DEDJTR Annual Report 2017-18

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Comprehensive operating statement for the financial year ended 30 June 2018

|  |  | ($ thousand) | |
| --- | --- | --- | --- |
|  | Note | 2018 | 2017 |
| Income from transactions |  |  |  |
| Output appropriations | 2.2 | 7,958,913 | 7,064,576 |
| Special appropriations | 2.2 | 254,679 | 6,916 |
| Regional Jobs and Infrastructure Fund appropriations | 2.2 | 125,000 | 125,000 |
| Grants | 2.4.1 | 240,645 | 162,897 |
| Sale of goods and services | 2.4.2 | 14,899 | 9,001 |
| Interest income | 2.4.3 | 5,752 | 5,396 |
| Fair value of assets and services received free of charge | 2.4.4 | 98 | 523 |
| Other income | 2.4.5 | 21,594 | 38,635 |
| Total income from transactions |  | 8,621,580 | 7,412,944 |
| Expenses from transactions |  |  |  |
| Grants and other transfers | 3.2 | (8,074,403) | (7,001,438) |
| Employee benefits | 3.3.1 | (411,445) | (372,719) |
| Capital asset charge | 3.4 | (82,829) | (80,598) |
| Depreciation and amortisation | 5.1.1/5.2 | (43,183) | (46,177) |
| Interest expense | 7.1.2 | (34,727) | (27,381) |
| Other operating expenses | 3.5 | (516,797) | (353,312) |
| Total expenses from transactions |  | (9,163,383) | (7,881,625) |
| Net result from transactions |  | (541,803) | (468,681) |
| Other economic flows included in net result |  |  |  |
| Net loss on non–financial assets(a) | 9.2 | (36,314) | (33,826) |
| Net (loss)/gain on financial instruments(b) | 9.2 | (468) | 39 |
| Other gains from other economic flows | 9.2 | 12,267 | 5,529 |
| Total other economic flows included in net result |  | (24,515) | (28,258) |
| Net result |  | (566,318) | (496,939) |
| Items that will not be classified to net result |  |  |  |
| Changes in physical asset revaluation reserve |  | 105,859 | 176,965 |
| Composite reporting |  | – | 18,502 |
| Total other economic flows – other comprehensive income |  | 105,859 | 195,467 |
| Comprehensive result |  | (460,459) | (301,472) |

The above comprehensive operating statement should be read in conjunction with the notes to the financial statements.

(a) Net gain/(loss) on non-financial assets’ includes unrealised and realised gains/(losses) from revaluations, impairments, and disposals of all physical assets and intangible assets, except when these are taken through the asset revaluation surplus.

(b) Net gain/(loss) on financial instruments’ includes bad and doubtful debts from other economic flows, unrealised and realised gains/(losses) from revaluations, impairments and reversals of impairment, and gains/(losses) from disposals of financial instruments, except when these are taken through the financial assets available for sale revaluation surplus.

Balance sheet as at 30 June 2018

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | ($ thousand) | |
|  | Note | 2018 | 2017 |
| Assets |  |  |  |
| Financial assets |  |  |  |
| Cash and cash equivalents | 7.3.1 | 1,351,602 | 1,808,930 |
| Receivables | 6.1 | 1,546,773 | 1,297,745 |
| Investments |  | 71 | 73 |
| Total financial assets |  | 2,898,446 | 3,106,748 |
| Non–financial assets |  |  |  |
| Non–financial assets held for sale | 9.3 | 137,355 | 199,992 |
| Property, plant and equipment | 5.1 | 2,450,178 | 1,785,168 |
| Intangible assets | 5.2 | 37,282 | 37,435 |
| Biological assets | 8.3.2 | 2,092 | 2,233 |
| Other non–financial assets | 6.3 | 206,496 | 13,145 |
| Total non–financial assets |  | 2,833,403 | 2,037,973 |
| Total assets |  | 5,731,849 | 5,144,721 |
| Liabilities |  |  |  |
| Payables | 6.2 | 1,811,948 | 1,717,978 |
| Borrowings | 7.1 | 1,313,019 | 613,859 |
| Employee provisions | 3.3.2 | 132,163 | 133,627 |
| Provisions | 6.4 | 20,159 | 107,471 |
| Other liabilities |  | 2,345 | 2,316 |
| Total liabilities |  | 3,279,634 | 2,575,251 |
| Net assets |  | 2,452,215 | 2,569,470 |
| Contributed capital | 9.4 | 2,766,296 | 2,423,092 |
| Accumulated surplus/(deficit) |  | (698,721) | (132,403) |
| Physical asset revaluation surplus |  | 384,640 | 278,781 |
| Net worth |  | 2,452,215 | 2,569,470 |

The above balance sheet should be read in conjunction with the notes to the financial statements.

