,793** | **175,026** |
|  |  |  |  |  |  |  |  |  |  |  |
| **Net assets** | **38,842** | **(14,958)** | **34,686** | **31,340** | **202,809** | **253,475** | **2,484** | **61,549** | **(115,329)** | **(41,812)** |

#### 4.1.3 Departmental outputs: Controlled assets and liabilities (continued)

|  | ($ thousand) | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Trade and Global Engagement | | Tourism and Major Events | | | Departmental Totals (i) | |
|  | 2020 | 2019 | | 2020 | 2019 | 2020 | 2019 |
| **Assets** |  |  | |  |  |  |  |
| Financial assets | 49,418 | 8,542 | | (87,794) | 36,367 | 1,197,755 | 1,321,361 |
| Non-financial assets | 6,092 | 2,811 | | 82,103 | 65,230 | 1,267,346 | 1,249,028 |
| **Total assets** | **55,510** | **11,353** | | **(5,691)** | **101,597** | **2,465,101** | **2,570,389** |
|  |  |  | |  |  |  |  |
| **Total liabilities** | **6,648** | **4,500** | | **48,288** | **52,507** | **1,064,097** | **1,104,280** |
|  |  |  | |  |  |  |  |
| **Net assets** | **48,862** | **6,853** | | **(53,979)** | **49,090** | **1,401,004** | **1,466,109** |
| (i) The 2019 comparative figures have been restated to reflect the impact of the prior year adjustment, refer to Note 9.6. | | | | | | | |

### 4.2 Administered items

#### 4.2.1 Administered (non-controlled) items

Administered income includes taxes, fees and fines and the proceeds from the sale of administered surplus land and buildings. Administered expenses include payments made on behalf of the State and payments into the consolidated fund. Administered assets include government income earned but yet to be collected. Administered liabilities include government expenses incurred but yet to be paid. Except as otherwise disclosed, administered resources are accounted for on an accrual basis using the same accounting policies adopted for recognition of the departmental items in the financial statements. Both controlled and administered items of the DJPR are consolidated into the financial statements of the State.

The DJPR does not gain control over assets arising from taxes, fines and regulatory fees, consequently no income is recognised in the DJPR’s financial statements. The DJPR collects these amounts on behalf of the State. Accordingly, the amounts are disclosed as income in the schedule of Administered Items.

#### 4.2.2 Administered income and expenses

|  | ($ thousand) | | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Agriculture | | Creative Industries Access, Development and Innovation | | Creative Industries  Portfolio Agencies | | | Cultural Infrastructure | | | Industry, Innovation and Small Business | | |
|  | 2020 | Six months to 30 June 2019 | 2020 | Six months to 30 June 2019 | | 2020 | Six months to 30 June 2019 | | 2020 | Six months to 30 June 2019 | | 2020 | Six months to 30 June 2019 |
| **Administered income from transactions** |  |  |  |  | |  |  | |  |  | |  |  |
| Sale of goods and services | 63,016 | 51,274 | – | – | | – | – | | – | – | | 443 | 245 |
| Appropriations – payments made on behalf of the State | – | – | – | – | | – | – | | – | – | | – | 31 |
| Royalties | – | – | – | – | | – | – | | – | – | | – | – |
| Other income | 269 | 85 | (296) | 296 | | – | – | | – | – | | – | – |
| Regulatory fees, fines, leases and licences | 35,567 | 1,260 | – | – | | – | – | | – | – | | – | – |
| Interest income | – | 1 | – | – | | – | – | | – | – | | – | – |
| Commonwealth grants | 81 | 485 | – | – | | – | – | | – | – | | – | – |
| **Total administered income from transactions** | **98,933** | **53,105** | **(296)** | **296** | | **–** | **–** | | **–** | **–** | | **443** | **276** |
|  |  |  |  |  | |  |  | |  |  | |  |  |
| **Administered expenses from transactions** |  |  |  |  | |  |  | |  |  | |  |  |
| Payments into Consolidated Fund | (123,965) | (58,783) | (172) | 171 | | (132) | 112 | | (41) | 35 | | (1,186) | 321 |
| Interest expense | – | – | – | – | | – | – | | – | – | | – | – |
| Other expenses | 239 | (77) | – | (7) | | – | (4) | | – | (1) | | (21) | (52) |
| **Total administered expenses from transactions** | **(123,726)** | **(58,860)** | **(172)** | **164** | | **(132)** | **108** | | **(41)** | **34** | | **(1,207)** | **269** |
|  |  |  |  |  | |  |  | |  |  | |  |  |
| **Total administered net result from transactions** | **(24,793)** | **(5,755)** | **(468)** | **460** | | **(132)** | **108** | | **(41)** | **34** | | **(764)** | **545** |
|  |  |  |  |  | |  |  | |  |  | |  |  |
| **Net gain on non-financial assets** | **17,093** | **–** | **–** | **–** | | **–** | **–** | | **–** | **–** | | **–** | **–** |
|  |  |  |  |  | |  |  | |  |  | |  |  |
| **Total administered comprehensive result** | **(7,700)** | **(5,755)** | **(468)** | **460** | | **(132)** | **108** | | **(41)** | **34** | | **(764)** | **545** |

#### 4.2.2 Administered income and expenses (continued)

|  | ($ thousand) | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Jobs | | Priority Precincts and  Suburban Development | | Regional Development | | Resources | | Sport, Recreation and Racing | |
|  | 2020 | Six months to 30 June 2019 | 2020 | Six months to 30 June 2019 | 2020 | Six months to 30 June 2019 | 2020 | Six months to 30 June 2019 | 2020 | Six months to 30 June 2019 |
| **Administered income from transactions** |  |  |  |  |  |  |  |  |  |  |
| Sale of goods and services | 18,692 | – | – | – | 4,487 | 4,718 | (654) | 240 | 225 | 1 |
| Appropriations – payments made on behalf of the State | – | – | – | – | – | – | – | – | – | – |
| Royalties | – | – | – | – | – | – | 110,860 | 52,637 | – | – |
| Other income | – | – | – | – | – | – | 4,972 | 2,573 | 43 | – |
| Regulatory fees, fines, leases and licences | – | – | – | – | (1) | – | 1,438 | 116 | – | – |
| Interest income | – | – | – | – | – | – | 38 | 31 | – | – |
| Commonwealth grants | – | – | – | – | – | – | – | – | – | – |
| **Total administered income from transactions** | **18,692** | **–** | **–** | **–** | **4,486** | **4,718** | **116,654** | **55,597** | **268** | **1** |
|  |  |  |  |  |  |  |  |  |  |  |
| **Administered expenses from transactions** |  |  |  |  |  |  |  |  |  |  |
| Payments into Consolidated Fund | (19,322) | 555 | (74) | 63 | (5,559) | (6,761) | (101,871) | (4,163) | (1,625) | 1,296 |
| Interest expense | – | – | – | – | – | – | – | – | – | – |
| **Other expenses** | **(22)** | **(21)** | **(2)** | **(2)** | **(50)** | **(37)** | **(25)** | **(24)** | **(51)** | **(50)** |
| **Total administered expenses from transactions** | **(19,344)** | **534** | **(76)** | **61** | **(5,609)** | **(6,798)** | **(101,896)** | **(4,187)** | **(1,676)** | **1,246** |
|  |  |  |  |  |  |  |  |  |  |  |
| **Total administered net result from transactions** | **(652)** | **534** | **(76)** | **61** | **(1,123)** | **(2,080)** | **14,758** | **51,410** | **(1,408)** | **1,247** |
|  |  |  |  |  |  |  |  |  |  |  |
| **Net gain on non-financial assets** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
|  |  |  |  |  |  |  |  |  |  |  |
| **Total administered comprehensive result** | **(652)** | **534** | **(76)** | **61** | **(1,123)** | **(2,080)** | **14,758** | **51,410** | **(1,408)** | **1,247** |

#### 4.2.2 Administered income and expenses (continued)

|  | ($ thousand) | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
|  | Trade and Global Engagement | | Tourism and Major Events | | Departmental Totals | |
|  | 2020 | Six months to 30 June 2019 | 2020 | Six months to 30 June 2019 | 2020 | Six months to 30 June 2019 |
| **Administered income from transactions** |  |  |  |  |  |  |
| Sale of goods and services | – | – | 8,847 | 2,176 | 95,056 | 58,654 |
| Appropriations – payments made on behalf of the State | – | – | 70,592 | 35,730 | 70,592 | 35,761 |
| Royalties | – | – | – | – | 110,860 | 52,637 |
| Other income | – | – | – | – | 4,988 | 2,954 |
| Regulatory fees, fines, leases and licences | – | – | – | – | 37,004 | 1,376 |
| Interest income | – | – | 10,992 | 8,139 | 11,030 | 8,171 |
| Commonwealth grants | – | – | – | – | 81 | 485 |
| **Total administered income from transactions** | **–** | **–** | **90,431** | **46,045** | **329,611** | **160,038** |
|  |  |  |  |  |  |  |
| **Administered expenses from transactions** |  |  |  |  |  |  |
| Payments into Consolidated Fund | (69) | 59 | (14,228) | (1,610) | (268,244) | (68,705) |
| Interest expense | – | – | (38,973) | (19,715) | (38,973) | (19,715) |
| Other expenses | – | (2) | (22,568) | (12,024) | (22,500) | (12,301) |
| **Total administered expenses from transactions** | **(69)** | **57** | **(75,769)** | **(33,349)** | **(329,717)** | **(100,721)** |
|  |  |  |  |  |  |  |
| **Total administered net result from transactions** | **(69)** | **57** | **14,662** | **12,696** | **(106)** | **59,317** |
|  |  |  |  |  |  |  |
| **Net gain on non-financial assets** | **–** | **–** | **–** | **–** | **17,093** | **–** |
|  |  |  |  |  |  |  |
| **Total administered comprehensive result** | **(69)** | **57** | **14,662** | **12,696** | **16,987** | **59,317** |

#### 4.2.3 Administered assets and liabilities

|  | ($ thousand) | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Agriculture | | Creative Industries Access, Development and Innovation | | Creative Industries  Portfolio Agencies | | Cultural Infrastructure | | Industry, Innovation  and Small Business | |
|  | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Administered financial assets** |  |  |  |  |  |  |  |  |  |  |
| Cash and receivables | 25,295 | 22,309 | 66 | 327 | 255 | 1 | 81 | – | (1,850) | (2,937) |
| Trust funds | 590 | (38) | 333 | (34) | – | (3) | – | (1) | – | (12) |
| Loans | – | – | – | – | – | – | – | – | 50,000 | 50,000 |
| **Total administered financial assets** | **25,885** | **22,271** | **399** | **293** | **255** | **(2)** | **81** | **(1)** | **48,150** | **47,051** |
|  |  |  |  |  |  |  |  |  |  |  |
| **Administered liabilities** |  |  |  |  |  |  |  |  |  |  |
| Creditors and accruals | 8,669 | 3,525 | 1,004 | 92 | 471 | 79 | 148 | 25 | 2,335 | 415 |
| Unearned income | – | – | – | – | – | – | – | – | – | – |
| Interest bearing liabilities | – | – | – | – | – | – | – | – | – | – |
| **Total administered liabilities** | **8,669** | **3,525** | **1,004** | **92** | **471** | **79** | **148** | **25** | **2,335** | **415** |
|  |  |  |  |  |  |  |  |  |  |  |
| **Total administered net assets** | **17,216** | **18,746** | **(605)** | **201** | **(216)** | **(81)** | **(67)** | **(26)** | **45,815** | **46,636** |

#### 4.2.3 Administered assets and liabilities (continued)

|  | ($ thousand) | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Jobs | | Priority Precincts and  Suburban Development | | Regional Development | | Resources | | Sport, Recreation  and Racing | |
|  | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Administered financial assets** |  |  |  |  |  |  |  |  |  |  |
| Cash and receivables | 1,270 | 5 | 144 | – | 2,186 | (2,992) | 120,766 | 108,173 | 2,974 | 11 |
| Trust funds | – | (13) | – | (1) | – | (21) | 5,343 | 5,841 | 114 | (2) |
| Loans | – | – | – | – | – | – | – | – | – | – |
| **Total administered financial assets** | **1,270** | **(8)** | **144** | **(1)** | **2,186** | **(3,013)** | **126,109** | **114,014** | **3,088** | **9** |
|  |  |  |  |  |  |  |  |  |  |  |
| **Administered liabilities** |  |  |  |  |  |  |  |  |  |  |
| Creditors and accruals | 2,340 | 394 | 265 | 44 | 4,029 | 679 | – | 655 | 5,458 | 920 |
| Unearned income | – | – | – | – | – | – | 1,080 | 1,080 | – | – |
| Interest bearing liabilities | – | – | – | – | – | – | 95 | 95 | – | – |
| **Total administered liabilities** | **2,340** | **394** | **265** | **44** | **4,029** | **679** | **1,175** | **1,830** | **5,458** | **920** |
|  |  |  |  |  |  |  |  |  |  |  |
| **Total administered net assets** | **(1,070)** | **(402)** | **(121)** | **(45)** | **(1,843)** | **(3,692)** | **124,934** | **112,184** | **(2,370)** | **(911)** |

#### 4.2.3 Administered assets and liabilities (continued)

|  | ($ thousand) | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
|  | Trade and Global Engagement | | Tourism and Major Events | | Departmental Totals | |
|  | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Administered financial assets** |  |  |  |  |  |  |
| Cash and receivables | 135 | – | 6,657 | 1,962 | 157,979 | 126,859 |
| Trust funds | – | (1) | – | (8) | 6,380 | 5,707 |
| Loans | – | – | 295,726 | 292,547 | 345,726 | 342,547 |
| **Total administered financial assets** | **135** | **(1)** | **302,383** | **294,501** | **510,085** | **475,113** |
|  |  |  |  |  |  |  |
| **Administered liabilities** |  |  |  |  |  |  |
| Creditors and accruals | 248 | 42 | 7,824 | 1,406 | 32,791 | 8,276 |
| Unearned income | – | – | 57,320 | 62,031 | 58,400 | 63,111 |
| Interest bearing liabilities | – | – | 435,425 | 437,596 | 435,520 | 437,691 |
| **Total administered liabilities** | **248** | **42** | **500,569** | **501,033** | **526,711** | **509,078** |
|  |  |  |  |  |  |  |
| **Total administered net assets** | **(113)** | **(43)** | **(198,186)** | **(206,532)** | **(16,626)** | **(33,965)** |

### 4.3 Restructuring of administrative arrangements

Effective 1 July 2019, the Marine Pollution and Crisis and Emergency Management Functions and associated employees were transferred to the Department of Transport pursuant to Section 28 of the Public Administration Act 2004. This transfer is necessary to support the carrying out of functions transferred pursuant to Section 30 of the Public Administration Act 2004, signed by the Premier of Victoria on 28 December 2018.

The net assets transferred by the DJPR as a result of the administrative restructure were derecognised from the balance sheet at their carrying value and were accounted for as a distribution to owner on 1 July 2019.

##### Net assets transferred out

|  | ($ thousand) |
| --- | --- |
|  | Transfer Out |
|  | Marine Pollutions and Crisis and Emergency Management |
| **Assets** |  |
| Receivables | 1,073 |
| Property, plant and equipment | 2,801 |
| Intangible assets | 69 |
| **Liabilities** |  |
| Borrowings | (82) |
| Payables | (223) |
| Provisions | (768) |
| **Net assets transferred** | **2,870** |

# 5. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

### Introduction

The DJPR controls infrastructure and other investments that are utilised in fulfilling its objectives and conducting its activities. They represent the resources that have been entrusted to the DJPR for delivery of those outputs.

### Structure

5.1 Property, plant and equipment

5.2 Intangible assets

5.3 Joint operations

### 5.1 Total property, plant and equipment (i)

|  | ($ thousand) | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
|  | Gross carrying  amount | | Accumulated  Depreciation | | Net carrying  amount | |
|  | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Land at fair value | 639,289 | 641,069 | – | – | 639,289 | 641,069 |
| Buildings and structures at fair value | 474,359 | 448,432 | (38,324) | (10,967) | 436,035 | 437,465 |
| Building leasehold | 6,353 | 6,689 | (119) | (39) | 6,234 | 6,650 |
| Leasehold Improvements | 24,969 | 21,688 | (6,809) | (2,147) | 18,160 | 19,541 |
| Plant and equipment at fair value | 36,264 | 32,509 | (7,428) | (2,439) | 28,836 | 30,070 |
| Motor vehicles at fair value | 19,516 | 18,610 | (5,788) | (5,354) | 13,728 | 13,256 |
| Assets under construction at cost | 52,006 | 39,419 | – | – | 52,006 | 39,419 |
| Cultural assets at fair value | 18,101 | 17,721 | (1,946) | (710) | 16,155 | 17,011 |
| **Net carrying amount** | **1,270,857** | **1,226,137** | **(60,414)** | **(21,656)** | **1,210,443** | **1,204,481** |
| (i) AASB 16 Leases has been applied for the first time from 1 July 2019. | | | | | | | |

### 5.1(a) Total right-of-use assets: building and vehicles

|  | ($ thousand) | | |
| --- | --- | --- | --- |
|  | Gross carrying amount | Accumulated Depreciation | Net carrying amount |
|  | 2020 | 2020 | 2020 |
| Buildings and structures at fair value | 168,226 | (11,379) | 156,847 |
| Motor vehicles at fair value | 19,516 | (5,788) | 13,728 |
| **Net carrying amount** | **187,742** | **(17,167)** | **170,575** |

|  | ($ thousand) | |
| --- | --- | --- |
|  | Buildings | Motor Vehicles  at fair value |
|  | 2020 | 2020 |
| Recognition of right-of-use assets on initial application of AASB 16 (ii) | 205,627 | – |
| Finance lease under AASB117 (ii) | 321,198 | 13,256 |
| Additions | 6,210 | 5,979 |
| Transfers (i) | (188,041) | – |
| Disposals | – | (2,205) |
| Depreciation | (20,062) | (3,302) |
| **Closing balance – 30 June 2020** | **324,932** | **13,728** |
| (i) In November 2019, the DJPR transferred certain right-of-use assets to the Department of Treasury and Finance under the centralised accommodation management arrangements.  (ii) This balance represents the initial recognition of right-of-use assets recorded on the balance sheet on 1 July 2019 along with the transfer from finance lease assets (recognised under AASB 117 at 30 June 2019) to right-of-use assets (recognised under AASB 16 at 1 July 2019). | | |

#### Initial recognition

Items of property, plant and equipment, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a machinery of government change are transferred at their carrying amount.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project, and costs directly attributable to bringing the asset into operation as intended.

The costs of leasehold improvements are capitalised as assets and depreciated over the shorter of the remaining term of the leases or the estimated useful life of the improvements.

#### Right-of-use asset acquired by leases (Under AASB 16 – Leases from 1 July 2019) – Initial measurement

The DJPR recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjust for:

* any lease payments made at or before the commencement date; plus
* any initial direct costs incurred; and

an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

#### Subsequent measurement

Property, plant and equipment as well as right-of-use assets under leases are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset’s highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset) and is summarised on the following page by asset category. In addition, for right-of-use assets the net present value of the remaining lease payments is often the appropriate proxy for fair value of relevant right-of-use assets.

#### Right-of-use asset – Subsequent measurement

The DJPR depreciates the right-of-use assets on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of the right‑of-use assets are determined on the same basis as property, plant and equipment. The right‑of-use assets are also subject to revaluation as required by Financial Reporting Direction (FRD) 103H. However, as at 30 June 2020, right-of-use assets have not been revalued.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

Non-specialised land and non-specialised buildings are valued using the market approach, whereby assets are compared to recent comparable sales or sales of comparable assets that are considered to have nominal value.

Specialised land and specialised buildings: The market approach is also used for specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

The CSO adjustment is a reflection of the valuer’s assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants.

For the majority of the DJPR’s specialised buildings, the current replacement cost method is used, adjusting for the associated depreciation.

Vehicles are valued using the current replacement cost method. The DJPR acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers in the DJPR who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

Fair value for plant and equipment that are specialised in use (such that it is rarely sold other than as part of a going concern) is determined using the current replacement cost method.

Refer to Note 8.3 Fair value determination, for additional information on fair value determination of property, plant and equipment.

#### 5.1.1 Depreciation, amortisation and impairment

All buildings, plant and equipment and other non‑financial physical assets that have finite useful lives are depreciated.

##### Charge for the period (i)

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2020 | 2019 |
| Buildings and structures | 35,688 | 11,006 |
| Leasehold improvements | 4,987 | 2,146 |
| Plant and equipment | 5,095 | 2,439 |
| Motor vehicles under lease | 3,302 | 1,671 |
| Cultural assets | 1,237 | 710 |
| Intangible produced assets (amortisation) | 980 | 101 |
| **Total depreciation** | **51,289** | **18,073** |
| (i) The table incorporates depreciation of right-of-use assets as AASB 16 Leases has been applied for the first time from 1 July 2019. | | |

Depreciation is generally calculated on a straight‑line basis, at rates that allocate the asset’s value, less any estimated residual value, over its estimated useful life. The typical estimated useful life for the different asset classes has not changed and are included in the table below:

##### Useful life by asset class

|  | 2020 |
| --- | --- |
| Buildings and structures | 25 to 85 years |
| Building leasehold | 1 to 33 years |
| Cultural assets (with finite useful life) | 100 years |
| Leasehold improvements | 1 to 20 years |
| Plant and equipment | 1 to 50 years |
| Motor vehicles under lease | 1 to 3 years |
| Intangible produced assets – software development | 4 to 7 years |

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period and adjustments made where appropriate.

Right-of-use assets are generally depreciated over the shorter of the asset’s useful life and the lease term. Where the DJPR obtains ownership of the underlying leased asset or if the cost of the right‑of‑use asset reflects that the entity will exercise a purchase option, the entity depreciates the right-of-use asset over its useful life.

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

In the event of the loss or destruction of an asset,  
the future economic benefits arising from the use of the asset will be replaced (unless a specific decision to the contrary has been made).

##### Impairment

The recoverable amount of primarily non‑cash‑generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 Fair Value Measurement, with the consequence that AASB 136 does not apply to such assets that are regularly revalued.

#### 5.1.2 Carrying amount by purpose groups

|  | ($ thousand) | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
|  | Public administration | | Public safety and environment | | Total | |
|  | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Land at fair value | 91,694 | 91,166 | 547,595 | 549,903 | 639,289 | 641,069 |
| Buildings and structures at fair value | 23,360 | 25,509 | 412,675 | 411,956 | 436,035 | 437,465 |
| Building leasehold | 6,234 | 6,650 | – | – | 6,234 | 6,650 |
| Leasehold Improvements | 14,145 | 14,079 | 4,015 | 5,462 | 18,160 | 19,541 |
| Plant and equipment at fair value | 942 | 655 | 27,894 | 29,415 | 28,836 | 30,070 |
| Motor vehicles at fair value | 13,728 | 13,256 | – | – | 13,728 | 13,256 |
| Assets under construction at cost | 5,501 | 10,997 | 46,505 | 28,422 | 52,006 | 39,419 |
| Cultural assets at fair value | – | – | 16,155 | 17,011 | 16,155 | 17,011 |
| **Net carrying amount** | **155,604** | **162,312** | **1,054,839** | **1,042,169** | **1,210,443** | **1,204,481** |

#### 5.1.3 Reconciliation of movements in carrying amount

|  | ($ thousand) | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Land at fair value | | Buildings and structures at fair value | | Buildings leasehold | | Leasehold improvements | | Plant and equipment | |
|  | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Opening balance** | **641,069** | **–** | **437,465** | **–** | **6,650** | **–** | **19,541** | **–** | **30,070** | **–** |
| Recognition of right-of-use assets on initial application of AASB 16 (iii) | – | – | 205,627 | – | – | – | – | – | – | – |
| **Adjusted balance at 1 July 2019** | **641,069** | **–** | **643,092** | **–** | **6,650** | **–** | **19,541** | **–** | **30,070** | **–** |
| Prior year adjustment (refer Note 9.6) | – | – | – | (30,169) | – | – | – | – | – | – |
| Machinery-of-government transferred in/(out) (i) | – | 641,009 | – | 443,452 | – | 6,352 | – | 21,102 | (2,712) | 28,303 |
| Additions | 527 | 60 | 6,941 | 28 | – | – | 176 | 336 | 6,230 | 3,942 |
| Disposals | (2,006) | – | (72) | – | – | – | (145) | – | (267) | – |
| Transfers via contributed capital (ii) | – | – | (188,041) | – | – | – | – | – | – | – |
| Transfers between classes | – | – | 9,903 | 35,121 | (337) | 337 | 4,021 | 249 | 610 | 264 |
| Transfers to classified as held for sale | (301) | – | – | – | – | – | – | – | – | – |
| Impairment loss | – | – | – | – | – | – | – | – | – | – |
| Depreciation and amortisation expense | – | – | (35,688) | (10,967) | (79) | (39) | (4,908) | (2,146) | (5,095) | (2,439) |
| Reclassification | – | – | (100) | – | – | – | (525) | – | – | – |
| Given free of charge | – | – | – | – | – | – | – | – | – | – |
| **Closing balance** | **639,289** | **641,069** | **436,035** | **437,465** | **6,234** | **6,650** | **18,160** | **19,541** | **28,836** | **30,070** |
| Fair value assessments have been performed for all classes of assets in this purpose group and the decision was made that movements were not material (less than or equal to 10 per cent) for a full revaluation. The next scheduled full revaluation for this purpose group will be conducted in 2020.  (i) Transfer of net assets from the DJPR due to the machinery of government change. This transfer made pursuant to FRD 119A Transfer through Contributed Capital under the Financial Management Act 1994.  (ii) In November 2019, the DJPR transferred the right-of-use asset to the Department of Treasury and Finance under the centralised accommodation management arrangements.  (iii) This balance represents the initial recognition of right-of-use assets recorded on the balance sheet on 1 July 2019 relating to operating leases. | | | | | | | | | | |

#### 5.1.3 Reconciliation of movements in carrying amount (continued)

|  | ($ thousand) | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Motor vehicles at fair value | | Assets under construction | | Cultural assets | | Total | |
|  | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Opening balance** | **13,256** | **–** | **39,419** | **–** | **17,011** | **–** | **1,204,481** | **–** |
| Recognition of right-of-use assets on initial application of AASB 16 (iii) | – | – | – | – | – | – | 205,627 | – |
| **Adjusted balance at 1 July 2019** | **13,256** | **–** | **39,419** | **–** | **17,011** | **–** | **1,410,108** | **–** |
| Prior year adjustment | – | – | – | (18,712) | – | – | – | (48,881) |
| Machinery-of-government transferred in/(out) (i) | (81) | 13,274 | (8) | 275,260 | – | 17,711 | (2,801) | 1,446,463 |
| Additions | 5,979 | 3,765 | 30,924 | 31,448 | 114 | 10 | 50,891 | 39,589 |
| Disposals | (1,905) | (1,648) | (172) | – | – | – | (4,567) | (1,648) |
| Transfers via contributed capital | – | – | – | (211,024) | – | – | (188,041) | (211,024) |
| Transfers between classes | – | – | (14,463) | (35,971) | 267 | – | 1 | – |
| Transfers to classified as held for sale | (194) | (350) | – | – | – | – | (495) | (350) |
| Impairment loss | – | – | (258) | (1,582) | – | – | (258) | (1,582) |
| Depreciation and amortisation expense | (3,302) | (1,671) | – | – | (1,237) | (710) | (50,309) | (17,972) |
| Reclassification | – | – | (3,436) | – | – | – | (4,061) | – |
| Given free of charge | (25) | (114) | – | – | – | – | (25) | (114) |
| **Closing balance** | **13,728** | **13,256** | **52,006** | **39,419** | **16,155** | **17,011** | **1,210,443** | **1,204,481** |
| Fair value assessments have been performed for all classes of assets in this purpose group and an assessment was made that the movements were not material to adjust the assets’ carrying amounts. The next scheduled full revaluation for this purpose group will be conducted in 2020–21.  (i) Transfer of net assets from the DJPR due to the machinery of government change. This transfer made pursuant to FRD 119A Transfer through Contributed Capital under the Financial Management Act 1994.  (ii) In November 2019, the DJPR transferred the right-of-use asset to the Department of Treasury and Finance under the centralised accommodation management arrangements.  (iii) This balance represents the initial recognition of right-of-use assets recorded on the balance sheet on 1 July 2019 relating to operating leases. | | | | | | | | |

### 5.2 Intangible assets

|  | ($ thousand) | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Project Land Renewal Option | | Intangible Assets – Software | | Work in Progress –  Software Development | | Total | |
|  | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Gross carrying amount** |  |  |  |  |  |  |  |  |
| **Opening balance** | **32,260** | **–** | **320** | **–** | **2,963** | **–** | **35,543** | **–** |
| Machinery-of-government transferred in/(out) | – | 32,260 | (75) | 320 | – | 2,292 | (75) | 34,872 |
| Additions | – | – | – | – | 580 | 671 | 580 | 671 |
| Transfers between classes | – | – | 3,543 | – | (3,543) | – | – | – |
| **Closing balance** | **32,260** | **32,260** | **3,788** | **320** | **–** | **2,963** | **36,048** | **35,543** |
|  |  |  |  |  |  |  |  |  |
| **Accumulated amortisation** |  |  |  |  |  |  |  |  |
| **Opening balance** | **(50)** | **–** | **(51)** | **–** | **–** | **–** | **(101)** | **–** |
| Amortisation | (99) | (50) | (881) | (51) | – | – | (980) | (101) |
| Machinery-of-government transferred in/(out) | – | – | 7 | – | – | – | 7 | – |
| Disposals | – | – | (7) | – | – | – | (7) | – |
| **Closing balance** | **(149)** | **(50)** | **(932)** | **(51)** | **–** | **–** | **(1,081)** | **(101)** |
|  |  |  |  |  |  |  |  |  |
| **Net carrying amount at end of financial year** | **32,111** | **32,210** | **2,856** | **269** | **–** | **2,963** | **34,967** | **35,442** |

Project land renewal option relates to land in the DJPR’s jointly controlled asset in Bioscience Research Centre as well as the right to use project land. The right to use represents the difference between the States payment to La Trobe University for a 25 year lease term for the BioScience Research Centre and the market value of that rental.

##### Initial recognition

Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 Intangible Assets is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

1. the technical feasibility of completing the intangible asset so that it will be available for use or sale;
2. an intention to complete the intangible asset and use or sell it;
3. the ability to use or sell the intangible asset;
4. the intangible asset will most likely generate future economic benefits;
5. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
6. the ability to measure reliably the expenditure attributable to the intangible asset during its development.

##### Subsequent measurement

Intangible produced and non-produced assets with finite useful lives are amortised on a straight‑line basis over their useful lives of 4 to 7 years. Intangible produced assets with finite useful lives are amortised as an expense from transactions and intangible non-produced assets with finite useful lives are amortised as an ‘other economic flow’.

##### Impairment

Intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment (as described below) and whenever there is an indication that the asset may be impaired. Intangible assets with finite useful lives are tested for impairment whenever  
an indication of impairment is identified.

### 5.3 Joint operations

Joint arrangements are contractual arrangements between the DJPR and one or more other parties to undertake an economic activity that is subject to joint control.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities of the joint arrangement require the unanimous consent of the parties sharing control.

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

For joint operations, the DJPR recognises in the financial statements: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities that it had incurred; its revenue from the sale of its share of the output from the joint operation and its expenses, including its share of any expenses incurred jointly.

##### Additional information on joint operations

|  |  |  | Ownership interest | | |
| --- | --- | --- | --- | --- | --- |
| Name of entity | Principal activity | Country of incorporation | 2020 % | 2019 % |
| Royal Melbourne Showgrounds | To host a variety of events for public at the Showgrounds | Australia | 50.0 | 50.0 |
| Biosciences Research Centre | To continue to provide a world-class research facility | Australia | 75.0 | 75.0 |

### Royal Melbourne Showgrounds

The State entered into a joint operation with the Royal Agricultural Society of Victoria Limited (RASV) in October 2003 to redevelop the Royal Melbourne Showgrounds.

Two joint operations structures were established, an unincorporated joint operation to carry out and deliver the joint operations project, and an incorporated joint operation entity, Showgrounds Nominees Pty Ltd, to hold the assets of the joint operation and to enter into agreements on behalf of the State and RASV.

The State’s contribution to the joint operation is $100.7 million (expressed in 2004 dollars) while RASV has contributed its freehold title to the showgrounds land valued at $51 million in June 2005. In June 2006, Showgrounds Nominees Pty Ltd entered into a Development and Operations Agreement (on behalf of the State and RASV) with the concessionaire, PPP Solutions (Showgrounds) Nominee Pty Ltd, to design, construct, finance and maintain the new facilities at the showgrounds.

The project operation term is 25 years from the date of commercial acceptance of completed works which occurred in August 2006. The joint operation project is being delivered under the Partnerships Victoria Policy framework.

### Biosciences Research Centre

In April 2008, the State entered into a joint operation agreement with La Trobe University (La Trobe) to establish a world class research facility on the University’s campus in Bundoora, AgriBio, Centre for AgriBioscience.

A similar structure to the Showgrounds Joint operation has been adopted, comprising an unincorporated joint operation to carry out and deliver the joint operation project. An incorporated joint operation entity, Biosciences Research Centre Pty Ltd, holds the assets of the joint operation and enters into agreements on behalf of the State and La Trobe. The State’s contribution to the joint operation is $227.3 million (expressed in May 2009 dollars).

On 30 April 2009, Biosciences Research Centre Pty Ltd entered into a project agreement (on behalf of the State and La Trobe) with Plenary Research Pty Ltd (the Concessionaire) to design, construct, finance and maintain the facility over the project’s operating term. The project’s operating term is 25 years from the date of commercial acceptance, which occurred on 18 July 2012. The joint operation project is being delivered under the Partnerships Victoria Policy framework. In accordance with the joint operation agreement, the participants are required to fund the administration expenses of the joint operation in equal shares of 50 per cent each. In addition, La Trobe contributes on a quarterly basis, 25 per cent of the general facilities management, maintenance and minor work costs associated with the services.

The DJPR pays quarterly service payments in full each quarter as they fall due. In December 2015, La Trobe exercised the right to pay its remaining service payments in full.

The DJPR’s interest in assets, liabilities, income, and expenses in the above joint operations is detailed below. The amounts are included in the financial statements under their respective categories.

Contingent liabilities and commitments arising from the DJPR’s interests in joint operations are disclosed in Note 7.5 – Commitments for expenditure and Note 8.2 – Contingent assets and contingent liabilities.

##### Summarised financial information

|  | ($ thousand) | | | |
| --- | --- | --- | --- | --- |
|  | Bioscience  Research Centre | | Royal Melbourne  Showgrounds | |
|  | 2020 | 2019 | 2020 | 2019 |
| **Current assets** |  |  |  |  |
| Cash and deposits | – | – | 258 | 241 |
| Receivables – contributions receivable | – | – | 60 | 5,884 |
| Receivables | 7,343 | 6,277 | 213 | 205 |
| Total current assets | 7,343 | 6,277 | 531 | 6,330 |
| Non-current assets |  |  |  |  |
| Property, plant and equipment | 111,562 | 113,314 | 103,935 | 105,249 |
| Intangible assets | 32,106 | 32,209 | – | – |
| Total non-current assets | 143,668 | 145,523 | 103,935 | 105,249 |
| **Total assets** | **151,011** | **151,800** | **104,466** | **111,579** |
| **Current liabilities** |  |  |  |  |
| Payables | 6,405 | 6,277 | 1,732 | 1,737 |
| Borrowings | 3,225 | 2,586 | 1,993 | 1,806 |
| Other liabilities | – | – | 55 | 55 |
| Total current liabilities | 9,630 | 8,863 | 3,780 | 3,598 |
| Non-current liabilities |  |  |  |  |
| Borrowings | 185,804 | 183,075 | 36,327 | 38,320 |
| Other liabilities | – | – | 2,092 | 2,147 |
| **Total non-current liabilities** | **185,804** | **183,075** | **38,419** | **40,467** |
| **Total liabilities** | **195,434** | **191,938** | **42,199** | **44,065** |
| **Net assets/(liabilities)** | **(44,423)** | **(40,138)** | **62,267** | **67,514** |
|  |  |  |  |  |
| **Income** | **29,252** | **14,932** | **879** | **618** |
| **Expenses** | **(33,537)** | **(17,100)** | **(6,126)** | **(3,125)** |
| **Net loss** | **(4,285)** | **(2,168)** | **(5,247)** | **(2,507)** |

# 6. OTHER ASSETS AND LIABILITIES

### Introduction

This section sets out those assets and liabilities that arose from the DJPR’s controlled operations.