Statement of changes in equity for the financial year ended 30 June 2018

|  |  | ($ thousand) | | | |
| --- | --- | --- | --- | --- | --- |
|  | Note | Contributed capital | Accumulated surplus | Physical asset revaluation surplus | Total |
| Balance at 1 July 2016 |  | 2,382,511 | 346,034 | 101,816 | 2,830,361 |
| Net result for the year |  | – | (496,939) | – | (496,939) |
| Composite reporting (i)(ii) |  | 467 | 18,502 | – | 18,969 |
| Revaluation increment/(decrement) |  | – | – | 176,965 | 176,965 |
| Capital appropriations | 2.2 | 1,553,191 | – | – | 1,553,191 |
| Capital funding to agencies within the portfolio | 9.4 | (1,068,370) | – | – | (1,068,370) |
| Net assets transferred to other government entities | 9.4 | (2,448,389) | – | – | (2,448,389) |
| Net assets transferred from other government entities |  | 2,021,126 | – | – | 2,021,126 |
| Transfers to accumulated surplus |  | (17,444) | – | – | (17,444) |
| Balance at 30 June 2017 |  | 2,423,092 | (132,403) | 278,781 | 2,569,470 |
| Net result for the year |  | – | (566,318) | – | (566,318) |
| Revaluation increment/(decrement) |  | – | – | 105,859 | 105,859 |
| Capital appropriations | 2.2 | 2,066,340 | – | – | 2,066,340 |
| Capital funding to agencies within the portfolio | 9.4 | (853,502) | – | – | (853,502) |
| Net assets transferred to other government entities | 9.4 | (3,998,719) | – | – | (3,998,719) |
| Net assets transferred from other government entities | 9.4 | 3,123,013 | – | – | 3,123,013 |
| Transfers via contributed capital | 9.4 | 6,071 | – | – | 6,071 |
| Balance at 30 June 2018 |  | 2,766,296 | (698,721) | 384,640 | 2,452,215 |

The above statement of changes in equity should be read in conjunction with the notes to the financial statements.

i. Rural Assistance Commissioner net assets as at 1 July 2016 are consolidated within DEDJTR financial statements.

ii. Tourism Victoria net assets as at 1 July 2016 are consolidated within DEDJTR financial statements. Cash flow statement for the financial year ended 30 June 2018

Cash flow statement for the financial year ended 30 June 2018

|  |  | ($ thousand) | |
| --- | --- | --- | --- |
|  | Note | 2018 | 2017 |
| Cash flows from operating activities |  |  |  |
| Receipts |  |  |  |
| Receipts from Victorian Government |  | 8,038,730 | 7,327,442 |
| Receipts from other entities |  | 387,239 | 325,641 |
| Goods and Services Tax recovered from the ATO (i) |  | 397,090 | 294,571 |
| Sale of services |  | 2,330 | 9,001 |
| Interest received |  | 5,752 | 5,396 |
| Total receipts |  | 8,831,141 | 7,962,051 |
|  |  |  |  |
| Payments |  |  |  |
| Payments of grants and other transfers |  | (8,775,819) | (6,817,155) |
| Payments to suppliers and employees |  | (643,160) | (709,947) |
| Capital asset charge payments |  | (82,829) | (80,598) |
| Interest and other costs of finance paid |  | (34,727) | (27,381) |
| Total payments |  | (9,536,535) | (7,635,081) |
|  |  |  |  |
| Net cash flows (used)/ from operating activities | 7.3.2 | (705,394) | 326,970 |
|  |  |  |  |
| Cash flows from investing activities |  |  |  |
| Payments for property, plant and equipment |  | (4,862,202) | (2,673,917) |
| Payments for intangible assets |  | (1,818) | (2,904) |
| Sale of biological assets |  | 575 | 1,161 |
| Sale of non-financial assets |  | 74,540 | – |
| Proceeds from consolidation of statutory authority (ii) |  | 389 | 48,143 |
| Net cash flows used in investing activities |  | (4,788,517) | (2,627,517) |
| Cash flows from financing activities |  |  |  |
| Owner contributions by Victorian Government |  | 2,066,340 | 1,553,191 |
| Payments of capital contribution funding to portfolio entities |  | (853,502) | (1,068,370) |
| Receipts from other government entities |  | 3,123,013 | 2,021,126 |
| Receipts of loans and advances |  | 715,623 | 5,602 |
| Payments of loans and advances |  | (14,891) | (10,762) |
| Net cash flows from financing activities |  | 5,036,583 | 2,500,787 |
|  |  |  |  |
| Net increase in cash and cash equivalents |  | (457,327) | 200,240 |
|  |  |  |  |
| Cash and cash equivalents at the beginning of the financial year |  | 1,808,930 | 1,608,690 |
|  |  |  |  |
| Cash and cash equivalents at the end of the financial year | 7.3.1 | 1,351,602 | 1,808,930 |

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

i. Goods and Services Tax (GST) recovered/(paid) to the ATO is presented on a net basis.

ii. This represents cash received for Committee of Management Maritime South Wharf from Development Victoria, prior year represents net funds received from the transfer in of Tourism Victoria

# 1. ABOUT THIS REPORT

The Department of Economic Development, Jobs, Transport and Resources (DEDJTR) is 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 2018.

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 department.

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 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 Economic Development, Jobs, Transport and Resources as an individual reporting entity and include all the controlled activities of the department.

The following agencies have been consolidated into the department’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 Department:

* Major Projects Victoria (major projects transferred across to development Victoria on 1 April 2017, with some residual projects remaining within the Department)
* Rural Assistance Commissioner
* Linking Melbourne Authority
* Tourism Victoria (On 1 June 2018, the *Major Events Legislation Amendment (Ticket Scalping and Other Matters) Act 2018* came into operation, which incorporates repeal of the *Tourism Victoria Act 1992*. By virtue of this legislation, on 1 June 2018 the entity Tourism Victoria was abolished and its members went out of office).

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 department, 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 Australian Accounting Standards (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 9.15—Style conventions).

# 2. FUNDING DELIVERY OF OUR SERVICES

## Introduction

The department’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 department 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 department also receives market based fees providing services in relation to agriculture and transport services.

## Structure

**2.1 Funding delivery of our services**

**2.2 Appropriation**

**2.3 Annotated income**

**2.4 Income from transactions**

2.4.1 Grants

2.4.2 Sale of goods and services

2.4.3 Interest income

2.4.4 Fair value of assets and services received free of charge or for nominal consideration

2.4.5 Other income

## 2.1 Funding delivery of our services

|  |  | ($ thousand) | |
| --- | --- | --- | --- |
|  | Note | 2018 | 2017 |
| Output appropriation | 2.2 | 7,958,913 | 7,064,576 |
| Special appropriation | 2.2 | 254,679 | 6,916 |
| Regional Jobs and Infrastructure Fund appropriation | 2.2 | 125,000 | 125,000 |
| Grants | 2.4.1 | 240,645 | 162,897 |
| Sale of goods and services | 2.4.2 | 14,899 | 9,001 |
| Interest income | 2.4.3 | 5,752 | 5,396 |
| Fair value of assets and services received free of charge | 2.4.4 | 98 | 523 |
| Other income | 2.4.5 | 21,594 | 38,635 |
| Total income from transactions |  | 8,621,580 | 7,412,944 |

## 2.2 Appropriation

Annual Parliamentary appropriations are applied by the Treasurer, they become controlled by the department and are recognised as income when applied to the purposes defined under the relevant Appropriations Act.

Output appropriation is provided to the department as payment for the production of agreed services and outputs. Income from the outputs the department 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.

*The Financial Management Act 1994* (FMA) forms a key part of the State’s resource management framework and provide the following mechanisms for resource allocation:

### Section 29 of FMA - Annotated revenue

The department on behalf of the relevant minister may apply to the Treasurer to retain certain types of revenue/receipts from third parties. The income which forms part of a section 29 agreement is recognised by DEDJTR and the receipts paid into the Consolidated Fund as an administered item. At the point of income recognition, section 29 provides for an equivalent amount to be added to the annual appropriation. Examples of receipts which can form part of a section 29 agreement are Commonwealth specific purpose grants, municipal council special purpose grants, the proceeds from the sale of assets and income from the sale of products and services. The section 29 appropriation is shown in Note 2.3 - Annotated income.

### Section 30 of FMA - Transfer between appropriation items

The department may upon the approval of the Treasurer transfer to or from other appropriation items (purposes).

### Section 32 of FMA - Carryover unspent appropriation

A carryover arises when amounts appropriated annually for the Department, which remain unapplied at the end of one financial year, are approved by the Treasurer for application in the following financial year.

### Section 35 of FMA - Advances

An advance provided by the Treasurer to meet urgent claims in the budget year that were unforeseen at the time of the Budget. Amounts advanced under this authority are reported to and sanctioned by the Parliament in a subsequent year’s annual Appropriation Bill.

The following tables disclose the details of parliamentary and special appropriations received by the department 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 department. Administered transactions are those that are undertaken on behalf of the State over which the department has no control or discretion.