### Structure

6.1 Receivables

6.2 Payables

6.3 Other non-financial assets

6.4 Other provisions

### 6.1 Receivables

Receivables includes amounts owing from government through appropriation receivable, short and long term credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

##### Receivables

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2020 | 2019 |
| **Contractual** |  |  |
| Receivables – government | 106,773 | 107,563 |
| Receivables – non-government (ii) | 254,660 | 287,889 |
| **Statutory** |  |  |
| Amounts owing from Victorian Government (i) | 396,679 | 395,001 |
| GST input tax credit recoverable from the ATO | 23,943 | 18,822 |
| FBT | 1,316 | 144 |
| **Total receivables** | **783,372** | **809,419** |
| Represented by: |  |  |
| Current receivables | 555,000 | 546,341 |
| Non-current receivables | 228,372 | 263,078 |
| Contractual receivables outstanding written off during the reporting period and still subject to enforceable activity | – | – |
| (i) The amounts recognised from the Victorian Government represent funding for all commitments incurred through the appropriations and are drawn from the Consolidated Fund as the commitments fall due.  (ii) Includes $232.7 million of rural assistance schemes provided to farmers which is guaranteed by the Commonwealth. Effective from 30 June 2016, the Rural Assistance Commissioner replaced the former Rural Finance Corporation Victoria. Through an agreement with the Victorian Government, rural assistance schemes such as grants and loans are delivered by Bendigo and Adelaide Bank under the name Rural Finance. Rural Finance delivers rural assistance schemes, such as drought and dairy concessional loans, on behalf of the Victorian Government. See Note 7.1 – Borrowings for advances from Commonwealth relating to the Federal Government’s concessional loan scheme with the Department of Agriculture and Water Resources. | | |

Contractual receivables are classified as financial instruments and categorised as ‘financial assets at amortised costs’. They are initially recognised at fair value plus any directly attributable transaction costs. The DJPR holds the contractual receivables with the objective to collect the contractual cash flows and therefore subsequently measured at amortised cost using the effective interest method, less any impairment.

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments for disclosure purposes. The DJPR applies AASB 9 for initial measurement of the statutory receivables and, as a result, statutory receivables are initially recognised at fair value plus any directly attributable transaction cost. Amounts recognised from the Victorian Government represent funding for all commitments incurred and are drawn from the Consolidated Fund as the commitments fall due.

Details about the DJPR’s impairment policies, the exposure to credit risk, and the calculation of the loss allowance are set out in Note 8.1.3.

### 6.2 Payables

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2020 | 2019 |
| **Contractual** |  |  |
| Supplies and services | 74,566 | 106,330 |
| Amounts payable to government and agencies | 160,274 | 228,232 |
| Unearned income | 2,243 | 2,643 |
| Financial guarantees | 61,120 | – |
| Other payables | 34,689 | 20,277 |
| **Statutory** |  |  |
| Other taxes payable | 546 | 401 |
| **Total payables** | **333,438** | **357,883** |
| Represented by: |  |  |
| Current payables | 279,690 | 356,863 |
| Non-current payables | 53,748 | 1,020 |

Contractual payables, classified as financial instruments and measured at amortised cost. Accounts payable represents liabilities for goods and services provided to the DJPR prior to the end of the financial year that are unpaid.

Statutory payables that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

Payables for supplies and services have an average credit period of 30 days until April, then the average credit period of 10 days. No interest is charged on the ‘other payables’ for the first 30 days from the date of the invoice. Thereafter, interest is calculated as 2 per cent on the outstanding balance per annum.

The terms and conditions of amounts payable to the government and agencies vary according to the particular agreements and as they are not legislative payables, they are not classified as financial instruments.

Financial guarantees: Payments that are contingent under financial guarantee contracts are recognised as a liability, at fair value, at the time the guarantee is issued. Subsequently, should there be a material increase in the likelihood that the guarantee may have to be exercised, the liability is recognised at the higher of the amount determined in accordance with the expected credit loss model under AASB 9 Financial Instruments and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with AASB 118.

In the determination of fair value, consideration is given to factors including the overall capital management/prudential supervision framework in operation, the protection provided by the State Government by way of funding should the probability of default increase, probability of default by the guaranteed party and the likely loss to the DJPR in the event of default.

The value of loans and other amounts guaranteed by the Treasurer is disclosed as contingent liabilities.

##### Maturity analysis of contractual payables (i)

|  | ($ thousand) | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | Maturity dates | | | | |
|  | Carrying amount | Nominal amount | Less than 1 month | 1–3 months | 3 months – 1 year | 1–5  years | 5+  years |
| **2020** |  |  |  |  |  |  |  |
| Supplies and services | 74,566 | 74,566 | 74,566 | – | – | – | – |
| Amounts payable to government and agencies | 160,274 | 160,274 | 160,274 | – | – | – | – |
| Financial guarantees | 61,120 | 61,120 | 1,697 | 1,688 | 5,006 | 23,485 | 29,243 |
| Unearned income | 2,243 | 2,243 | 2,243 | – | – | – | – |
| Other payables | 34,689 | 34,689 | 33,669 | – | – | 1,020 | – |
| **Total** | **332,892** | **332,892** | **272,449** | **1,688** | **5,006** | **24,505** | **29,243** |
| **2019** |  |  |  |  |  |  |  |
| Supplies and services | 106,330 | 106,778 | 106,778 | – | – | – | – |
| Amounts payable to government and agencies | 228,232 | 228,232 | 228,232 | – | – | – | – |
| Unearned income | 2,643 | 2,643 | 2,643 | – | – | – | – |
| Other payables | 20,277 | 20,277 | 19,257 | – | – | 1,020 | – |
| **Total** | **357,482** | **357,930** | **356,910** | **–** | **–** | **1,020** | **–** |
| (i) Maturity analysis is presented using the contractual undiscounted cash flows. | | | | | | | |

### 6.3 Other non-financial assets

##### Current other non-financial assets

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2020 | 2019 |
| Prepayments | 18,907 | 6,221 |
| Inventories | 369 | 369 |
| **Total current other non-financial assets** | **19,276** | **6,590** |

Inventories refer to consumables and farm produce of consumable stores relating to the Agriculture Victoria group.

### 6.4 Other provisions

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2020 | 2019 |
| Information technology improvement projects | 6,994 | 5,600 |
| Acquisition of leasehold improvements | 1,916 | 1,916 |
| Mine site rehabilitation | 1,481 | 1,548 |
| Other | 6 | 806 |
| **Total current provisions** | **10,397** | **9,870** |
| Non-current provisions |  |  |
| Other | 336 | 336 |
| **Total non-current provisions** | **336** | **336** |
| **Total other provisions** | **10,733** | **10,206** |

Other provisions are recognised when the DJPR has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time, value of money and risks specific to the provision.

##### Reconciliation of movement in other provisions

|  | ($ thousand) |
| --- | --- |
|  | 2020 |
| **Current** |  |
| **Opening balance** | 10,206 |
| Additional provisions recognised | 1,394 |
| Reductions arising from payments/other sacrifices of future economic benefits | (801) |
| Reductions resulting from re-measurement or settlement without cost | (66) |
| **Closing balance** | **10,733** |

# 7. HOW WE FINANCED OUR OPERATIONS

### Introduction

This section provides information on the sources of finance utilised by the DJPR during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities.

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Notes 8.1 and 8.3 provide additional, specific financial instrument disclosures.

### Significant judgement: Commitments for expenditure

A significant judgement was made that the occupancy agreement is a service contract (rather than a ‘lease’ as defined in AASB 16 Leases). The cost for the accommodation and other related services are expensed (Note 3.4 Other operating expenses) based on agreed payments in the occupancy agreement.

### Structure

7.1 Borrowings

7.2 Leases

7.3 Cash flow information and balances

7.4 Trust account balances

7.5 Commitments for expenditure

### 7.1 Borrowings

##### Borrowings

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2020 | 2019 |
| **Current borrowings** |  |  |
| Lease liabilities **(i)** |  |  |
| – Public private partnership (PPP) related lease liabilities | 29,214 | 31,639 |
| – Non-PPP related lease liabilities | 6,263 | 5,956 |
| Advances from government (ii) | 27,122 | 20,472 |
| Advances from Commonwealth (iii) (iv) | 21,996 | 8,085 |
| **Total current borrowings** | **84,595** | **66,152** |
| **Non-current borrowings** |  |  |
| Lease liabilities (i) |  |  |
| – PPP related lease liabilities | 298,050 | 290,800 |
| – Non-PPP related lease liabilities | 7,665 | 7,652 |
| Advances from government (ii) | 8,834 | 10,833 |
| Advances from Commonwealth (iii) (iv) | 212,553 | 260,889 |
| **Total non-current borrowings** | **527,102** | **570,174** |
| **Total borrowings** | **611,697** | **636,326** |
| (i) Secured by the leased assets.  (ii) Advances from government are unsecured loans which bear no interest. The terms of the loans are generally agreed by the Minister at the time the advance is provided.  (iii) Effective from 30 June 2016, the Rural Assistance Commissioner replaced the former Rural Finance Corporation Victoria. Through an agreement with the Victorian Government, rural assistance schemes such as grants and loans are delivered by Bendigo and Adelaide Bank under the name Rural Finance. Rural Finance delivers rural assistance schemes, such as drought and dairy concessional loans, on behalf of the Victorian Government.  (iv) Advances from Commonwealth relate to Federal Government’s concessional loan scheme with the Department of Agriculture and Water Resources. | | |

‘Borrowings’ refer to interest bearing liabilities mainly raised from public borrowings raised through the Treasury Corporation of Victoria, leases and other interest bearing arrangements.

Borrowings are classified as financial instruments. The measurement basis depends on whether the DJPR has categorised its interest bearing liabilities as either ‘financial liabilities designated at fair value through net result’, or financial liabilities at ‘amortised cost’. The classification depends on the nature and purpose of the interest bearing liabilities. The DJPR determines the classification of its interest bearing liabilities at initial recognition.

The DJPR has designated certain financial liability at fair value through net result to eliminate or significantly reduce the accounting mismatch that would otherwise arise. All other interest bearing borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs and subsequently measured at amortised cost, using the effective interest method. For financial liabilities designated at fair value through net result, all transaction costs are expensed as incurred. And they are subsequently measured at fair value with changes in fair value relating to the DJPR’s own credit risk recognised in other comprehensive income and the remaining amount of changes in fair value recognised in net result.

During the current year, there were no defaults and breaches of loans.

#### 7.1.1 Maturity analysis of borrowings (i)

##### Maturity analysis of borrowings

|  | ($ thousand) | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | Maturity dates | | | | |
|  | Carrying amount | Nominal amount | Less than 1 Month | 1–3 Months | 3–12  Months | 1–5 years | 5+ years |
| **2020** |  |  |  |  |  |  |  |
| Lease liabilities | 341,192 | 591,080 | 5,178 | 6,899 | 28,228 | 147,906 | 402,869 |
| Advances from government | 35,956 | 35,955 | 23,939 | – | 3,183 | 8,151 | 682 |
| Advances from Commonwealth | 234,549 | 234,550 | 7,990 | 3,955 | 10,052 | 19,035 | 193,518 |
| **Total** | **611,697** | **861,585** | **37,107** | **10,854** | **41,463** | **175,092** | **597,069** |
| **2019** |  |  |  |  |  |  |  |
| Finance lease liabilities | 336,047 | 617,705 | 5,146 | 6,555 | 27,455 | 144,522 | 434,028 |
| Advances from government | 31,305 | 31,305 | 17,745 | – | 2,727 | 9,452 | 1,381 |
| Advances from Commonwealth | 268,974 | 268,974 | 3,924 | 556 | 3,605 | 39,817 | 221,072 |
| **Total** | **636,326** | **917,984** | **26,815** | **7,111** | **33,786** | **193,791** | **656,481** |
| (i) Maturity analysis is presented using the contractual and discounted cash flow. | | | | | | | |

#### 7.1.2 Interest expense

##### Total interest expense

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2020 | Six months to 30 June 2019 |
| Interest on leases | (32,350) | (16,258) |
| Other interest expense | (437) | – |
| **Total interest expense** | **(32,787)** | **(16,258)** |

‘Other interest expense’ includes costs incurred in connection with the borrowing of funds and includes short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

Interest expense is recognised as an expense in the period in which it is incurred.

The DJPR recognises borrowing costs immediately as an expense, even where they are directly attributable to the acquisition, construction or production of a qualifying asset.

### 7.2 Leases

Information about leases for which the DJPR is a lessee is presented below.

##### The DJPR’s leasing activities

The DJPR leases various properties and motor vehicles. The lease contracts are typically made for fixed periods of 1–10 years with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals.

#### 7.2.1 (a) Right of use assets

Right-of-use assets are presented in Note 5.1(a).

#### 7.2.1 (b) Amounts recognised in the consolidated comprehensive operating statement

The following amounts are recognised in the comprehensive operating statement relating to leases:

|  | ($ thousand) |
| --- | --- |
|  | 2020 |
| Interest expense on lease liabilities | (32,350) |
| **Total amount recognised in the comprehensive operating statement** | **(32,350)** |

#### 7.2.1 (c) Amounts recognised in the cash flow statement

The following amounts are recognised in the cash flow statement for the year ending 30 June 2020 relating to leases.

|  | ($ thousand) |
| --- | --- |
|  | 2020 |
| **Total cash outflow for leases** | **321** |

For any new contracts entered into on or after 1 July 2019, the DJPR considers whether a contract is, or contains a lease. A lease is defined as ‘a contact or part of a contract, that conveys the right of use of an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition the DJPR assesses whether the contract meets three key evaluations which are whether:

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through net result:

* the DJPR has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and the DJPR has the right to direct the used of the identified asset throughout the period of use; and

the DJPR has the right to make decisions in respect of ‘how and for what purpose’ the asset is used throughout the period of use.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

##### Separation of lease and non-lease components

At inception or on reassessment of a contract that contains a lease component, the lessee is required to separate out and account separately for non‑lease components within a lease contract and exclude these amounts when determining the lease liability and right-of-use asset amount.

##### Recognition and measurement of leases as a lessee (under AASB 16 from 1 July 2019)

##### Lease liability – initial measurement

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or the DJPR’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

* fixed payments (including in-substance fixed payments);
* variable payments based on an index or rate, initially measured using the index or rate as at the commencement date;
* amounts expected to be payable under a residual value guarantee; and

payments arising from purchase and termination options reasonably certain to be exercised.

###### Lease liability – subsequent measurement

Subsequent to initial measurement, the liability will be reduced for payments made and increases for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-stance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right‑of-use asset, or profit and loss if the right‑of‑use asset is already reduced to zero.

##### Presentation of right-of-use assets and lease liabilities

The DJPR presents right-of-use assets as ‘property plant and equipment’ in the balance sheet. Lease liabilities are presented as ‘borrowings’ in the balance sheet.

##### Recognition and measurement of leases (under AASB 117 until 30 June 2019)

In the comparative period, leases of property, plant and equipment were classified as either finance lease or operating leases.

Leases of property, plant and equipment where the DJPR is a lessee had substantially all of the risks and rewards of ownership classified as finance leases. Finance leases were initially recognised as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The leased asset is accounted for as a non-financial physical asset and depreciated over the shorter of the estimated useful life of the asset or the term of the lease. Minimum finance lease payments were apportioned between the reduction of the outstanding lease liability and the periodic finance expense, which is calculated using the interest rate implicit in the lease and charged directly to the comprehensive operating statement.

Contingent rentals associated with finance leases were recognised as an expense in the period in which they are incurred.

Assets held under other leases were classified as operating leases and were not recognised in the DJPR’s balance sheet. Operating lease payments were recognised as an operating expense in the comprehensive operating statement on a straight‑line basis over the lease term.

##### Commissioned Public Private Partnerships (PPPs)

###### Royal Melbourne Showgrounds

The state has entered into a joint operation agreement with the Royal Agricultural Society of Victoria Limited (RASV) to redevelop the Royal Melbourne Showgrounds. The agreement came into effect on 30 June 2005. Two joint operation structures were established: an unincorporated joint operation to carry out and deliver the joint operation project, and an incorporated joint operation entity, Showgrounds Nominees Pty Ltd to hold the assets of the joint operation and to enter into agreements on behalf of the State and RASV.

In June 2006, Showgrounds Nominees Pty Ltd entered into a Development and Operations Agreement (on behalf of the State and RASV) with the Concessionaire, PPP Solutions (Showgrounds) Nominee Pty Ltd to design, construct, finance and maintain the new facilities at the showgrounds. The project operation term is 25 years from the date of commercial acceptance of completed works, which occurred in August 2006. The showgrounds buildings will revert to the joint operation on the conclusion of the lease arrangement.

The payments that relate to the redevelopment of the showgrounds are accounted for as a lease as disclosed in the table above. In addition, the DJPR also pays operating and maintenance costs.

Under the joint venture agreements, the State has agreed to support certain obligations of RASV that may arise out of the joint operation agreement. In accordance with the terms set out in the state commitment to RASV, the State will pay (in the form of a loan), the amount requested by RASV. If any outstanding loan amount remains unpaid at the date which is 25 years after the commencement of the operation term under the Development and Operation Agreement, RASV will be obliged to satisfy and discharge each such outstanding loan amount. This may take the form of a transfer to the State, of the whole of the RASV participating interest in the joint operation.

In May 2020, RASV advised the DJPR that it is unable to meet its share of the quarterly service payments to the Concessionaire. Accordingly, the DJPR has recognised a financial guarantee liability amounting to $61.12 million in relation to this obligation. This liability is disclosed in Note 6.2.

###### Biosciences Research Centre

In April 2008, the state, represented by the former Department of Primary Industries entered into a joint operation agreement with La Trobe University (La Trobe) to establish a world-class research facility known as AgriBio, Centre for AgriBioscience.

On 30 April 2009, Biosciences Research Centre Pty Ltd entered into a Project Agreement (on behalf of the state and La Trobe) with Plenary Research Pty Ltd (the Concessionaire) to design, construct, finance and maintain a facility over the project’s operating term. The project’s operating term is 25 years from the date of commercial acceptance, which occurred on 18 July 2012.

The service fee payments that relate to the project facility are accounted for as a lease as disclosed in the table below. In addition, the DJPR also pays operating and maintenance costs.

###### Melbourne Convention and Exhibition Centre (MCEC) (Expansion Stage)

The MCEC Expansion Project (Stage 2) was announced in the 2015–16 Budget. The project was being delivered as a modification under the existing Melbourne Convention Centre Development Project. The project extended the existing MCEC facilities, adding nearly 20,000 square metres of flexible, multi-purpose event space, including meeting rooms, a new banquet hall and 9,000 square metres of new exhibition space, and a central hub linking to the existing MCEC facilities. On 28 May 2016, the State entered into a Project Agreement with MECE Project Pty Ltd (the Concessionaire) for the design, construction, partial financing and maintenance of the MCEC Expansion over the project’s operating term to 2034. The project operation term is 16 years for partial build cost. The MCEC Expansion was officially opened on 8 July 2018, with Commercial Acceptance achieved on 13 July 2018.