|  | ($ thousand) | | | | | | | | | |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Appropriation Act | | Financial Management Act 1994 | | | | | | | | |
|  | Annual Appropriation(i) | Advance from Treasurer | Section 29 | Section 30 | Section 32 | Section 35 Advances | Machinery–of–Government change | Total Parliamentary Authority | Appropriations Applied(iii) | Variance (ii) | |
| 2018 |  |  |  |  |  |  |  |  |  |  | |
| Controlled |  |  |  |  |  |  |  |  |  |  | |
| Provision of outputs | 7,455,459 | 433,753 | 490,146 | 28,504 | 59,587 | – | – | 8,467,449 | 7,958,913 | 508,536 | |
| Regional Jobs and Infrastructure Fund | 125,000 | – | – | – | – | – | – | 125,000 | 125,000 | – | |
| Additions to net assets | 2,443,569 | 296,689 | – | (28,504) | 197,941 | 60,321 | – | 2,970,015 | 2,066,340 | 903,675 | |
| Administered |  |  |  |  |  |  |  |  |  |  | |
| Provision of outputs | – | 3,000 | – | – | – | – | – | 3,000 | 1,462 | 1,538 | |
| Additions to net assets | – | 59,410 | – | – | – | – | – | 59,410 | 59,996 | (586) | |
| Payments made on behalf of the State | 70,602 | – | – | – | – | – | – | 70,602 | 69,743 | 859 | |
| Total | 10,094,630 | 792,851 | 490,146 | – | 257,528 | 60,321 | – | 11,695,476 | 10,281,453 | 1,414,023 | |
| 2017 |  |  |  |  |  |  |  |  |  |  | |
| Controlled |  |  |  |  |  |  |  |  |  |  | |
| Provision of outputs | 7,088,407 | 136,942 | 432,135 | 21,324 | 107,540 | – | (54,594) | 7,731,753 | 7,064,576 | 667,177 | |
| Regional Jobs and Infrastructure Fund | 125,000 | – | – | – | – | – | – | 125,000 | 125,000 | – | |
| Additions to net assets | 1,983,361 | 444,085 | 93,521 | (21,324) | 46,374 | – | (67,103) | 2,478,913 | 1,553,191 | 925,722 | |
| Administered |  |  |  |  |  |  |  |  |  |  | |
| Payments made on behalf of the State | 71,074 | – | – | – | 947 | – | – | 72,021 | 65,074 | 6,947 | |
| Total | 9,267,842 | 581,027 | 525,656 | – | 154,860 | – | (121,697) | 10,407,688 | 8,807,841 | 1,599,847 | |

i. As published in Victorian Budget 2018–19 Statement of Finances (incorporating Quarterly Financial Report No.3) Budget Paper

No.5 Appendix A Table A.5: Consolidated Fund payments: total annual appropriations.

ii. A number of the Department’s output programs have been rescheduled to the next financial year due to timing differences in commencements, completion of milestones, and/or contract finalisation.

iii. Additions to net assets for Administered relates to equity investment in a PNFC entity.

Special appropriation

|  |  | ($ thousand) | |
| --- | --- | --- | --- |
| Authority | Purpose | Appropriations applied | |
|  |  | 2018 | 2017 |
| Operating |  |  |  |
| Section 213A (4) of the Transport (Compliance and Miscellaneous) Act 1983 | Refund to public transport operators for administrative costs associated with ticket infringements | 512 | 566 |
| 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. | 254,167 | 6,350 |
| Total Operating |  | 254,679 | 6,916 |

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

The RJIF was established under the *Regional Growth Fund Act 2011* (as amended by the *Regional Development Victoria Amendment Jobs and Infrastructure Act 2015*) 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 DEDJTR 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 Annotated income

The following is a listing of annotated income agreements approved by the Treasurer:

|  | ($ thousand) | |
| --- | --- | --- |
|  | Actual | |
|  | 2018 | 2017 |
| User charges, sale of goods and services |  |  |
| Agriculture and veterinary chemical permits | 16 | 11 |
| Bioscience Research Centre – La Trobe contribution to quarterly services payments | 2,248 | 2,065 |
| Commercial forests | 751 | 738 |
| Cultivating and processing of poppies | 33 | 126 |
| Catchment Management Authorities | 1,037 | – |
| Paper Australia Pulpwood agreement | 21,131 | 24,902 |
| Plant and exotic disease preparedness and eradication | 550 | 19 |
| Fisheries cost recoveries | 310 | 356 |
| Hazelwood Response | 3,526 | – |
| Rental income | 2,104 | – |
| Research and experimental projects – industry contributions | 15,391 | 10,936 |
| Research and Development Corporations – horticulture contributions | – | 649 |
| Seafood Industry Victoria levy | 902 | 734 |
|  | 47,999 | 40,537 |
| Commonwealth payments |  |  |
| Gardiner Foundation contributions from Commonwealth–funded bodies | 258 | 162 |
| Cooperative Research Centre contributions | 901 | 363 |
| Research and Development Corporations contributions | 33,386 | 18,263 |
| Pest and Disease Preparedness and Response program | – | 724 |
| Establish Pest Animal and Weed Management | 875 | 831 |
| Roadside Weeds and Pest program | – | 500 |
| National Partnership on developing demand–driver infrastructure for the tourism industry | 1,022 | 450 |
| Infrastructure Investment Programme/Building Australia Fund – rail projects | – | – |
| Nation Building – road projects | 35,426 | 305,152 |
| Black spot projects (including Asset Recycling Fund) | 210,424 | 22,847 |
| La Trobe Valley Economic Diversification | 21,329 | 688 |
| Hydrogen Energy Supply Chain Pilot program | – | – |
| Managed motorways (i) | 10,000 | (419) |
| Interstate road transport | – | 18,377 |
| National Highway Upgrade programme (Asset Recycling Fund) | 20,565 | 13,827 |
| Bridge Renewal programme | 7,055 | 6,365 |
| Heavy Vehicle Safety and Productivity | 1,416 | 4,380 |
| Road maintenance | 965 | 59,130 |
| Urban congestion package | 57,746 | 1,000 |
|  | 401,368 | 452,641 |
| Municipal payments |  |  |
| Domestic Animals Act 1994 | 309 | 412 |
|  | 309 | 412 |
|  |  |  |
| Total annotated income agreements | 449,677 | 493,590 |

i. The 2017 balance represents a return of funds to the Commonwealth due to an overpayment.

## 2.4 Income from transactions

Income is recognised to the extent that it is deemed probable that the economic benefits will flow to the entity and the income can be reliably measured at fair value. Where applicable, amounts disclosed as income are net of returns, allowances, duties and taxes. All amounts of income over which DEDJTR does not have control are disclosed as administered income in the schedule of administered income and expenses (see Note 4.2 Administered items). Income recognised for each of DEDJTR’s major activities are detailed in the following subsections.

### 2.4.1 Grants

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

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.

Grants can be received as general purpose grants which refer to grants that 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.

Income from grants (other than contribution by owners) is recognised when DEDJTR obtains control over the contribution.

Where such grants are payable into the Consolidated Fund, they are reported as administered income (refer to Note 4.2 - Administered items). For non-reciprocal grants, DEDJTR is deemed to have assumed control when the grant is receivable or received. Conditional grants may be reciprocal or non-reciprocal depending on the terms of the grant.

### 2.4.2 Sale of goods and services

Income from the supply of services is recognised by reference to the stage of completion of the services being performed. The income is recognised when the amount of income, stage of completion and transaction costs incurred can be reliably measured and it is probable that the economic benefits associated with the transaction will flow to DEDJTR.

Income from the sale of goods is recognised when:

* the department no longer has any of the significant risks and rewards of ownership of the goods transferred to the buyer;
* the department 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 department.

### 2.4.3 Interest income

Interest income includes interest received on bank term deposits. Interest income is recognised using the effective interest method of accounting which allocates the interest over the relevant period.

### 2.4.4 Fair value of assets and services received free of charge or for nominal consideration

Contributions of resources received free of charge or for nominal consideration are recognised at fair value when control is obtained over them, irrespective of whether these contributions are subject to restrictions or conditions over their use. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not received as a donation.

### 2.4.5 Other income

|  | ($ thousand) | |
| --- | --- | --- |
| Total other income | 2018 | 2017 |
| Regulatory charges, fees and fines | 13,923 | 14,685 |
| Trust income | 7,466 | 17,511 |
| Project management fees | – | 6,293 |
| Miscellaneous income | 205 | 146 |
| Total other income | 21,594 | 38,635 |

# 3. THE COST OF DELIVERING SERVICES

## Introduction

This section provides an account of the expenses incurred by the department 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 and other transfers**

**3.3 Employee benefits**

3.3.1 Employee benefits in the comprehensive operating statement

3.3.2 Employee benefits in the balance sheet

3.3.3 Superannuation contributions

**3.4 Capital asset charge**

**3.5 Other operating expenses**

## 3.1 Expenses incurred in delivery of services

|  |  | ($ thousand) | |
| --- | --- | --- | --- |
|  | Note | 2018 | 2017 |
| Grants and other transfers | 3.2 | (8,074,403) | (7,001,438) |
| Employee benefits | 3.3 | (411,445) | (372,719) |
| Capital asset charge | 3.4 | (82,829) | (80,598) |
| Other operating expenses | 3.5 | (516,797) | (353,312) |
| Total expenses incurred in delivery of services |  | (9,085,474) | (7,808,067) |

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 and other transfers

Grants and other transfers

|  | ($ thousand) | |
| --- | --- | --- |
| Total grants and other transfers | 2018 | 2017 |
| Grants to portfolio agencies |  |  |
| Public Transport Victoria | (4,609,788) | (4,135,816) |
| VicRoads | (2,043,262) | (1,412,242) |
| Creative Victoria agencies | (259,622) | (273,786) |
| Taxi Services Commission (i) | (102,956) | (427,373) |
| VicTrack | (97,165) | (60,535) |
| Visit Victoria | (124,711) | (92,316) |
| Film Victoria | (26,148) | (30,301) |
| Other grants to portfolio agencies | (194,680) | (127,364) |
| Total grants to portfolio agencies | (7,458,332) | (6,559,733) |
| Grants to local government and local ports |  |  |
| Local government | (67,680) | (77,429) |
| Local ports | (2,240) | (10,493) |
| Total grants to local government, and local ports | (69,920) | (87,922) |
| Grants and other transfers to state government departments and associated entities outside portfolio |  |  |
| Other state government departments and associated entities | (92,976) | (73,330) |
| Total grants and other transfers to state government departments and associated entities outside portfolio | (92,976) | (73,330) |
| Grants to external organisations and individuals |  |  |
| Other non–government agencies | (453,175) | (280,453) |
| Total grants to external organisations and individuals | (453,175) | (280,453) |
| Total grants and other transfers | (8,074,403) | (7,001,438) |