##### Commissioned PPPs related lease liabilities payable

|  | ($ thousand) | | | |
| --- | --- | --- | --- | --- |
|  | Minimum future  ease payments (i) | | Present value of minimum future lease payments | |
|  | 2020 | 2019 | 2020 | 2019 |
| **Royal Melbourne Showgrounds** |  |  |  |  |
| Not longer than one year | 5,730 | 5,730 | 5,388 | 5,388 |
| Longer than one year but no later than five years | 22,915 | 22,919 | 16,928 | 16,931 |
| Longer than five years | 35,168 | 40,893 | 15,861 | 17,648 |
| **Biosciences Research Centre (i)** |  |  |  |  |
| Not longer than one year | 24,329 | 23,524 | 23,130 | 22,365 |
| Longer than one year but no later than five years | 102,556 | 99,142 | 79,783 | 77,127 |
| Longer than five years | 335,823 | 357,614 | 143,494 | 147,178 |
| **Melbourne Exhibition and Convention Centre** |  |  |  |  |
| Not longer than one year | 3,643 | 3,643 | 3,509 | 3,509 |
| Longer than one year but no later than five years | 14,573 | 14,573 | 12,097 | 12,097 |
| Longer than five years | 31,877 | 35,520 | 18,177 | 19,708 |
| **Other lease liabilities payable (ii)** |  |  |  |  |
| Not longer than one year | 9,205 | 6,258 | 8,743 | 5,956 |
| Longer than one year but no later than five years | 12,185 | 7,889 | 11,816 | 7,652 |
| Longer than five years | – | – | – | – |
| **Minimum future lease payments** | **598,004** | **617,705** | **338,926** | **335,559** |
| less future finance charges | (259,077) | (282,145) |  |  |
| **Present value of minimum lease payments** | **338,927** | **335,560** | **338,926** | **335,559** |
| Included in the financial statements as: |  |  |  |  |
| Current borrowings lease liabilities (Note 7.1) | – | – | 35,478 | 37,595 |
| Non-current borrowings lease liabilities (Note 7.1) | – | – | 305,715 | 298,452 |
| **Total** | **–** | **–** | **341,193** | **336,047** |
| (i) Minimum future lease payments include the aggregate of all base payments and any guaranteed residual.  (ii) Other lease liabilities include obligations that are recognised on the balance sheet, the future payments related to operating and lease commitments are disclosed in Note 7.5. | | | | |

### 7.3 Cash flow information and balances

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short-term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

For the purpose of the cash flow statement, cash includes cash-on-hand and in bank (including funds held in trust), net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

#### 7.3.1 Cash and cash equivalents

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2020 | 2019 |
| Cash and short term deposits | 7,962 | 45,277 |
| Funds held in trust | 396,364 | 466,594 |
| **Balance as per cash flow statement** | **404,326** | **511,871** |

Due to the State of Victoria’s investment policy and government funding arrangements, the DJPR does not hold a large cash reserve in its bank accounts. Cash received by the DJPR from the generation of income is generally paid into the State’s bank account, known as the Public Account. Similarly, any departmental expenditure, including those in the form of cheques drawn by the DJPR for the payment of goods and services to its suppliers and creditors are made via the Public Account. The process is such that, the Public Account would remit to the DJPR the cash required for the amount drawn on the cheques. This remittance by the Public Account occurs upon the presentation of the cheques by the DJPR’s suppliers or creditors.

The above funding arrangements often result in the DJPR having a notional shortfall in the cash at bank required for payment of unpresented cheques at the reporting period.

At 30 June 2020, cash at bank included the amount of a notional shortfall for the payment of unpresented cheques of $71,320 (2019: $80,005).

#### 7.3.2 Reconciliation of net result for the period to cash flow from operating activities

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2020 | 2019 |
| **Net result for the period** | **(10,487)** | **(13,439)** |
| Prior year adjustment | – | (5,045) |
| **Adjusted net result for the period** | **(10,487)** | **(18,484)** |
| **Non-cash movements** |  |  |
| Gain on sale of disposal of non-current assets | (613) | (707) |
| Depreciation and amortisation of non-financial assets and intangible assets | 51,289 | 18,073 |
| Financial guarantee | 61,120 | – |
| Net loss arising from impairment of property plant and equipment | 258 | 1,582 |
| Revaluation of biological assets | – | (48) |
| Revaluation of investments | (9,740) | – |
| Realised loss on foreign exchange | 1,272 | 814 |
| Impairment of loans and receivables | 389 | 150 |
| Revaluation of long service leave liability | 1,101 | 506 |
| **Movements in assets and liabilities** |  |  |
| (Increase)/decrease in receivables | 24,339 | (18,915) |
| Increase/(decrease) in payables | (97,436) | 267,122 |
| Increase/(decrease) in provisions | 8,031 | 7,279 |
| **Net cash flows used in operating activities** | **29,523** | **257,672** |

### 7.4 Trust account balances

The DJPR has responsibility for transactions and balances relating to trust funds held on behalf of third parties external to the DJPR. Funds managed on behalf of third parties are not recognised in these financial statements as they are managed on a fiduciary and custodial basis, and therefore are not controlled by the DJPR.

#### 7.4.1 Trust account balances relating to trust accounts controlled by the DJPR

The following list of controlled trust account balances on a cash basis:

|  | ($ thousand) | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2020 | | | | 2019 | | | |
| Controlled Trusts | Opening Balance as at 1 July 2019 | Total  Receipts | Total Payments | Closing balance as at 30 June 2020 | MoG transferred In | Total  Receipts | Total Payments | Closing balance as at 30 June 2019 |
| **State trusts** |  |  |  |  |  |  |  |  |
| Regional Jobs and Infrastructure Fund Established under the Regional Growth Fund Act 2011 to support regional cities and country communities in infrastructure, facilities, services, job creation, career opportunities and to increase investment. | 243,768 | 841,457 | (881,163) | 204,062 | 231,438 | 67,543 | (55,213) | 243,768 |
| State Development Special Projects Trust Account Established under section 19 of the Financial Management Act 1994, to assist in facilitating, encouraging, promoting and carrying out activities leading to a balanced economic development of the State of Victoria. | 47,966 | 118,162 | (125,784) | 40,344 | 45,411 | 6,149 | (3,594) | 47,966 |
| Agriculture Projects Trust Account Established under section 19 of the Financial Management Act 1994, to assist in facilitating, encouraging, promoting and carrying out activities leading to a balanced economic development of the State of Victoria. | 48,664 | 91,433 | (96,570) | 43,527 | 55,953 | 6,254 | (13,543) | 48,664 |
| Disease Compensation Funds Established under section 5 of the Livestock Disease Control Act 1994 to support the control and eradication of any outbreak and to provide compensation for livestock destroyed due to suffering or suspected of suffering from diseases. | 31,753 | 9,403 | (5,200) | 35,956 | 29,786 | 3,664 | (1,697) | 31,753 |
| Plant, Equipment and Machinery Trust Accounts Operate under section 23 of the Conservation, Forests and Lands Act 1987 and section 141 of the Fisheries Act 1995 to enable the purchase of plant, equipment or machinery required for the purposes of the Acts, and for the operation, maintenance and repair of that plant, equipment or machinery, and to enable the payment of any other expenses in relation thereto. | 1,963 | 948 | (970) | 1,941 | 2,904 | – | (941) | 1,963 |
| State Treasury Trust Fund Established under the Financial Management Act 1994 to record the receipt and disbursement of unclaimed monies and other funds held in trust. | 413 | 2,713 | (3,350) | (224) | 1,136 | 485 | (1,208) | 413 |
| Inter-departmental Transfer Fund The trust was established under section 19 of the Financial Management Act 1994 by the Minister for Finance to record inter-departmental transfers when no other trust arrangement exists. | 19,846 | 178,143 | (149,727) | 48,262 | 1,381 | 52,423 | (33,958) | 19,846 |
| Animals in Research and Teaching Welfare Fund Established under the Prevention of Cruelty to Animals Act 1986 to record the receipt and disbursement of funds collected for monitoring and reporting on compliance by animal research and teaching establishments. | 179 | 1,005 | (639) | 545 | 154 | 30 | (5) | 179 |
| Commonwealth Treasury Trust Fund Established under section 19 of the Financial Management Act 1994, for the purpose of holding funds from the Commonwealth Government. | 72,042 | 64,949 | (115,040) | 21,951 | 95,417 | 827 | (24,202) | 72,042 |
| VicFleet Trust Fund Established under section 19 (2) of the Financial Management Act 1994 as a specific purpose operating account. It receives funding and makes payments in relation to the motor vehicle pool. | – | 2,024 | (2,024) | – | – | 6,642 | (6,642) | – |
| **Total controlled trusts** | **466,594** | **1,310,237** | **(1,380,467)** | **396,364** | **463,580** | **144,017** | **(141,003)** | **466,594** |

#### 7.4.2 Trust account balances relating to trust accounts administered by the DJPR

The DJPR has responsibility for transactions and balances relating to trust funds held on behalf of third parties external to the DJPR. Funds managed on behalf of third parties are not recognised in these financial statements as they are managed on a fiduciary and custodial basis, and therefore are not controlled by the DJPR.

The following list of administered trust account balances on a cash basis:

|  | ($ thousand) | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2020 | | | | 2019 | | | |
| **Administered trusts** | Opening Balance as at 1 July 2019 | Total  Receipts | Total Payments | Closing balance as at 30 June 2020 | MoG transferred In | Total  Receipts | Total Payments | Closing balance as at 30 June 2019 |
| **State trusts** |  |  |  |  |  |  |  |  |
| **Lysterfield Reclamation Levy Trust Fund**  Established under section 7 of the Extractive Industries (Lysterfield) Act 1986 for the purposes of applying monies received in the trust to the reclamation of certain lands in accordance with the Act. | 5,760 | – | (684) | 5,076 | 5,513 | 247 | – | 5,760 |
| **State Treasury Trust Fund**  Established under the Financial Management Act 1994 to record the receipt and disbursement of unclaimed monies and other funds held in trust. | 177 | 1 | – | 178 | 164 | 13 | – | 177 |
| **ANZAC Day Proceeds Trust Fund**  Established under the ANZAC Day Act 1958 to receive funds as required to be paid by the Anzac Day Act 1958 and the Racing Act 1958 and to be credited to the Victorian Veterans Fund. | 27 | 113 | – | 140 | 27 | – | – | 27 |
| **Public Service Commuters Club**  Established under the Financial Management Act 1994 to record the receipt of amounts associated with the scheme and deductions from club members salaries as well as recording payment to the Public Transport Corporation. | (257) | 1,250 | (7) | 986 | – | – | (257) | (257) |
| **Total administered trusts** | **5,707** | **1,364** | **(691)** | **6,380** | **5,704** | **260** | **(257)** | **5,707** |

### 7.5 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

#### 7.5.1 Net commitments payable

##### Nominal Amounts: 2020

|  | ($ thousand) | | | |
| --- | --- | --- | --- | --- |
|  | Less than 1 year | Between 1 and 5 years | Over 5 years | Total |
| Public private partnership commitments | 15,610 | 44,176 | 197,446 | 257,232 |
| Capital expenditure commitments | 4,525 | 28 | – | 4,552 |
| Other operating commitments | 61,323 | 33,492 | 5,090 | 99,905 |
| Accommodation expenses payable (i) | 37,865 | 13,061 | – | 50,927 |
| Grant commitments | 339,742 | 347,459 | 9,476 | 696,677 |
| **Total commitment (inclusive of GST)** | **459,065** | **438,216** | **212,012** | **1,109,293** |
| **Less GST recoverable** |  |  |  | **(100,845)** |
| **Total commitment (exclusive of GST)** |  |  |  | **1,008,448** |

##### Nominal Amounts: 2019

|  | ($ thousand) | | | |
| --- | --- | --- | --- | --- |
|  | Less than 1 year | Between 1 and 5 years | Over 5 years | Total |
| Public private partnership commitments | 8,515 | 48,124 | 209,108 | 265,747 |
| Capital expenditure commitments | 645 | 3 | – | 648 |
| Operating and lease commitments | 55,546 | 140,304 | 21,421 | 217,271 |
| Other operating commitments | 95,683 | 4,130 | 130 | 99,943 |
| Grant commitments | 820,316 | 416,033 | 13,478 | 1,249,827 |
| **Total commitment (inclusive of GST)** | **980,705** | **608,594** | **244,137** | **1,833,436** |
| **Less GST recoverable** |  |  |  | **(166,676)** |
| **Total commitment (exclusive of GST)** |  |  |  | **1,666,760** |
| (i) The DJPR has an occupancy agreement, ending on 31 October 2021, with the Department of Treasury and Finance Shared Service Provider for office accommodation across multiple CBD, Metropolitan and Regional locations and other related services, including management fee, maintenance, cleaning, utility costs, security, waste, rates and taxes and other statutory outgoings. | | | | |

#### 7.5.2 Controlled Public Private Partnership (PPP) commitments

The DJPR may enter into arrangements with private sector participants to design and construct or upgrade assets used to provide public services. These arrangements usually include the provision of design and construct, operational and maintenance services for a specified period of time. These arrangements are often referred to as either PPPs or service concession arrangements (SCAs).

PPPs usually take one of two main forms. In the more common form, the DJPR pays the operator over the arrangement period, subject to specified performance criteria being met. At the date of commitment to the principal provisions of the arrangement, these estimated periodic payments are allocated between a component related to the design and construction or upgrading of the asset and components related to the ongoing operation and maintenance of the asset. The former component is accounted for as a lease payment in accordance with the leases accounting policy. The remaining components are accounted for as commitments for operating costs, which are expensed in the comprehensive operating statement as they are incurred. The other, less common, form of SCA is one in which the DJPR grants to an operator, for a specified period of time, the right to collect fees from users of the SCA asset, in return for which the operator constructs the asset and has the obligation to supply agreed upon services, including maintenance of the asset for the period of the concession. These private sector entities typically lease land, and sometimes state works, from the DJPR and construct infrastructure. At the end of the concession period, the land and state works, together with the constructed facilities, will be returned to the DJPR.

After 1 July 2019, AASB 1059 Service Concession Arrangements: Grantors applies to arrangements where an operator provides public services, using a service concession asset, on behalf of the State and importantly, the operator manages at least some of the public service at its own discretion. The State must also control the asset for AASB 1059 to apply. This means that certain PPP arrangements will not be within the scope of AASB 1059 and will continue to be accounted for as either leases or assets being constructed by the State and conversely, certain arrangements that are not PPPs (such as certain external service arrangements) could be captured within the scope of AASB 1059.DJPR has reviewed its PPP arrangements and have determined that these arrangements will not be accounted for under AASB 1059 but will continue to be accounted for under AASB 116 Leases as lease liabilities.

Prior to 1 July 2019, PPPs for which the State had to make payment in exchange for the PPP asset were accounted for under AASB 117 Leases as finance leases, where recognition criteria was met. Alternatively, where the State did not have an obligation to pay cash to the private sector but instead granted them the right to collect fees from users, the assets would only be recognised when they are returned to the State at the end of the concession period.

#### 7.5.2 Controlled Public Private Partnership (PPP) commitments (continued)

|  | ($ thousand) | | | |
| --- | --- | --- | --- | --- |
|  | 2020 | | 2019 | |
|  | Other Commitments(i) | Other Commitments | Other Commitments(i) | Commitments |
|  | Present Value | Nominal Value | Present Value | Nominal Value |
| **Commissioned PPP Commitments payable** | | | | |
| Royal Melbourne Showgrounds (ii) | 18,657 | 32,031 | 19,158 | 34,416 |
| Biosciences Research Centre (iii) (iv) | 130,477 | 262,874 | 127,608 | 271,216 |
| Melbourne Convention and Exhibition Centre Expansion Project (v) | 45,565 | 68,782 | 46,802 | 72,763 |
| **Total commitments payable for PPPs** | **194,699** | **363,687** | **193,570** | **378,395** |
|  |  |  |  |  |
| **Commissioned PPP Commitments receivable** | | | | |
| Royal Melbourne Showgrounds (ii) | (9,329) | (16,015) | (9,579) | (17,208) |
| Biosciences Research Centre (iii) (iv) | (10,936) | (21,657) | (10,999) | (22,677) |
| Melbourne Convention and Exhibition Centre Expansion Project (v) | (45,565) | (68,782) | (46,802) | (72,763) |
| Less GST recoverable from the ATO | (11,715) | (23,385) | (11,472) | (24,159) |
| Total commitments receivable for PPPs | (77,545) | (129,839) | (78,852) | (136,807) |
| Net commitments for PPP (exclusive of GST) | 117,154 | 233,848 | 114,718 | 241,588 |
| (i) Other commitments relate to operating maintenance and life cycle costs.  (ii) The figures represent 100 per cent of the total commitment under the terms of the PPP with the concessionaire offset by a 50 per cent of the quarterly service payment recoupment under the terms of the joint arrangement with Royal Melbourne Showgrounds.  (iii) The figures represent 100 per cent of the operating commitment under the terms of the PPP with the concessionaire, offset by a 25 per cent of the general operating costs recoupment from La Trobe University under the terms of the joint arrangement. In 2016, La Trobe University has prepaid the net present value of its commitment to fund 25 per cent of the Biosciences Research Centre operating costs resulting in the DJPR recognising a liability for this prepayment that will be offset against the Bioscience Research Centre operating costs over the remaining contract term.  (iv) Other operating commitments for the Biosciences Research Centre exclude pass through costs related to utilities, waste management and insurance on the basis that they are variable in nature and cannot be reliably estimated.  (v) The figures represent 100 per cent of commitment payable under the terms of the PPP with the concessionaire for the expansion stage of the Melbourne Centre and Exhibition Project which commenced in April 2018, offset by a 100% recoupment of the quarterly service payment under the terms of the memorandum of understanding with Melbourne Convention and Exhibition Trust. | | | | |

#### 7.5.3 Administered Public Private Partnership (PPP) commitments

##### Melbourne Convention Centre development project finance lease commitments

|  | ($ thousand) | | | |
| --- | --- | --- | --- | --- |
|  | Minimum future lease payments | | Present value of future lease payments | |
|  | 2020 | 2019 | 2020 | 2019 |
| **Commissioned PPP related lease commitments** | | | | |
| Not longer than one year | 49,608 | 48,358 | 40,388 | 41,760 |
| Longer than one year but not longer than five years | 211,615 | 206,271 | 141,855 | 142,467 |
| Longer than five years | 528,557 | 583,509 | 218,290 | 221,555 |
| **Minimum future lease payments** | **789,780** | **838,138** | **400,533** | **405,782** |
| Less future finance charges | (389,247) | (432,356) | – | – |
| **Present value of minimum lease payments** | **400,533** | **405,782** | **400,533** | **405,782** |

##### Melbourne Convention Centre development project other commitments

|  | ($ thousand) | | | |
| --- | --- | --- | --- | --- |
|  | Minimum future lease payments | | Present value of future lease payments | |
|  | 2020 | 2019 | 2020 | 2019 |
| **Commissioned PPP related other commitments** | | | | |
| Not longer than one year | 21,424 | 20,926 | 17,442 | 18,425 |
| Longer than one year but not longer than five years | 90,896 | 88,794 | 60,945 | 64,384 |
| Longer than five years | 223,723 | 247,249 | 92,500 | 106,504 |
| **Minimum future lease payments** | **336,043** | **356,969** | **170,887** | **189,313** |
| Less future finance charges | (165,156) | (167,656) | – | – |
| **Present value of minimum other payments** | **170,877** | **189,313** | **170,887** | **189,313** |

In May 2006, the State of Victoria entered into an agreement under its Partnerships Victoria policy for the development and maintenance of the Melbourne Convention Centre (MCC) facility by a private sector consortium (the lessor).

The lessor was responsible for construction of the new facility convention centre (Stage 1), which commenced in June 2006 and commercial acceptance was achieved on 31 March 2009. Upon its completion, the DJPR on behalf of the State of Victoria was granted a 25 year finance lease by the lessor, and entered into an agreement under which the new facility will be operated by the Melbourne Convention and Exhibition Trust (MCET).

It is estimated as at 30 June 2019 that future lease payments relating to the facility constructed in 2009 amount to $405.8 million in net present value terms, or $838.1 million in nominal dollars, to be paid to the lessor over a 25 year period which commenced 1 January 2009 over the respective lease period till 2034. At the initial construction of the convention centre in 2009, the DJPR on behalf of the State of Victoria had entered into a loan agreement with MCET under which MCET undertook to repay the State of Victoria 50 per cent ($227.5 million) of the value of the asset ($455 million) over a 25 year period.

As part of the 25 year lease arrangement, the lessor provides services, maintenance, and refurbishments in return for a fixed (inflation adjusted) quarterly service payment from the State of Victoria for the existing facility. It is estimated that as at 30 June 2020, these future service payments amount to $170.9 million in net present value terms, or $336.0 million in nominal dollars, over the 25 year lease term.

Ownership of the MCC facility will transfer to the State of Victoria at the end of the 25 year lease period at no cost.

# 8. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

### Introduction

The DJPR is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the DJPR related mainly to fair value determination.

### Structure

8.1 Financial instruments specific disclosures

8.2 Contingent assets and contingent liabilities

8.3 Fair value determination

### 8.1 Financial instruments specific disclosures

#### Introduction

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the DJPR’s activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example taxes, fines and penalties). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 Financial Instruments: Presentation.

Guarantees issued on behalf of the DJPR are financial instruments because, although authorised under statute, terms and conditions for each financial guarantee may vary and are subject to an agreement.

###### Financial Assets at amortised cost

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through net result:

* the assets are held by the DJPR to collect the contractual cash flows, and

the assets’ contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

The DJPR recognises the following assets in this category:

* cash and deposits;
* investments;
* receivables (excluding statutory receivables); and

term deposits.

Financial assets and liabilities at fair value through net result are categorised as such at trade date, or if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through net result on the basis that the financial assets form part of a group of financial assets that are managed based on their fair values and have their performance evaluated in accordance with documented risk management and investment strategies. Financial instruments at fair value through net result are initially measured at fair value; attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows unless the changes in fair value relate to changes in DJPR’s own credit risk. In this case, the portion of the change attributable to changes in DJPR’s own credit risk is recognised in other comprehensive income with no subsequent recycling to net result when the financial liability is derecognised. DJPR recognises some debt securities that are held for trading in this category and designated certain debt securities as fair value through net result in this category.

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method. DJPR recognises the following liabilities in this category:

* payables (excluding statutory payables);
* borrowings;
* financial guarantee; and

lease liabilities.

Derivative financial instruments are classified as held for trading financial assets and liabilities. They are initially recognised at fair value on the date on which a derivative contract is entered into. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives after initial recognition are recognised in the comprehensive operating statement as an ‘other economic flow’ included in the net result.

Offsetting financial instruments: Financial instrument assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the DJPR concerned has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Some master netting arrangements do not result in an offset of balance sheet assets and liabilities. Where DJPR does not have a legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default, insolvency or bankruptcy, they are reported on a gross basis.

###### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

* the rights to receive cash flows from the asset have expired; or
* DJPR retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass through’ arrangement; or
* DJPR has transferred its rights to receive cash flows from the asset and either:

(a) has transferred substantially all the risks and rewards of the asset; or

(b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where DJPR has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of DJPR’s continuing involvement in the asset.

###### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an other economic flow in the estimated comprehensive operating statement.

Reclassification of financial instruments: Subsequent to initial recognition reclassification of financial liabilities is not permitted. Financial assets are required to reclassified between fair value through net result, fair value through other comprehensive income and amortised cost when and only when DJPRs’ business model for managing its financial assets has changes such that its previous model would no longer apply. However, DJPR is generally unable to change its business model because it is determined by the Performance Management Framework (PMF) and all Victorian government departments are required to apply the PMF under the Standing Directions of the Assistant Treasurer 2018.

If under rare circumstances an asset is reclassified, the reclassification is applied prospectively from the reclassification date and previously recognised gains, losses or interest should not be restated. If the asset is reclassified to fair value, the fair value should be determined at the reclassification date and any gain or loss arising from a difference between the previous carrying amount and fair value is recognised in net result.

#### 8.1.1 Financial instruments: Categorisation

|  | ($ thousand) | | | | |
| --- | --- | --- | --- | --- | --- |
|  | Cash and deposits | Financial assets/ liabilities at fair value through net result | Financial assets at amortised cost | Financial liabilities at amortised cost | Total |
| **2020** |  |  |  |  |  |
| **Contractual financial assets** |  |  |  |  |  |
| Cash and deposits | 404,326 | – | – | – | 404,326 |
| Receivables (i) | – | 8,294 | 353,139 | – | 361,433 |
| Investments | – | 9,986 | 71 | – | 10,057 |
| **Total contractual financial assets** | **404,326** | **18,280** | **353,210** | **–** | **775,816** |
| **Contractual financial liabilities** |  |  |  |  |  |
| Payables (i) |  |  |  |  |  |
| – Supplies and services | – | 2,794 | – | 71,772 | 74,566 |
| – Amounts payable to government and agencies | – | – | – | 160,274 | 160,274 |
| – Financial guarantees | – | – | – | 61,120 | 61,120 |
| – Other payables | – | – | – | 34,689 | 34,689 |
| Borrowings |  |  |  |  |  |
| – Lease liabilities | – | – | – | 341,193 | 341,193 |
| – Advances from government | – | – | – | 35,956 | 35,956 |
| – Advances from Commonwealth | – | – | – | 234,549 | 234,549 |
| **Total contractual financial liabilities** | **–** | **2,794** | **–** | **939,553** | **942,347** |
| (i) Receivables and payables disclosed above exclude statutory receivables (i.e. GST recoverable) and statutory payables (i.e. taxes payable). | | | | | |

|  | ($ thousand) | | | | |
| --- | --- | --- | --- | --- | --- |
|  | Cash and deposits | Financial assets/ liabilities at fair value through net result | Financial assets at amortised cost | Financial liabilities at amortised cost | Total |
| **2019** |  |  |  |  |  |
| **Contractual financial assets** |  |  |  |  |  |
| Cash and deposits | 511,871 | – | – | – | 511,871 |
| Receivables (i) | – | 29,564 | 365,888 | – | 395,452 |
| Investments | – | – | 71 | – | 71 |
| **Total contractual financial assets** | **511,871** | **29,564** | **365,959** | **–** | **907,394** |
| **Contractual financial liabilities** |  |  |  |  |  |
| Payables (i) |  |  |  |  | – |
| – Supplies and services | – | 2,794 | – | 103,536 | 106,330 |
| – Amounts payable to government and agencies | – | – | – | 228,232 | 228,232 |
| – Unearned income | – | – | – | 2,643 | 2,643 |
| – Other payables | – | – | – | 20,277 | 20,277 |
| Borrowings |  |  |  |  |  |
| – Lease liabilities | – | – | – | 336,047 | 336,047 |
| – Advances from government | – | – | – | 31,305 | 31,305 |
| – Advances from Commonwealth | – | – | – | 268,974 | 268,974 |
| **Total contractual financial liabilities** | **–** | **2,794** | **–** | **991,014** | **993,808** |
| (i) Receivables and payables disclosed above exclude statutory receivables (i.e. GST recoverable) and statutory payables (i.e. taxes payable). | | | | | |

#### 8.1.2 Financial instruments: Net holding gain/(loss) on financial instruments by category

|  | ($ thousand) | | | |
| --- | --- | --- | --- | --- |
|  | Revaluation gain | Impairment loss | Interest income/ (expense) | Total |
| **2020** |  |  |  |  |
| **Contractual financial assets** |  |  |  |  |
| Financial assets designated at amortised cost |  | (389) | 3,629 | 3,240 |
| Investments measured at fair value | 9,986 |  |  | 9,986 |
| **Total contractual financial assets** | **9,986** | **(389)** | **3,629** | **13,226** |
| **Contractual financial liabilities** |  |  |  |  |
| Financial liabilities at amortised cost |  | – | (32,787) | (32,787) |
| **Total contractual financial liabilities** |  | **–** | **(32,787)** | **(32,787)** |
| **2019** |  |  |  |  |
| **Contractual financial assets** |  |  |  |  |
| Financial assets designated at amortised cost |  | (150) | 2,324 | 2,174 |
| **Total contractual financial assets** |  | **(150)** | **2,324** | **2,174** |
| **Contractual financial liabilities** |  |  |  |  |
| Financial liabilities at amortised cost |  | – | (16,258) | (16,258) |
| **Total contractual financial liabilities** |  | **–** | **(16,258)** | **(16,258)** |

The net holding gains or losses disclosed above are determined as follows:

* For cash and cash equivalents, loans or receivables, and available-for-sale financial assets, the net gain or loss is calculated by taking the movement in the fair value of the asset, the interest income, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result;
* For financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, and plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost; and

For financial asset and liabilities that are mandatorily measured at or designated at fair value through net result, the net gain or loss is calculated by taking the movement in the fair value of the financial asset or liability.

#### 8.1.3 Financial risk management objectives and policies

The DJPR’s activities expose it primarily to the financial risk of changes in interest rates. The DJPR does not enter into derivative financial instruments to manage its exposure to interest rate.

The DJPR does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The DJPR’s principal financial instruments comprise:

* cash assets
* term deposits
* receivables (excluding statutory receivables)
* payables (excluding statutory payables)
* borrowings, and

lease liabilities.

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 above are disclosed in Note 8.3 – Fair value determination of financial assets and liabilities, to the financial statements.

The main purpose in holding financial instruments is to prudentially manage the DJPR’s financial risks within the government policy parameters.

The DJPR uses different methods to measure and manage the different risks to which it is exposed.

The carrying amounts of the DJPR’s contractual financial assets and financial liabilities by category are disclosed in the Note 8.1.1 – Financial instruments: Categorisation.

#### Financial instruments: Credit risk

Credit risk arises from the contractual financial assets of the DJPR, which comprise cash and deposits, non-statutory receivables and available‑for-sale contractual financial assets. The DJPR’s exposure to credit risk arises from the potential default of the counter party on their contractual obligations resulting in financial loss to the DJPR. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the DJPR’s financial assets is minimal because its main debtor is the Victorian Government. For debtors other than government, it is the DJPR’s policy to only deal with entities with high credit ratings of a minimum triple-B rating and to obtain sufficient collateral or credit enhancements, where appropriate.

In addition, the DJPR does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash and deposits, which are mainly cash at bank. As with the policy for debtors, the DJPR’s policy is to only deal with banks with high credit ratings.

The DJPR mainly holds financial assets that are on fixed interest except for cash assets which are mainly cash at bank. As with the policy for debtors, the DJPR’s policy is to only deal with domestic banks with high credit ratings.

Provision for impairment for contractual financial assets is recognised when there is objective evidence that the DJPR will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue, and changes in debtor credit ratings.

Contract financial assets are written off against the carrying amount when there is no reasonable expectation of recovery. Bad debt written off by mutual consent is classified as a transaction expense. Bad debt written off following a unilateral decision is recognised as other economic flows in the net result.

Except as otherwise detailed in the following table, the carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the DJPR’s maximum exposure to credit risk without taking account of the value of any collateral obtained.

#### Credit quality of contractual financial assets that are neither past due nor impaired.

|  | ($ thousand) | | | |
| --- | --- | --- | --- | --- |
|  | Financial Institution agencies (AAA credit rating) | Government agencies (AAA credit rating) | Other | Total |
| **2020** |  |  |  |  |
| Cash and deposits | 399,377 | 2,044 | 2,905 | 404,326 |
| Receivables (i) | 106,773 | – | 246,366 | 353,139 |
| Investments | – | – | 71 | 71 |
| **Total contractual financial assets** | **506,150** | **2,044** | **249,342** | **757,536** |
| **2019** |  |  |  |  |
| Cash and deposits | 484,651 | 24,475 | 2,745 | 511,871 |
| Receivables (i) | 107,563 | – | 287,889 | 395,452 |
| Investments | – | – | 71 | 71 |
| **Total contractual financial assets** | **592,214** | **24,475** | **290,705** | **907,394** |
| (i) The carrying amounts disclosed exclude statutory receivables (e.g. amounts owing from the State of Victoria and GST recoverable). | | | | |

###### Contractual financial assets that are either past due or impaired

There are no material financial assets which are individually determined to be impaired. Currently, the DJPR does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

###### Impairment of financial assets under AASB 9

From 1 January 2019, the DJPR has been recording the allowance for expected credit loss for the relevant financial instruments, replacing AASB 139’s incurred loss approach with AASB 9’s Expected Credit Loss approach. Subject to AASB 9 impairment assessment includes the DJPR’s contractual receivables, statutory receivables and its investment in debt instruments.

Equity instruments are not subject to impairment under AASB 9. Other financial assets mandatorily measured or designated at fair value through net result are not subject to impairment assessment under AASB 9. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

###### Contractual receivables at amortised cost

The DJPR applies AASB 9 simplified approach for all contractual receivables to measure expected credit losses using a lifetime expected loss allowance based on the assumptions about risk of default and expected loss rates. The DJPR has grouped contractual receivables on shared credit risk characteristics and days past due and select the expected credit loss rate based on DJPR’s receipting trends for the 6 months, existing market conditions, as well as forward‑looking estimates at the end of the financial year.

On this basis, the DJPR determines there is minimal change required to the impairment assessment as a result of the expected credit loss analysis.

Credit loss allowance is classified as other economic flows in the net result. Contractual receivables are written off when there is no reasonable expectation of recovery and impairment losses are classified as a transaction expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

Previously, a provision for doubtful debts was recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. Bad debts considered as written off by mutual consent.

###### Statutory receivables and debt investments at amortised cost

The DJPR’s non-contractual receivables arising from statutory requirements are not financial instruments. However, they are nevertheless recognised and measured in accordance with AASB 9 requirements as if those receivables are financial instruments.

Both the statutory receivables and investments in debt instruments are considered to have low credit risk, taking into account the counterparty’s credit rating, risk of default and capacity to meet contractual cash flow obligations in the near term. As a result, the loss allowance recognised for these financial assets during the period was limited to 12 months expected losses.

###### Financial instruments: Liquidity risk

Liquidity risk is the risk that DJPR would be unable to meet its financial obligations as and when they fall due. The DJPR operates under the government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

The DJPR’s maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the balance sheet. The DJPR manages its liquidity risk by:

* close monitoring of its short-term and long-term borrowings by senior management, including monthly reviews on current and future borrowing levels and requirements;
* maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations;
* holding investments and other contractual financial assets that are readily tradeable in the financial markets;
* careful maturity planning of its financial obligations based on forecasts of future cash flows;

a high credit rating for the State of Victoria (Moody’s Investor Services & Standard & Poor’s triple-A), which assists in accessing debt market at a lower interest rate.

The DJPR’s exposure to liquidity risk is deemed insignificant based the current assessment of risk. Cash for unexpected events is generally sourced from liquidation of financial investments. Maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the balance sheet.

###### Financial instruments: Market risk

The DJPR’s exposures to market risk are primarily through interest rate risk with only insignificant exposure to foreign currency and other price risks. Objectives, policies and processes used to manage each of these risks are disclosed in the paragraphs below:

###### Foreign currency risk

The DJPR is exposed to minimal foreign currency risk through its payables relating to purchases of supplies and consumables from overseas. This is because of a limited amount of purchases denominated in foreign currencies and a short timeframe between commitment and settlement.

###### Interest rate risk

Exposure to interest rate risk is insignificant and might arise primarily through the DJPR’s interest bearing liabilities and assets. The only interest bearing liabilities and assets are the lease liabilities and term deposits. The carrying amounts of financial assets and financial liabilities that are exposed to interest rates and the DJPR’s sensitivity to interest rate risk are set out in the table that follows.

##### Interest rate exposure of financial instruments

|  |  | ($ thousand) | | | | |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | Interest rate exposure | | | | |
|  | Weighted average interest rate | | Carrying amount | Fixed interest rate | Variable interest rate | Non- interest bearing |
| **2020** |  | |  |  |  |  |
| **Financial assets** |  | |  |  |  |  |
| Cash and deposits | 1.06% | | 404,326 | 2,044 | 268,415 | 133,867 |
| Receivables (i) | 1.60% | | 353,139 | – | 232,532 | 120,607 |
| Investments |  | | 71 | – | – | 71 |
| **Total financial assets** |  | | **757,466** | **2,044** | **500,947** | **254,475** |
| **Financial liabilities** |  | |  |  |  |  |
| **Payables (i)** |  | |  |  |  |  |
| Supplies and services |  | | 74,566 | – | – | 74,566 |
| Amounts payable to government and agencies |  | | 160,274 | – | – | 160,274 |
| Financial guarantee |  | | 61,120 | – | – | 61,120 |
| Other payables |  | | 34,689 | – | – | 34,689 |
| **Borrowings** |  | |  |  |  |  |
| Lease liability | 7.83% | | 341,193 | 341,193 | – | – |
| Advances from government |  | | 35,956 | – | – | 35,956 |
| Advances from Commonwealth | 1.53% | | 234,549 | – | 234,549 | – |
| **Total financial liabilities** |  | | **942,346** | **341,193** | **234,549** | **366,605** |
| **2019** |  | |  |  |  |  |
| **Financial assets** |  | |  |  |  |  |
| Cash and deposits | 1.75% | | 511,871 | 24,475 | 300,598 | 186,798 |
| Receivables (i) | 3.07% | | 395,452 | – | 246,587 | 148,865 |
| Investments |  | | 71 | – | – | 71 |
| **Total financial assets** |  | | **907,394** | **24,475** | **547,185** | **335,734** |
| Financial liabilities |  | |  |  |  |  |
| **Payables (i)** |  | |  |  |  |  |
| Supplies and services |  | | 106,330 | – | – | 106,330 |
| Amounts payable to government and agencies |  | | 228,232 | – | – | 228,232 |
| Other payables |  | | 20,277 | – | – | 20,277 |
| **Borrowings** |  | |  |  |  |  |
| Lease liability | 7.99% | | 336,047 | 336,047 | – | – |
| Advances from government |  | | 31,305 | – | – | 31,305 |
| Advances from Commonwealth | 1.53% | | 268,974 | – | 268,974 | – |
| **Total financial liabilities** |  | | **991,165** | **336,047** | **268,974** | **386,144** |
| (i) The carrying amounts disclosed exclude statutory receivables and payables (e.g. amounts owing from Victorian Government, GST recoverable and GST payable). | | | | | | |

##### Sensitivity analysis disclosure

The DJPR’s sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five year period. The following movements are “reasonably possible” over the next 12 months.