i. Grants and other transfers to Taxi Services Commission, includes the grant towards the transition assistance payments as part of the commercial passenger vehicle reforms in 2017.

Grants and other transfers refers to transferring ownership of DEDJTR resources to another party without receiving approximately equal value in return. Grants can be either 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.

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

## 3.3 Employee benefits

3.3.1 Employee benefits in the comprehensive operating statement

|  | ($ thousand) | |
| --- | --- | --- |
| Employee benefits | 2018 | 2017 |
| Salaries and wages, annual leave, long service leave and on–costs | (372,449) | (337,979) |
| Defined contribution superannuation expense | (35,293) | (30,532) |
| Defined benefit superannuation expense | (3,703) | (4,208) |
| Total employee benefits | (411,445) | (372,719) |

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.

3.3.2 Employee benefits in the balance sheet

|  |  |  |
| --- | --- | --- |
|  | ($ thousand) | |
| Provision for employee benefits | 2018 | 2017 |
| Current provisions |  |  |
| Employee benefits |  |  |
| Annual leave |  |  |
| – Unconditional and expected to wholly settle within 12 months(i) | 19,778 | 20,555 |
| – Unconditional and expected to wholly settle after 12 months(ii) | 16,770 | 16,141 |
|  |  |  |
| Long service leave |  |  |
| – Unconditional and expected to wholly settle within 12 months(i) | 10,796 | 3,211 |
| – Unconditional and expected to wholly settle after 12 months(ii) | 50,826 | 59,148 |
|  | 98,170 | 99,055 |
| Provisions related to employee benefit on–costs |  |  |
| – Unconditional and expected to wholly settle within 12 months(i) | 4,601 | 4,189 |
| – Unconditional and expected to wholly settle after 12 months(ii) | 9,542 | 12,671 |
| Performance incentive schemes | 874 | 2,397 |
|  | 15,017 | 19,257 |
| Total current provisions | 113,187 | 118,312 |
| Non–current provisions |  |  |
| Employee benefits | 16,759 | 13,165 |
| Provisions for on–costs | 2,217 | 2,150 |
| Total non–current provisions | 18,976 | 15,315 |
| Total provisions for employee benefits | 132,163 | 133,627 |

i. Nominal amounts are disclosed.

ii. The amounts disclosed are discounted to present value.

Liabilities for salaries and wages and annual leave are all recognised in the provision for employee benefits as current liabilities, as DEDJTR does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries and annual leave are measured at nominal value if DEDJTR expects to wholly settle within 12 months or present value if DEDJTR does not expect to wholly settle within 12 months.

Unconditional long service leave (LSL) is disclosed as a current liability even where DEDJTR does not expect to settle the liability within 12 months because it will not have an 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 DEDJTR expects to wholly settle within 12 months; or
* present value if DEDJTR does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non‑current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current long service liability 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.

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and LSL for services rendered to the reporting date.

### 3.3.3 Superannuation contributions

Employees of DEDJTR are entitled to receive superannuation benefits and DEDJTR 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 DEDJTR.

DEDJTR 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 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 DEDJTR are as follows:

|  | ($ thousand) | |
| --- | --- | --- |
|  | Paid contribution for the year (ii) | |
|  | 2018 | 2017 |
| Fund |  |  |
| Defined benefit plans (i) |  |  |
| State Superannuation Fund – revised and new | (3,703) | (4,208) |
| Defined contribution plans |  |  |
| VicSuper | (21,556) | (20,675) |
| Other | (13,737) | (9,857) |
| Total | (38,996) | (34,740) |

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 2018.

## 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

|  | ($ thousand) | |
| --- | --- | --- |
| Total other operating expenses | 2018 | 2017 |
| Supplies and services |  |  |
| Contracts and services | (251,990) | (149,303) |
| Computer services and equipment | (50,409) | (46,212) |
| Accommodation | (30,202) | (32,879) |
| Administrative expenses | (155,827) | (103,927) |
| Total supplies and services | (488,428) | (332,321) |
| Operating lease rental expenses |  |  |
| Minimum lease payments | (24,317) | (19,567) |
| Total operating lease rental expenses | (24,317) | (19,567) |
| Cost of goods sold/distributed | – | (123) |
| Fair value of assets and services provided free of charge | (4,052) | (1,301) |
| Total other operating expenses | (516,797) | (353,312) |

Other operating expenses include **supplies and services** costs which 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 distributed. It also includes bad debts expense from transactions that are unilaterally written off.