A shift of +100 basis points (1%) per cent and -100 basis points (1%) per cent in market interest rates (AUD) from year-end rates.

The table below discloses the impact on the DJPR’s net result and equity for each category of financial instrument held by the DJPR at the end of the reporting period as presented to key management personnel if the above movements were to occur.

##### Interest rate risk sensitivity

|  | ($ thousand) | | |
| --- | --- | --- | --- |
|  |  | Interest rate | |
|  |  | -100 basis points | +100 basis points |
|  | Carrying amount | Net result | Net result |
| **2020** |  |  |  |
| **Contractual financial assets** |  |  |  |
| Cash and deposits | 404,326 | (4,043) | 4,043 |
| Receivables | 353,139 | (3,531) | 3,531 |
| Investments | 71 | (1) | 1 |
| **Total impact** |  | **(7,575)** | **7,575** |
| **Contractual financial liabilities** |  |  |  |
| Payables | 269,529 | (2,695) | 2,695 |
| Lease liabilities | 341,193 | (3,412) | 3,412 |
| Advances from Government | 35,956 | (360) | 360 |
| Advances from Commonwealth | 234,549 | (2,345) | 2,345 |
| **Total impact** |  | **(8,812)** | **8,812** |
| **2019** |  |  |  |
| Contractual financial assets |  |  |  |
| Cash and deposits | 511,871 | (5,119) | 5,119 |
| Receivables | 365,888 | (3,659) | 3,659 |
| Investments | 71 | (1) | 1 |
| **Total impact** |  | **(8,778)** | **8,778** |
| **Contractual financial liabilities** |  |  |  |
| Payables | 354,839 | (3,548) | 3,548 |
| Lease liabilities | 336,047 | (3,360) | 3,360 |
| Advances from Government | 31,305 | (313) | 313 |
| Advances from Commonwealth | 268,974 | (2,690) | 2,690 |
| **Total impact** |  | **(9,912)** | **9,912** |

### 8.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

#### Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the DJPR.

The DJPR did not have any significant contingent assets as at 30 June 2020 (2019: $nil).

#### Contingent liabilities

* possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or
* present obligations that arise from past events but are not recognised because:
* it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations, or
* the amount of the obligations cannot be measured with sufficient reliability.

Contingent liabilities are also classified as either quantifiable or non-quantifiable.

##### Quantifiable contingent liabilities as at 30 June

|  |  |  |
| --- | --- | --- |
|  | ($ thousand) | |
|  | 2020 | 2019 |
| Legal disputes | 1,144 | 1,087 |
| Insurance claims | 502 | 801 |
| Mining site rehabilitation bonds (i) | 55,790 | 29,763 |
| **Total contingent liabilities** | **57,436** | **31,651** |
| (i) This contingent liability has been raised as per the requirements under the Mineral Resources (Sustainable Development) Act 1990, which stipulate that the holders of an exploration or mining licence, or extractive industry work authority are required to rehabilitate their earth resources sites (details of responsibility in the Act), and failure to do so by them, may result in the State being liable to rehabilitate the sites under the Act. The contingent liability represents an estimate of the State’s possible financial exposure, in the event that authority holders with a rehabilitation bond shortfall default on their obligations and the State makes a determination to rehabilitate the sites. | | |

#### Non-quantifiable contingent liabilities

From time to time the DJPR enters into arrangements with other parties to compensate them for losses they might incur as a result of transactions they enter into. The arrangements are evaluated to establish whether they represent onerous contracts, contingent liabilities or whether they are executory in nature.

There are a number of litigation matters underway at balance date, the details of which are not disclosed in order not to prejudice the cases.

Contingent liabilities are not secured over any of the assets of the DJPR.

#### Non-quantifiable contingent liabilities – joint arrangements

##### Royal Melbourne Showgrounds

The State has entered into an agreement through the State Support Deed – Non-Core Land with Showgrounds Retail Developments Pty Ltd and the RASV whereby the State agrees to support certain payment obligations of RASV that may arise under the Non-Core Development Agreement.

##### Biosciences Research Centre

The service fee payment obligations of Biosciences Research Centre Pty Ltd (on behalf of the joint operation participants) are supported by the State of Victoria via a State Support Deed. Under this Deed, the State ensures that the joint operation participants have (severally) the financial capacity to meet their payment obligations to the company, thereby enabling the company to meet its obligations to pay the service fee to the Concessionaire pursuant to the Project Agreement. The State underwrites the risk of any default by the Biosciences Research Centre Pty Ltd.

### 8.3 Fair value determination

This section sets out information on how DJPR determined fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following assets and liabilities are carried at fair value:

* financial assets and liabilities at fair value through operating result,
* property, plant and equipment, and

biological assets.

#### Fair value hierarchy

In determining fair values a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

* Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
* Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The DJPR determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer-General Victoria (VGV) is the DJPR’s independent valuation agency and the DJPR will engage them to monitor changes in the fair value of each asset and liability through relevant data sources to determine revaluations when it is required.

#### How this section is structured

For those assets and liabilities for which fair values are determined, the following disclosures are provided:

* carrying amount and the fair value (which would be the same for those assets measured at fair value);
* which level of the fair value hierarchy was used to determine the fair value; and
* in respect of those assets and liabilities subject to fair value determination using Level 3 inputs:
* a reconciliation of the movements in fair values from the beginning of the year to the end; and

details of significant unobservable inputs used in the fair value determination.

This section is divided between disclosures in connection with fair value determination for financial instruments (refer to Note 8.3.1 – Fair value determination of financial assets and liabilities) and non-financial physical assets (refer to Note 8.3.2 – Fair value determination: Non-financial physical assets).

The DJPR currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2019–20 reporting period.

##### Fair value of financial instruments measured at amortised cost

|  | ($ thousand) | | | |
| --- | --- | --- | --- | --- |
|  | Carrying amount | Carrying amount | Fair Value | Fair Value |
|  | 2020 | 2019 | 2020 | 2019 |
| **Contractual financial assets** |  |  |  |  |
| Cash and deposits | 404,326 | 511,871 | 404,326 | 511,871 |
| Receivables (i) | 353,139 | 365,888 | 353,139 | 365,888 |
| Investments | 71 | 71 | 71 | 71 |
| **Total contractual financial assets** | **757,536** | **877,830** | **757,536** | **877,830** |
| **Contractual financial liabilities** |  |  |  |  |
| Payables (i) |  |  |  |  |
| – Supplies and services | 266,735 | 352,045 | 266,735 | 352,045 |
| – Finance guarantee | 61,120 | – | 61,120 | – |
| Borrowings |  |  |  |  |
| – Lease liabilities | 341,193 | 336,047 | 341,193 | 336,047 |
| – Advances from government | 35,956 | 31,305 | 35,956 | 31,305 |
| – Advances from Commonwealth | 234,549 | 268,974 | 234,549 | 268,974 |
| **Total contractual financial liabilities** | **939,553** | **988,371** | **939,553** | **988,371** |
| (i) The carrying amounts exclude statutory amounts (e.g. amounts owing from government, GST input tax credit recoverable, and GST payable). | | | | | |

#### 8.3.1 Fair value determination of financial assets and liabilities

##### Financial assets and liabilities measured at fair value (i)

|  | ($ thousand) | | | |
| --- | --- | --- | --- | --- |
|  | Carrying amount | Fair value measurement at end of reporting period using | | |
|  |  | Level 1(i) | Level 2 (i) | Level 3(i) |
| **2020** |  |  |  |  |
| **Financial assets at fair value through net result** |  |  |  |  |
| Receivables | 8,294 | 2,794 | – | 5,500 |
| Investments | 9,986 | 9,986 | – | – |
| **Total financial assets at fair value** | **18,280** | **12,780** | **–** | **5,500** |
| **Financial liabilities at fair value through net result** |  |  |  |  |
| Payables | 2,794 | 2,794 | – | – |
| **Total financial liabilities at fair value** | **2,794** | **2,794** | **–** | **–** |
| **2019** |  |  |  |  |
| Financial assets at fair value through net result |  |  |  |  |
| Receivables | 29,564 | 2,794 | – | 26,770 |
| **Total financial assets at fair value** | **29,564** | **2,794** | **–** | **26,770** |
| **Financial liabilities at fair value through net result** |  |  |  |  |
| Payables | 2,794 | 2,794 | – | – |
| **Total financial liabilities at fair value** | **2,794** | **2,794** | **–** | **–** |
| (i) The fair value hierarchies are disclosed by class of financial instrument. | | | | |

There have been no transfers between levels during the period.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate fair value.

#### 8.3.2 Fair value determination: Non-financial physical assets

##### Fair value measurement hierarchy for assets

|  | ($ thousand) | | | |
| --- | --- | --- | --- | --- |
|  | Carrying amount as at 30 June 2020 | Fair value measurement at end of reporting period using | | |
|  |  | Level 1(i) | Level 2(i) | Level 3(i) |
| **2020** |  |  |  |  |
| **Land at fair value** |  |  |  |  |
| Non-specialised land | 334,734 | – | 83,123 | 251,611 |
| Specialised land | 304,555 | – | – | 304,555 |
| **Total of land at fair value** | **639,289** | **–** | **83,123** | **556,166** |
| **Buildings at fair value** |  |  |  |  |
| Non-specialised buildings | 14,084 | – | 14,084 | – |
| Specialised/heritage buildings | 406,691 | – | 7,163 | 399,528 |
| **Total of buildings at fair value** | **420,775** | **–** | **21,247** | **399,528** |
| **Plant and equipment at fair value** |  |  |  |  |
| Vehicles (ii) | 598 | – | – | 598 |
| Plant and equipment | 28,238 | – | – | 28,238 |
| **Total plant and equipment at fair value** | **28,836** | **–** | **–** | **28,836** |
| **Cultural assets at fair value** |  |  |  |  |
| Cultural assets | 16,155 | – | 13 | 16,142 |
| **Total cultural assets at fair value** | **16,155** | **–** | **13** | **16,142** |
| **Building leasehold improvements at fair value** |  |  |  |  |
| Leasehold improvements | 18,160 | – | – | 18,160 |
| **Total leasehold improvements at fair value** | **18,160** | **–** | **–** | **18,160** |
| **Motor vehicles under lease at fair value** |  |  |  |  |
| Motor vehicles under lease | 13,728 | – | – | 13,728 |
| **Total building leasehold at fair value** | **13,728** | **–** | **–** | **13,728** |
| **Building leasehold at fair value** |  |  |  |  |
| Building leasehold | 6,234 | – | – | 6,234 |
| **Total building leasehold at fair value** | **6,234** | **–** | **–** | **6,234** |
| **Total property, plant, equipment and at fair value** | **1,143,177** | **–** | **104,383** | **1,038,794** |
| (i) Classified in accordance with the fair value hierarchy.  (ii) Vehicles are categorised to level 3 assets as current replacement cost method is used in estimating fair value. | | | | |

|  | ($ thousand) | | | |
| --- | --- | --- | --- | --- |
|  | Carrying amount as at 30 June 2019 | Fair value measurement at end of reporting period using | | |
|  |  | Level 1(i) | Level 2(i) | Level 3(i) |
| **2019** |  |  |  |  |
| **Land at fair value** |  |  |  |  |
| Non-specialised land | 315,042 | – | 83,122 | 231,920 |
| Specialised land | 326,027 | – | – | 326,027 |
| **Total of land at fair value** | **641,069** | **–** | **83,122** | **557,947** |
| **Buildings at fair value** |  |  |  |  |
| Non-specialised buildings | 15,313 | – | 15,313 | – |
| Specialised/heritage buildings | 422,152 | – | 7,417 | 414,735 |
| **Total of buildings at fair value** | **437,465** | **–** | **22,730** | **414,735** |
| **Plant and equipment at fair value** |  |  |  |  |
| Vehicles (ii) | 456 | – | – | 456 |
| Plant and equipment | 29,614 | – | 7 | 29,607 |
| **Total plant and equipment at fair value** | **30,070** | **–** | **7** | **30,063** |
| **Cultural assets at fair value** |  |  |  |  |
| Cultural assets | 17,011 | – | 13 | 16,998 |
| **Total cultural assets at fair value** | **17,011** | **–** | **13** | **16,998** |
| **Building leasehold improvements at fair value** |  |  |  |  |
| Leasehold improvements | 19,541 | – | – | 19,541 |
| **Total leasehold improvements at fair value** | **19,541** | **–** | **–** | **19,541** |
| **Motor vehicles under finance lease at fair value** |  |  |  |  |
| Motor vehicles under finance lease | 13,256 | – | – | 13,256 |
| **Total building leasehold at fair value** | **13,256** | **–** | **–** | **13,256** |
| **Building leasehold at fair value** |  |  |  |  |
| Building leasehold | 6,650 | – | – | 6,650 |
| **Total building leasehold at fair value** | **6,650** | **–** | **–** | **6,650** |
| **Total property, plant, equipment and at fair value** | **1,165,062** | **–** | **105,872** | **1,059,190** |
| (i) Classified in accordance with the fair value hierarchy.  (ii) Vehicles are categorised to level 3 assets as current replacement cost method is used in estimating fair value. | | | | |

Fair value assessments have been performed for all classes of assets in this purpose group and an assessment was made that the movements were not material to adjust the assets’ carrying amounts. For land and buildings, this assessment was based on the Valuer-General Victoria (VGV)’s indices which were released in April 2020. While there are inherent uncertainties due to the coronavirus (COVID-19) pandemic lockdown, the use of these indices is assessed to remain as the most appropriate measurement basis. The next scheduled full revaluation for this purpose group will be conducted in 2020–21.

##### Non-specialised land and non-specialised buildings

Non-specialised land and non-specialised buildings are valued using fair value. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

An independent valuation is performed by the Valuer-General Victoria (VGV) to determine the fair value using the current replacement cost method approach. Valuation of the assets is determined by analysing comparable sales and allowing for share, size, topography, location, and other relevant factors specific to the asset being valued. From the sales analysed, an appropriate rate per square metre has been applied to the subject asset.

To the extent that non-specialised land and non‑specialised buildings do not contain significant, unobservable adjustments, these assets are classified as level 2 under the market approach.

##### Specialised land and specialised buildings

The market approach is also used for specialised land, although it is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

The CSO adjustment is a reflection of the valuer’s assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement, and takes into account the use of the asset that is physically possible, legally permissible, and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land would be classified as level 3 assets.

The income approach is also used for land and buildings as a valuation technique that converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

For the Public Administration output group, the majority of specialised buildings are valued using the current replacement cost method. As the depreciation adjustments are considered as significant, unobservable inputs in nature, specialised buildings are classified as level 3 fair value measurements.

##### Plant and equipment

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the current replacement cost method. For all assets measured at fair value, the current use is considered the highest and best use.

##### Motor vehicles under finance lease

Vehicles are valued using the depreciated cost method. The DJPR acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

##### Cultural assets

Cultural assets are valued using the depreciated replacement method in the public administration output group where research of similar examples in existence in Australia was conducted and an estimated cost for replacement was established.

##### Reconciliation of Level 3 fair value movements

|  | ($ thousand) | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2020 | Specialised land | Specialised buildings | Building leasehold | Plant and equipment and vehicles | Motor vehicles | Cultural assets | Leasehold improvements | Total |
| **Opening Balance** | **557,947** | **414,735** | **6,650** | **30,063** | **13,256** | **16,988** | **19,541** | **1,059,180** |
| Additions | 527 | 116 | – | 6,230 | 5,979 | 114 | 176 | 13,142 |
| Disposals | (2,007) | (72) | – | (266) | (1,905) | – | (144) | (4,394) |
| Transfers to classified as held for sale | (301) | – | – | – | (194) | – | – | (495) |
| Given free of charge | – | – | – | – | (25) | – | – | (25) |
| Transfers in/(out) – machinery of government transfers | – | – | – | (2,711) | (81) | – | – | (2,792) |
| Transfer between classes | – | 9,527 | (337) | 502 | – | 267 | 3,250 | 13,209 |
| **Subtotal** | **(1,781)** | **9,571** | **(337)** | **3,755** | **3,774** | **381** | **3,282** | **18,645** |
| Gains or losses recognised in net result |  |  |  |  |  |  |  |  |
| Depreciation | – | (24,778) | (79) | (4,982) | (3,302) | (1,237) | (4,663) | (39,041) |
| **Subtotal** | **–** | **(24,778)** | **(79)** | **(4,982)** | **(3,302)** | **(1,237)** | **(4,663)** | **(39,041)** |
| **Closing balance 30 June 2020** | **556,166** | **399,528** | **6,234** | **28,836** | **13,728** | **16,142** | **18,160** | **1,038,794** |

|  | ($ thousand) | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2019 | Specialised land | | Specialised buildings | Building leasehold | Plant and equipment and vehicles | | Motor vehicles | Cultural assets | | Leasehold improvements | Total |
| **Opening balance** | **–** | **–** | | **–** | **–** | **–** | | **–** | **–** | | **–** |
| Machinery-of-government transferred in | 557,887 | 419,790 | | 6,352 | 28,292 | 13,275 | | 17,698 | 21,101 | | 1,064,395 |
| Prior year adjustment | – | (30,169) | | – | – | – | | – | – | | (30,169) |
| Additions | 60 | 128 | | – | 4,106 | 2,465 | | 10 | 338 | | 7,107 |
| Disposals | – | – | | – | – | (1,396) | | – | – | | (1,396) |
| Transfers to classified as held for sale | – | – | | – | – | 350 | | – | – | | 350 |
| Given free of charge | – | – | | – | – | 233 | | – | – | | 233 |
| Transfer between classes | – | 35,021 | | 337 | 100 | – | | – | 249 | | 35,707 |
| **Subtotal** | **557,947** | **424,770** | | **6,689** | **32,498** | **14,927** | | **17,708** | **21,688** | | **1,076,227** |
| Depreciation | – | (10,035) | | (39) | (2,435) | (1,671) | | (710) | (2,147) | | (17,037) |
| **Subtotal** | **–** | **(10,035)** | | **(39)** | **(2,435)** | **(1,671)** | | **(710)** | **(2,147)** | | **(17,037)** |
| **Closing balance 30 June 2019** | **557,947** | **414,735** | | **6,650** | **30,063** | **13,256** | | **16,998** | **19,541** | | **1,059,190** |

##### Description of significant unobservable inputs to Level 3 valuations for 2020

| 2020 Asset class | Valuation technique (i) | Significant unobservable inputs (i) |
| --- | --- | --- |
| Specialised land | Market approach | Community Service Obligation (CSO) adjustment |
|  | Income cash flow | Present value discount rate of 4.5% |
| Specialised/heritage buildings | Current replacement cost method | Direct cost per square metre |
|  |  | Useful life of specialised buildings |
| Vehicles | Current replacement cost method | Cost per unit |
|  |  | Useful life of vehicle |
| Plant and equipment | Current replacement cost method | Cost per unit |
|  |  | Useful life of plant and equipment |
| Cultural assets | Current replacement cost method | Cost per unit |
|  |  | Useful life of cultural assets |
| Leasehold Improvements | Current replacement cost method | Cost per unit |
|  |  | Useful life of leasehold improvements |
| (i) Illustrations on the valuation techniques, significant unobservable inputs and related quantitative range of those inputs are indicative and should not be directly used without consultation with the DJPR’s independent valuer. | | |

Significant unobservable inputs have remained unchanged since June 2019.

##### Biological assets measured at fair value and their categorisation in the fair value hierarchy

|  | ($ thousand) | | | |
| --- | --- | --- | --- | --- |
|  | 2020 | | 2019 | |
|  | Carrying amount | Level 2 Fair value measurement | Carrying amount | Level 2 Fair value measurement |
| Breeding livestock – pigs, sheep and cattle | 2,165 | 2,165 | 2,165 | 2,165 |
| **Total biological assets** | **2,165** | **2,165** | **2,165** | **2,165** |

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period to 30 June 2019.

Biological assets comprises of livestock. Biological assets are measured at fair value less costs to sell, with any changes recognised in the comprehensive operating statement – other economic flows. Costs to sell include all costs that would be necessary to sell the assets, including freight and direct selling costs.

The fair value of a biological asset is based on its present location and condition. If an active market exists for a biological asset in its present location and condition, the quoted price in that market is the appropriate basis for determining the fair value of that asset. Where access exists to different markets then the most relevant market is referenced.

In the event that market determined prices or values are not available for a biological asset in its present condition, the present value of the expected net cash flows from the asset, discounted at a current market determined rate is utilised to determine fair value.

For livestock, fair value is based on relevant market indicators which include store cattle prices, abattoir market prices, and cattle prices received/quoted for the DJPR’s cattle at the reporting date. Prices for cattle generally reflect the shorter term spot prices available in the market place and vary depending on the weight and condition of the animal.

# 9. OTHER DISCLOSURES

### Introduction

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

### Structure

9.1 Ex-gratia expenses

9.2 Other economic flows included in net result

9.3 Non-financial assets held for sale

9.4 Equity disclosure

9.5 Entities consolidated pursuant to section 53(1)(b) of the FMA

9.6 Correction of a prior period error

9.7 Changes in accounting policies

9.8 Responsible persons

9.9 Remuneration of executives

9.10 Related parties

9.11 Remuneration of auditors

9.12 Subsequent events

9.13 Other accounting policies

9.14 Australian Accounting Standards issued that are not yet effective

9.15 Departmental output objectives and descriptions

9.16 Glossary of technical terms

9.17 Style conventions

### 9.1 Ex-gratia expenses

Ex-gratia expenses mean the voluntary payment of money or other non-monetary benefit (e.g. a write off) that is not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability or claim against the entity.

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2020 | Six months to 30 June 2019 |
| Compensation for economic loss | 200 | – |
| **Total ex-gratia expenses** | **200** | **–** |

### 9.2 Other economic flows included in net result

Other economic flows are changes in the volume or value of an asset or liability that do not result  
from transactions.

Other gains/(losses) from other economic flows include the gains or losses from:

* the revaluation of the present value of the long service leave liability due to changes in the bond interest rates, and

reclassified amounts relating to available‑for‑sale financial instruments from the reserves to net result due to a disposal or derecognition of the financial instrument. This does not include reclassification between equity accounts due to machinery of government changes or ‘other transfers’ of assets.

##### Other economic flows included in net result

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2020 | Six months to 30 June 2019 |
| **Net gains/(losses) on non-financial assets** |  |  |
| Gain on sale of leased vehicles | 613 | 707 |
| Net loss arising from impairment loss of property plant and equipment | (258) | (1,582) |
| Gain arising from changes in fair value of biological assets | – | 48 |
| **Total net gains/(losses) on non-financial assets** | **355** | **(827)** |
|  |  |  |
| **Net gains/(losses) on financial instruments** |  |  |
| Impairment of loans and receivable | (389) | (150) |
| Revaluation gain on investment | 9,740 | – |
| Realised losses on foreign exchange | (1,272) | (814) |
| **Total net gains/(losses) on financial instruments** | **8,079** | **(964)** |
|  |  |  |
| **Other losses from other economic flows** |  |  |
| Net loss arising from revaluation of long service leave liability (i) | (1,101) | (506) |
| **Total other losses from other economic flows** | **(1,101)** | **(506)** |
|  |  |  |
| **Total other economic flows included in net result** | **7,333** | **(2,297)** |
| (i) Revaluation loss due to changes in bond rates. | | |

### 9.3 Non-financial assets held for sale

##### Total non-financial assets held for sale

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2020 | 2019 |
| **Current assets** |  |  |
| Leased motor vehicles held for sale | 194 | 350 |
| Land held for sale | 301 | – |
| **Total non-financial assets held for sale** | **495** | **350** |

#### Measurement

Non-financial physical assets (including disposal group assets) are treated as current and classified  
as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when:

* the asset is available for immediate use in the current condition, and

the sale is highly probable and the asset’s sale is expected to be completed within 12 months from the date of classification.

These non-financial physical assets, related liabilities and financial assets are measured at the lower of carrying amount and fair value less costs to sell, and are not subject to depreciation or amortisation.

Freehold land held for sale is carried at fair value less costs to dispose. Refer to Note 8.3.2 – Fair value determination: Non-financial physical assets for the valuation technique applied to non specialised land.

### 9.4 Equity disclosure

##### Contributed capital

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2020 | 2019 |
| **Balance at beginning of year** | **1,528,429** | **–** |
| **Prior year adjustment** | **(43,836)** | **–** |
| **Balance restated** | **1,484,593** | **–** |
| Capital transactions with the State in its capacity as owner arising from: |  |  |
| Capital appropriations | 187,632 | 100,203 |
| Capital funding to agencies within portfolio | (239,395) | (80,616) |
| Administrative restructure and other transfers – net assets transferred | – | 4,581 |
| Net assets transferred to other government entities | (2,870) | (211,024) |
| Net assets transferred from other government entities | 15 | 1,715,285 |
| **Balance at end of the year** | **1,429,975** | **1,528,429** |

##### Net assets transferred (to)/from other Government entities

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2020 | 2019 |
| Department of Transport | (2,870) | 1,670,594 |
| Department Justice and Community Safety | – | 113 |
| Department of Environment, Land, Water and Planning | – | 3,584 |
| Department of Premier and Cabinet | – | 2,707 |
| Department of Health and Human Services | – | 38,287 |
| Department of Treasury and Finance | 15 | – |
| **Balance at end of the year** | **(2,855)** | **1,715,285** |

##### Capital funding to agencies within portfolio

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2020 | 2019 |
| Melbourne and Olympic Parks Trust | (126,377) | (39,762) |
| State Sports Centre Trust | (41,533) | (9,781) |
| Australian Centre for Moving Image | (24,882) | (7,220) |
| Museum Board Victoria | (5,500) | (5,931) |
| Victoria Arts Centre Trust | (15,104) | (10,636) |
| Emerald Tourist Railway Board | (1,745) | (240) |
| Library Board Victoria | (1,467) | (7,000) |
| Docklands Studio Melbourne | (3,416) | (48) |
| Geelong Performing Arts Centre Trust | (9,293) | – |
| Kardinia Park Stadium Trust | (2,033) | – |
| National Gallery Victoria | (8,045) | – |
| **Total capital contributions to agencies within portfolio** | **(239,395)** | **(80,616)** |

### 9.5 Entities consolidated pursuant to section 53(1)(b) of the FMA

The following entities have been consolidated into the DJPR’s financial statements pursuant to a determination made by the Minister for Finance under section 53(1)(b) of the FMA:

* Rural Assistance Commissioner
* Victorian Racing Tribunal
* Victorian Racing Integrity Board

Racing Integrity Commissioner

The financial effects of each of those entities were not material to the departmental consolidated group. However, the financial effects of those entities in aggregate were material to the Departmental consolidated group. Therefore, those entities are reported in aggregate in the table below.

##### Departmental consolidated group

|  | ($ thousand) | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Department of Jobs, Precincts and Regions | | Other section 53(1)(b) entities (i) | | Eliminations and adjustments | | DJPR consolidated group | |
|  | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Total income from transactions | 3,274,656 | 1,161,096 | 2,170 | 309 | (2,151) | (281) | 3,274,675 | 1,161,124 |
| Net result from transactions | (17,186) | (16,088) | (635) | (99) | – | – | (17,821) | (16,187) |
| Total assets (ii)(iii) | 2,226,766 | 2,296,969 | 238,335 | 273,420 | – | – | 2,465,101 | 2,570,389 |
| Total liabilities | 831,285 | 835,342 | 232,812 | 268,938 | – | – | 1,064,097 | 1,104,280 |
| (i) Other non-material entities that are material in aggregate are reported in aggregate.  (ii) Total assets for other section 53(1)(b) entities in aggregate were material to the DJPR consolidated group.  (ii) The 2019 comparative figures have been restated to reflect the impact of the prior year adjustment. | | | | | | | | |

### 9.6 Correction of a prior period error

The DJPR has identified two prior period errors which have since been adjusted for, and each of the affected financial statements for the 2019 comparative period have been restated. These adjustments have been summarised below.

##### Error in capitalising assets under construction expenditure

The first prior period adjustment related to two projects, the Melbourne Market Authority Warehousing and the Melbourne Convention Centre Expansion Project. Expenditure of $18.7 million, incurred prior to the establishment of the DJPR on 1 January 2019, were found to be incorrectly capitalised as assets under construction. As per Australian Accounting Standards AASB 108 Accounting Policy, Changes in Accounting Estimates and Error, the DJPR has corrected prior period errors retrospectively by adjusting its opening balances of assets under construction and contributed capital as at 1 January 2019.

The second adjustment mainly relates to project expenditure that had been incorrectly capitalised as property, plant and equipment and should have been reflected as grant expense. This has been corrected by:

* adjusting DJPR’s 1 January 2019 opening balances for property, plant and equipment (building and structures) and contributed capital by $25.1 million; and

increasing grant expense for the 2019 comparative period and accumulated deficit as at 30 June 2019 by $5.0 million.

###### Impact of the above adjustments on the balance sheet are as follows:

|  | ($ thousand) | | |
| --- | --- | --- | --- |
|  | As at  30 June 2019 (previously reported) | Impact of prior  period errors | As at  30 June 2019 |
| Property, plant and equipment | 1,253,362 | (48,881) | 1,204,481 |
| Accumulated deficit | (13,439) | (5,045) | (18,484) |
| Contributed capital | 1,528,429 | (43,836) | 1,484,593 |

### 9.7 Change in accounting policies

#### 9.7.1 Leases

This note explains the impact of the adopting of AASB 16 Leases on the DJPR’s financial statements.

The DJPR has applied AASB 16 with a date of initial application of 1 July 2019.

The DJPR has elected to apply AASB 16 using the modified retrospective approach, as per the transitional provisions of AASB 16 for all eases for which it is a lessee. The cumulative effect of initial application is recognised in retained earnings as at 1 July 2019. Accordingly, the comparative information presented is not restated and is reported under AASB 117 and related interpretations.

Previously, the DJPR determined at contract inception whether an arrangement is or contains a lease under AASB 117, and Interpretation 4 Determining whether an arrangement contains a lease. Under AASB 16, the DJPR assesses whether a contract is or contains a lease based on the definition of a lease as explained in Note 7.2.

On transition to AASB 16, the DJPR has elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under AASB 16 was applied to contracts entered into or changed on or after 1 July 2019.

##### Leases classified as operating leases under AASB 117

As a lessee, the DJPR previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and reward incidental to ownership of the underlying asset to the DJPR. Under AASB 16, the DJPR recognises right‑of‑use assets and lease liabilities for all leases except where exemption is availed in respect of short‑term and low value leases.

On adoption of AASB 16, the Department recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the DJPR’s incremental borrowing rate as of 1 July 2019. On transition, right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

The DJPR has elected to apply the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

* Applied a single discount rate to a portfolio of leases with similar characteristics;
* Adjusted the right-of-use assets by the amount of AASB 137 onerous contract provisions immediately before the date of initial application, as an alternative to an impairment review;
* Applied the exemption not to recognise right‑of‑use assets and liabilities for leases with less than 12 months of lease term;
* Excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and

Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance leases under AASB 117, the carrying amount of the right‑of‑use asset and lease liability at 1 July 2019 are determined as the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

##### Leases as a lessor

The DJPR is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor. The DJPR accounted for its leases in accordance with AASB 16 from the date of initial application.

##### Impacts on financial statements

On transition to AASB 16, the DJPR recognised $205.627 million of right-of-use assets and $205.627 million of lease liabilities at 1 July 2019.

When measuring lease liabilities, the DJPR discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 2.0% – 2.5%.

|  | 1 July 2019 |
| --- | --- |
| Total operating lease commitments disclosed at 30 June 2019 | 217,271 |
| Discounted using the incremental borrowing rate at 1 July 2019 | 205,627 |
| Finance lease liabilities as at 30 June 2019 | 334,806 |
| **Lease liabilities recognised at 1 July 2019** | **540,433** |

#### 9.7.2 Transition impact on financial statements

This note explains the impact of the adoption of the following new accounting standards for the first time, from 1 July 2019:

* AASB 15 Revenue from Contracts with Customers;
* AASB 1058 Income of Not-for-Profit Entities; and

AASB 16 Leases.

The impact on the comprehensive operating statement and balance sheet has been summarised  
in the following tables.

Impact on balance sheet due to the adoption of AASB 15, AASB 1058 and AASB 16 is illustrated with the following reconciliation between the restated carrying amounts at 30 June 2019 and the balances reported under the new accounting standards at 1 July 2019:

|  |  | ($ thousand) | | |
| --- | --- | --- | --- | --- |
| Balance Sheet | Notes | Before new  accounting standards opening 1 July 2019 | Impact of new accounting standards – AASB 16, 15 and 1058 | After new  accounting standards  opening 1 July 2019 |
| Total financial assets |  | 1,321,361 | – | 1,321,361 |
| Total non-financial assets | 5.1(a) | 1,249,028 | 205,627 | 1,454,655 |
| **Total assets** |  | **2,570,389** | **205,627** | **2,776,016** |
| Payables |  | 357,883 | – | 357,883 |
| Borrowings | 7.1 | 636,326 | 205,627 | 841,953 |
| Other liabilities |  | 110,071 | – | 110,071 |
| **Total Liabilities** |  | **1,104,280** | **205,627** | **1,309,907** |
| Accumulated deficit |  | (18,484) | – | (18,484) |
| Other items in equity |  | 1,484,593 | – | 1,484,593 |
| **Total equity** |  | **1,466,109** | **–** | **1,466,109** |

### 9.8 Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the Financial Management Act 1994, the following disclosures are made regarding responsible persons for the reporting period.

The persons who held the positions of ministers and accountable officer in the DJPR were:

**Secretary, Department of Jobs, Precincts and Regions**

Mr Simon Phemister

1 January 2019 to 30 June 2020

**Minister for Jobs, Innovation and Trade**

The Hon. Martin Pakula MP

1 July 2019 to 22 June 2020.

**Minister for Tourism, Sports and Major Events Minister for Racing**

The Hon. Martin Pakula MP

1 July 2019 to 30 June 2020.

**Minister for Co-ordination of Jobs, Precincts and Regions: COVID-19**

The Hon. Martin Pakula MP

3 April 2020 to 30 June 2020.

**Minister for Trade**

**Minister for Business Precincts**

**Minister for Industry Support and Recovery**

The Hon. Martin Pakula MP

22 June 2020 to 30 June 2020.

**Minister for Creative Industries**

The Hon. Martin Foley MP

1 July 2019 to 30 June 2020

**Minister for Priority Precincts**

The Hon. Gavin Jennings MLC

1 July 2019 to 23 March 2020

**The Hon. Jacinta Allan**

24 March 2020 to 21 June 2020

**Minister for Suburban Development**

The Hon. Marlene Kairouz MP

1 July 2019 to 16 June 2020

**Minister for Small Business**

The Hon. Adem Somyurek MP

1 July 2019 to 15 June 2020

**Minister for Regional Development**

**Minister for Agriculture**

**Minister for Resources**

The Hon. Jaclyn Symes MP

1 July 2019 to 30 June 2020

**Minister for Community Sport**

The Hon. Ros Spence MP

23 March 2020 to 30 June 2020

**Minister for Employment**

**Minister for Innovation, Medical Research and the Digital Economy**

**Minister for Small Business**

The Hon. Jaala Pulford MP

22 June 2020 to 30 June 2020

**Minister for Local Government**

**Minister for Suburban Development**

The Hon. Shaun Leane MLC

22 June 2020 to 30 June 2020

**Accountable officers’ remuneration**

Total remuneration received or receivable by the accountable officer in connection with the management of the DJPR during the reporting period was in the range of $560,000 – $569,000 (2019: $290,000 – $299,000).

Amounts relating to ministers are reported in the financial statements of the Department of Parliamentary Services. For information regarding related party transactions of ministers, the register of members’ interests is publicly available from:

https://www.parliament.vic.gov.au/publications/register-of-interests

### 9.9 Remuneration of executives

The number of executive officers, other than Ministers and accountable officers, and their total remuneration during the reporting period are shown in the table on the following page. Total annualised employee equivalents provide a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits (as defined in AASB 119 Employee Benefits) in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered. Accordingly, remuneration is determined on an accrual basis, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Termination benefits include termination of employment payments, such as severance packages.

Several factors affected total remuneration payable to executives over the year. A number of employment contracts were completed and renegotiated and a number of executive officers retired, resigned or were retrenched in the past year. This has had a significant impact on remuneration figures for the termination benefits category.

Other long-term benefits include long service leave, other long service benefits or deferred compensation.