**Operating lease rental expenses** 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.

**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

DEDJTR 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 2018 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**

4.1.1 Departmental outputs

4.1.2 Controlled income and expenses

4.1.3 Controlled assets and liabilities

**4.2 Administered items**

4.2.1 Administered (non-controlled) items

4.2.2 Administered income and expenses

4.2.3 Administered assets and liabilities

**4.3 Restructuring of administrative arrangements**

## 4.1 Departmental outputs

### 4.1.1 Departmental outputs

The department supports the ministerial portfolios of Agriculture, Creative Industries, Industrial Relations, Industry and Employment, Major Projects, Ports, Public Transport, Regional Development, Resources, Roads and Road Safety, Small Business, Trade and Investment and Innovation and the Digital Economy, and Tourism and Major Events.

#### Departmental mission statement

The mission of the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) is to get our economy and society working together for the benefit of all Victorians - by creating more jobs for more people, connecting people and businesses, and maintaining Victoria’s envied reputation for liveability now and for the future.

#### Objectives and descriptions

The objectives and descriptions of the departmental outputs performed during the financial year ended 30 June 2018 are summarised in Note 9.13 - Output objectives and descriptions.

### 4.1.2 Departmental outputs: Controlled income and expenses for the financial year ended 30 June

|  | ($ thousand) | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Trade | | Tourism, major events and international education | | Employment and investment | | Regional development | | Resources | | Major projects | |
|  | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Income from transactions |  |  |  |  |  |  |  |  |  |  |  |  |
| Output appropriations | 21,947 | 18,641 | 138,801 | 82,657 | 180,350 | 171,197 | 56,833 | 32,808 | 60,789 | 43,556 | 6,517 | 11,693 |
| Special appropriations | – | – | – | – | – | – | – | – | 884 | 26 | – | – |
| Regional Growth Fund appropriations | – | – | – | – | – | – | 125,000 | 125,000 | – | – | – | – |
| Grants | 3,060 | – | 111,044 | 103,085 | 22,049 | 23,007 | 16,910 | 9,641 | 24,100 | – | – | – |
| Sale of services | – | – | – | – | – | – | – | – | – | – | – | – |
| Interest income | – | – | 319 | – | – | – | 3,232 | 3,574 | – | – | 2 | – |
| Fair value of assets & services received free of charge | – | – | – | – | – | – | 37 | – | – | – | – | – |
| Other income | – | 110 | 6 | 261 | 1 | 3,434 | 1 | 674 | 242 | 13,771 | 654 | 666 |
| Total income from transactions | 25,007 | 18,751 | 250,170 | 186,003 | 202,401 | 197,638 | 202,014 | 171,697 | 86,015 | 57,354 | 7,174 | 12,359 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Expenses from transactions |  |  |  |  |  |  |  |  |  |  |  |  |
| Grants and other transfers | (989) | (1,175) | (221,801) | (167,899) | (144,451) | (89,165) | (165,854) | (134,477) | (14,614) | (4,495) | – | (3,467) |
| Employee expenses | (10,275) | (8,300) | (10,386) | (5,175) | (28,824) | (39,703) | (28,917) | (27,108) | (20,940) | (21,358) | (1,183) | (4,246) |
| Capital asset charge | (199) | (543) | (5,231) | (558) | (3,785) | (3,579) | (2,076) | – | (391) | (1,235) | (1,256) | (2,074) |
| Depreciation and amortisation | (69) | (405) | (198) | (567) | (528) | (1,631) | (1,153) | (2,100) | (550) | (1,080) | (787) | (247) |
| Interest expense | (1) | (1) | (113) | (4) | (6) | (13) | (43) | (42) | (39) | (37) | (39) | 2 |
| Other operating expenses | (10,881) | (8,214) | (16,223) | (4,984) | (22,467) | (46,649) | (3,593) | (19,283) | (38,588) | (16,115) | (4,548) | (2,020) |
| Total expenses from transactions | (22,424) | (18,638) | (253,951) | (179,188) | (200,061) | (180,741) | (201,636) | (183,009) | (75,121) | (44,320) | (7,774) | (12,052) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net result from transactions (net operating balance) | 2,582 | 112 | (3,781) | 6,815 | 2,339 | 16,897 | 378 | (11,313) | 10,894 | 13,034 | (600) | 307 |
| Other economic flows included in net result |  |  |  |  |  |  |  |  |  |  |  |  |
| Net gain/(loss) on non–financial assets | (218) | (76) | (1,287) | (5,248) | (1,803) | (374) | (1,884) | (226) | (881) | (119) | (70) | (6,159) |
| Net gain/(loss) on financial instruments | (238) | (12) | 13 | 551 | (238) | (38) | – | (34) | (2) | (20) | – | (16) |
| Other gains/(losses) from other economic flows | – | 30 | 2 | 10 | 1 | 131 | – | 55 | – | 66 | – | 18 |
| Total other economic flows included in net result | (456) | (58) | (1,271) | (4,687) | (2,040) | (281) | (1,884) | (204) | (883) | (73) | (70) | (6,157) |
| Net result | 2,127 | 54 | (5,033) | 2,128 | 300 | 16,616 | (1,506) | (11,517) | 10,011 | 12,961 | (670) | (5,850) |
| Other economic flows – other comprehensive income |  |  |  |  |  |  |  |  |  |  |  |  |
| Items that will not be reclassified to net result |  |  |  |  |  |  |  |  |  |  |  |  |
| Changes in physical asset revaluation surplus | – | (129) | 4,614 | 76,856 | – | (65) | – | – | – | (1,957) | 39,518 | – |
| Composite reporting | – | – | – | 18,502 | – | – | – | – | – | – | – | – |
| Total other economic flows – other comprehensive income | – | (129) | 4,614 | 95,358 | – | (65) | – | – | – | (1,957) | 39,518 | – |
| Comprehensive result | 2,127 | (74) | (439) | 97,487 | 300 | 16,552 | (1,506) | (11,517) | 10,011 | 11,004 | 38,848 | (5,850) |