#### Remuneration of executive officers

(including Key Management Personnel disclosed in Note 9.8) (i)(ii)

|  | ($thousand) | |
| --- | --- | --- |
|  | Total remuneration | |
|  | 2020 | 2019 |
| Short-term employee benefits | 26,635 | 12,161 |
| Post-employment benefits | 2,147 | 1,016 |
| Other long-term benefits | 634 | 276 |
| Termination benefits | 732 | 390 |
| **Total remuneration (i)** | **30,148** | **13,843** |
| **Total number of executives** | **159** | **140** |
| **Total annualised employee equivalent (AEE) (iii)** | **125.8** | **106.5** |
| (i) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 9.8).  (ii) This table includes VPS employees acting in vacant executive officer positions during the reporting period.  (iii) Annualised employee equivalent is based on the time fraction worked over the reporting period for 2019–20 hence the number is comparatively less than the total number of executives. | | |

### 9.10 Related parties

The DJPR is a wholly owned and controlled entity of the State of Victoria.

The following agencies have been consolidated into the DJPR’s financial statements pursuant to the determination made by the Minister for Finance under section 53(1)(b) of the Financial Management Act 1994 (FMA):

* Rural Assistance Commissioner
* Victorian Racing Tribunal
* Victorian Racing Integrity Board

Racing Integrity Commissioner

Related parties of the DJPR, Rural Assistance Commissioner, Victorian Racing Tribunal, Victorian Racing Integrity Board and Racing Integrity Commissioner include:

* all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over);
* all cabinet ministers and their close family members; and

all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm’s length basis.

Significant transactions with government-related entities.

The DJPR receives parliamentary and special appropriation to draw funds out of the Consolidated Fund to be applied towards Departmental outputs (see Note 2.2 – Appropriation). In addition, the DJPR oversees administered items on behalf of the State with reference to Payments made on behalf of the State (Note 2.2 – Appropriation) and detailed in Note 4.2.1 – Administered (non-controlled) items.

The DJPR transacts with other portfolio agencies through transactions such as grants (Note 3.2 – Grants and other transfers) and capital appropriations (Note 9.4 – Equity disclosure) in line with budgeted allocations. The DJPR has advances from Government, such as those relating to GST payments (required to account for timing differences). These advances are unsecured loans which bear no interest. See Note 7.1 – Borrowings.

Key management personnel (KMP) of the DJPR includes the Portfolio Ministers (see Note 9.6 – Responsible persons) and members of the Senior Executive Team, which includes:

* Secretary: Simon Phemister
* Associate Secretary: Penelope McKay (from 9 April 2020)
* Deputy Secretary, Corporate Services: Penelope McKay
* Deputy Secretary, Jobs, Innovations and Business Engagement: David Latina
* Deputy Secretary, Creative, Sport and Visitor Economy: Andrew Abbott
* Deputy Secretary, Precincts and Suburbs: Alex Kamenev (until 22 March 2020)
* Acting Deputy Secretary, Precincts and Suburbs: Brad Ostermeyer (from 23 March 2020)
* Chief Executive Officer, Global Victoria: Gonul Serbest
* Deputy Secretary, Rural and Regional Victoria: Beth Jones
* Deputy Secretary, Agriculture: Emily Phillips
* Head, Industry Intelligence and Capture Teams: Matt Lowe (until 8 November 2019)
* Deputy Secretary, Delivery Centre: Matt Lowe (from 2 June 2020)
* Deputy Secretary, Inclusion: David Clements
* Associate Deputy Secretary, Corporate Services: Andrew Parsons (from 9 April 2020)

Chief Communications Officer: Tess Hughes

KMP of the Administrative Office, Latrobe Valley Authority include:

Chief Executive Officer, Latrobe Valley Authority: Karen Cain

KMP of agencies consolidated pursuant to section 53(1)(b) of the FMA into the DJPR’s financial statements include:

| Entity | Position title and Personnel |
| --- | --- |
| Rural Assistance Commissioner | Commissioner: Emily Phillips (until 14 October 2019) |
| Rural Assistance Commissioner | Commissioner: Peter Tuohey (from 15 October 2019) |
| Victorian Racing Tribunal | Chairperson: John Bowman (from 1 August 2019) |
| Victorian Racing Integrity Board | Chairperson: Jack Forrest (from 1 August 2019) |
| Racing Integrity Commissioner | Commissioner: Sal Perna (from 1 August 2019) |

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister’s remuneration and allowances is set by the Parliamentary Salaries and Superannuation Act 1968 and is reported within the Department of Parliamentary Services’ Financial Report.

##### Compensation of key management personnel:

|  | ($ thousand) | | | |
| --- | --- | --- | --- | --- |
|  | 2020 | 2019 | 2020 | 2019 |
|  | DJPR (iii) | DJPR (iii) | Administrative offices and section 53 | Administrative offices and section 53 (iv) |
| Short-term employee benefits (i) | 3,565 | 1,923 | 526 | 136 |
| Post-employment benefits | 206 | 110 | 44 | 10 |
| Other long-term benefits | 87 | 44 | 9 | 3 |
| **Total compensation (ii)** | **3,858** | **2,077** | **579** | **149** |
| (i) Total remuneration paid to KMPs employed as a contractor during the reporting period through an external service provider has been reported under short-term employee benefits.  (ii) Note that KMPs are also reported in the disclosure of remuneration of executive officers (Note 9.7 – Remuneration of executives).  (iii) Where employees are KMPs of both the DJPR and Administrative Offices and entities consolidated under the FMA s53(1), their remuneration is reflected under the DJPR’s compensation of KMPs. This includes the Rural Assistance Commissioner, Victorian Racing Tribunal, Victorian Racing Integrity Board and Racing Integrity Commissioner. | | | | | |

##### Transactions and balances with key management personnel and other related parties

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the Public Administration Act 2004 and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

Outside of normal citizen type transactions with the DJPR and the consolidated agencies (Rural Assistance Commissioner, Victorian Racing Tribunal, Victorian Racing Integrity Board and Racing Integrity Commissioner, there were no related party transactions that involved key management personnel, their close family members and their personal business interests.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

### 9.11 Remuneration of auditors

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2020 | 2019 |
| **Victorian Auditor-General’s Office** |  |  |
| Audit of the financial statements | 367 | 358 |
| **Total** | **367** | **358** |

### 9.12 Subsequent events

The coronavirus (COVID-19) has had a dramatic impact on the people of Victoria and the Victorian Government has provided several economic support packages to assist Victorians through these hard times.

The DJPR has been a leading department in implementing these packages and as such there has been a significant increase in grant payments during the 2019–20 year. Section 4 of the DJPR Annual Report provides a complete listing of all the grant programs DJPR has implemented during the year, including coronavirus (COVID-19) initiatives.

As a result of the continuing impact on Victorians, the Victorian Government announced further support packages in September 2020 to support Victoria’s economic recovery. This includes a $290 million package to support the entertainment industry, repurpose Melbourne CBD and assist sole traders, and a $3 billion package to support Victorian businesses through cash payments, tax relief and cashflow support.

The DJPR will continue to be a leading department in implementing these packages and the financial impacts of these new support programs will be reflected in DJPR’s 2020–21 financial statements.

### 9.13 Other accounting policies

#### Contributions by owners

Consistent with the requirements of AASB 1004 Contributions, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the DJPR.

Additions to net assets that have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions to or distributions by owners have also been designated as contributions by owners.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners.

#### Accounting for the Goods and Services tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, except where GST incurred is not recoverable from the taxation authority. In this case, the GST payable is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from or payable to the Australian Taxation Office (ATO) is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis.

Commitments, contingent assets and liabilities are also stated inclusive of GST.

### 9.14 Australian Accounting Standards (AAS) issued that are not yet effective

Certain new and revised accounting standards have been issued but are not effective for the 2019–20 reporting period. These accounting standards have not been applied to the Model Financial Statements. The State is reviewing its existing policies and assessing the potential implications of these accounting standards which includes:

* AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

This Standard principally amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. It applies to reporting periods beginning on or after 1 January 2020 with earlier application permitted. The Department has not earlier adopted the Standard.

The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.

The Department is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

* AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non‑Current

This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. It initially applied to annual reporting periods beginning on or after 1 January 2022 with earlier application permitted however the AASB has recently issued ED 301 Classification of Liabilities as Current or Non‑Current – Deferral of Effective Date with the intention to defer the application by one year to periods beginning on or after 1 January 2023. The Department will not early adopt the Standard.

The Department is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods, but are considered to have limited impact on the Department’s reporting.

* AASB 17 Insurance Contracts.
* AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not‑for‑Profit Tier 2 Entities (Appendix C).
* AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business.
* AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework.
* AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform.
* AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia.

AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For‑Profit Private Sector Entities.

### 9.15 Departmental output objectives and descriptions

The DJPR outputs during the financial year ended 30 June 2020 are disclosed in Note 4.1 – Departmental outputs. The outputs objectives and descriptions are summarised below.

#### Create and maintain jobs

##### Objective:

This objective seeks to secure a growing, sustainable and equitable jobs market for all Victorians by working with businesses to increase job opportunities, support people into meaningful employment, and attract the investment and talent needed to foster job growth.

##### Descriptions:

###### Jobs

This output contributes to this objective by supporting existing workers and businesses by connecting Victorians experiencing disadvantage to job opportunities, supporting Aboriginal economic inclusion, working with the community to create and support social enterprises; as well as attracting new investment and talent into Victoria to grow the economy and share the benefits of economic prosperity.

#### Foster a competitive business environment

##### Objective:

This objective seeks to grow Victorian industries and businesses by working with priority industry sectors, supporting growth and innovation opportunities for industry, supporting start‑ups and small businesses, and assisting industries in transition.

##### Descriptions:

###### Industry, Innovation and Small Business

This output contributes to this objective by providing access to information and connections and building the capability of Victorian businesses and industry to develop and effectively use new practices and technologies, advocating for a fair and competitive business environment, and supporting small businesses.

#### Be a globally connected economy

##### Objective:

This objective seeks to connect Victoria to the world by helping Victorian businesses successfully trade into global markets and grow Victoria’s proportion of international student enrolments in Australia.

##### Descriptions:

###### Trade and Global Engagements

This output contributes to this objective by developing the skills and knowledge of current and potential exporters, connecting organisations to global business opportunities, establishing and deepening strategic commercial international partnerships, and increasing the proportion of international students.

#### Build prosperous and liveable regions and precincts

##### Objective:

This objective seeks to ensure that Victoria’s precincts, suburbs and regions are developed to create places where all Victorians have an opportunity to participate in growing communities that are well‑connected, prosperous, vibrant and diverse.

##### Descriptions:

###### Priority Precincts and Suburban Development

This output contributes to this objective by delivering activities to build vibrant and prosperous precincts and suburbs that drive economic growth and opportunities. The DJPR works with government, industry and community stakeholders to identify opportunities for the development and delivery of initiatives to strengthen Melbourne’s economy, create jobs and improve suburban liveability. The DJPR works collaboratively to support Victoria’s priority precincts and develop Melbourne’s suburbs through the six Metropolitan Partnerships.

###### Regional Development

This output contributes to this objective by working with industry and communities to identify opportunities to support job growth and new investment in regional Victoria, strengthening community capability, and engaging with industry and communities to deliver regional priorities.

#### Grow vibrant, active and creative communities

##### Objective:

This objective seeks to increase the economic, social and cultural value of the creative, sport and recreation industries to Victoria, grow the number and yield of visitors, position Victoria as a major events destination, and ensure the best cultural and sporting experiences are accessible to everyone.

##### Descriptions:

###### Creative Industries Access, Development and Innovation

This output contributes to this objective through developing more opportunities for the creation and presentation of new work, building industry capability and growth, stimulating innovation and wider impacts, engaging more Victorians and building international engagement.

###### Creative Industries Portfolio Agencies

This output contributes to this objective through supporting creative industries agencies to promote access and participation, to increase visitor numbers and to manage the State’s cultural collections.

###### Cultural Infrastructure and Facilities

This output contributes to this objective through undertaking maintenance activities and developing infrastructure projects to ensure state‑owned cultural venues are available to the public.

###### Sport, Recreation and Racing

This output contributes to this objective by providing strategic leadership and investment in the sport, recreation and racing industries through innovation, sector and industry development and funding support. It supports community participation and inclusion in the sport, recreation and racing sectors by strengthening the capacity of sport and recreation organisations to deliver participation opportunities, improving community sport and recreation facilities across the state and guiding the development and management of state‑level sporting facilities and events, to encourage participation by all Victorians. This output also supports the development of the Victorian racing industry through strategic investment in world class racing and training infrastructure, the promotion of animal welfare and integrity initiatives and encourages participation and investment in the breeding industry to cement Victoria’s position as Australia’s premier racing state.

###### Tourism and Major Events

This output contributes to this objective through increasing the number of visitors to Victoria, boosting expenditure from these visitors, and continuing to strengthen Victoria’s major events program.

#### Promote productive and sustainably‑used natural resources

##### Objective:

This objective supports a more productive, globally competitive, sustainable and jobs‑rich agriculture, food and fibre, and resources sectors and creates the conditions to grow the forestry and game resource economies. The DJPR delivers the objective in collaboration with partners, local communities and industry to deliver outcomes that provide benefits to all Victorians.

##### Descriptions:

###### Agriculture

The Agriculture output contributes to increasing the productivity, competitiveness and sustainability of food and fibre industries and creates the conditions to grow the natural resources economy. This includes protecting and enhancing market access and management of biosecurity risks, increasing the use of new technologies, improving farm practices and supply chain efficiency, building the resilience of the sector to manage risks and emergencies, and ensuring forestry and game resources are sustainably allocated and used for both recreational and commercial purposes.

###### Resources

The Resources output contributes to this objective by aiming to achieve a growing and sustainable earth resources sector through effective policy, programs and regulation. programs and regulation.

### 9.16 Glossary of technical terms

###### Actuarial gains or losses on superannuation defined benefit plans

Actuarial gains or losses are changes in the present value of the superannuation defined benefit liability resulting from experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions.

###### Administered item

Administered item generally refers to a department lacking the capacity to benefit from that item in the pursuit of the entity’s objectives and to deny or regulate the access of others to that benefit.

###### Amortisation

Amortisation is the expense which results from the consumption, extraction or use over time of a non‑produced physical or intangible asset. This expense is classified as an ‘other economic flow’.

###### Borrowings

Borrowings refers to interest bearing liabilities mainly from public borrowings raised through the TCV, lease liabilities and other interest bearing arrangements. Borrowings also include non‑interest bearing advances from government that are acquired for policy purposes.

###### Comprehensive result

The net result of all items of income and expense recognised for the period. It is the aggregate of the operating result and other comprehensive income.

###### Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

###### Controlled item

Controlled item generally refers to the capacity of a department to benefit from that item in the pursuit of the entity’s objectives and to deny or regulate the access of others to that benefit.

###### Current grants

Amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

###### Depreciation

Depreciation is an expense that arises from the consumption through wear or time of a produced physical asset. This expense is classified as a ‘transaction’ and so reduces the ‘net result from transaction’.

###### Effective interest method

The effective interest method is used to calculate the amortised cost of a financial asset or liability and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period.

###### Financial asset

A financial asset is any asset that is:

1. cash
2. an equity instrument of another entity
3. a contractual right or statutory right:

* to receive cash or another financial asset from another entity; or

to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

1. a contract that will or may be settled in the entity’s own equity instruments and is:

* a non-derivative for which the entity is or may be obliged to receive a variable number of the entity’s own equity instruments; or

a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity’s own equity instruments.

###### Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

###### Financial liability

A financial liability is any liability that is:

1. a contractual or statutory obligation:

* to deliver cash or another financial asset to another entity; or

to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

1. a contract that will or may be settled in the entity’s own equity instruments and is:

* a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity’s own equity instruments; or

a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity’s own equity instruments. For this purpose the entity’s own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity’s own equity instruments.

###### Grants and other transfers

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non reciprocal transfers. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits in the form of goods or services to particular taxpayers in return for their taxes.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

###### General government sector

The general government sector comprises all government departments, offices and other bodies engaged in providing services free of charge or at a price significantly below their cost of production. General government services include those which are mainly non-market in nature, those which are largely for collective consumption by the community and those which involve the transfer or redistribution of income. These services are financed mainly through taxes, or other compulsory levies and user charges.

###### Grants for on-passing

All grants paid to one institutional sector (e.g. a state general government) to be passed on to another institutional sector (e.g. local government or a private non-profit institution).

###### Infrastructure systems

Infrastructure systems provide essential services used in the delivery of final services or products. They are generally a complex interconnected network of individual assets and mainly include sewerage systems, water storage and supply systems, ports, utilities and public transport assets owned by the DJPR.

###### Intangible produced assets

Refer to produced assets in this glossary.

###### Intangible non‑produced assets

Refer to non‑produced asset in this glossary.

###### Net acquisition of non‑financial assets (from transactions)

Purchases (and other acquisitions) of non‑financial assets less sales (or disposals) of non‑financial assets less depreciation plus changes in inventories and other movements in non‑financial assets. Includes only those increases or decreases in non-financial assets resulting from transactions and therefore excludes write offs, impairment write‑downs and revaluations.

###### Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as ’other economic flows – other comprehensive income’.

###### Net result from transactions/net operating balance

Net result from transactions or net operating balance is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

###### Net worth

Assets less liabilities, which is an economic measure of wealth.

###### Non-financial assets

Non-financial assets are all assets that are not ‘financial assets’. It includes inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment, investment properties, cultural and heritage assets, intangible and biological assets.

###### Non-produced assets

Non-produced assets are assets needed for production that have not themselves been produced. They include land, subsoil assets, and certain intangible assets. Non‑produced intangibles are intangible assets needed for production that have not themselves been produced. They include constructs of society such as patents.

###### Other economic flows – other comprehensive income

Other economic flows – other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards.

* The components of other economic flows – other comprehensive income include:
* changes in physical asset revaluation surplus,
* share of net movement in revaluation surplus of associates and joint ventures, and

gains and losses on remeasuring available‑for‑sale financial assets.

###### Produced assets

Produced assets include buildings, plant and equipment, inventories, cultivated assets and certain intangible assets. Intangible produced assets may include computer software, motion picture films, and research and development costs (which does not include the start-up costs associated with capital projects).

###### Sale of goods and services

Refers to income from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services, work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land. User charges include sale of goods and services income.

###### Supplies and services

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs incurred in the normal operations of the DJPR.

###### Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

### 9.17 Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

##### The notation used in the tables is as follows:

|  |  |
| --- | --- |
| – | zero, or rounded to zero |
| (xxx.x) | negative numbers |
| 201x | year period |
| 201x‑1x | year period |

The financial statements and notes are presented based on the illustration for a government department in the 2019–20 Model Report for Victorian Government Departments.