|  | ($ thousand) | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Industry and enterprise innovation | | Creative industries portfolio agencies | | Transport safety, security and emergency management | | Taxi and hire vehicle services | | Train services | | Tram services | |
|  | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Continuing operations |  |  |  |  |  |  |  |  |  |  |  |  |
| Income from transactions |  |  |  |  |  |  |  |  |  |  |  |  |
| Output appropriations | 128,351 | 116,039 | 235,561 | 224,607 | 111,158 | 83,243 | 144,489 | 94,923 | 3,241,832 | 2,621,276 | 799,216 | 621,931 |
| Special appropriations | – | – | – | – | 6,566 | – | 1,876 | – | 322 | – | 71 | – |
| Regional Growth Fund appropriations | – | – | – | – | – | – | – | – | – | – | – | – |
| Grants | 4,460 | – | 7,743 | 10,054 | – | – | – | – | – | – | – | – |
| Sale of services | – | – | 5 | – | – | – | – | – | 24 | – | – | – |
| Interest income | – | – | – | – | – | – | – | – | – | – | – | – |
| Fair value of assets & services received free of charge | – | – | – | – | – | – | – | 1 | – | 102 | – | 3 |
| Other income | – | 1 | 111 | 32 | 2 | 1 | 2 | – | 4,308 | 1 | 6 | 1 |
| Total income from transactions | 132,811 | 116,040 | 243,421 | 234,693 | 117,726 | 83,243 | 146,366 | 94,923 | 3,246,485 | 2,621,379 | 799,293 | 621,935 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Expenses from transactions |  |  |  |  |  |  |  |  |  |  |  |  |
| Grants and other transfers | (95,942) | (81,337) | (220,311) | (226,965) | (149,208) | (56,079) | (195,479) | (423,292) | (3,231,845) | (2,554,620) | (791,782) | (620,372) |
| Employee expenses | (26,233) | (22,047) | 2,227 | (1,095) | (17,145) | (22,214) | (2,568) | (1,861) | (15,591) | (17,696) | (4,897) | (4,831) |
| Capital asset charge | (704) | (2,589) | (15,320) | (118) | (1,379) | (904) | (356) | (2) | (23,265) | (7,855) | (906) | (15) |
| Depreciation and amortisation | (558) | (1,929) | (1,364) | (119) | (689) | (625) | (391) | (9) | (4,785) | (7,115) | (987) | (56) |
| Interest expense | (1) | (7) | (1) | (1) | (16) | (25) | (1) | (1) | (17) | (30) | (1) | – |
| Other operating expenses | (20,878) | (16,992) | 2,878 | (7,911) | (14,086) | (10,396) | 32,803 | (1,470) | (67,209) | (16,102) | (9,979) | (656) |
| Total expenses from transactions | (144,317) | (124,901) | (231,891) | (236,208) | (182,524) | (90,243) | (165,992) | (426,635) | (3,342,713) | (2,603,418) | (808,553) | (625,931) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net result from transactions (net operating balance) | (11,506) | (8,861) | 11,530 | (1,515) | (64,799) | (6,999) | (19,626) | (331,711) | (96,228) | 17,960 | (9,260) | (3,996) |
| Other economic flows included in net result |  |  |  |  |  |  |  |  |  |  |  |  |
| Net gain/(loss) on non–financial assets | (1,597) | (402) | (3,004) | (29) | (2,939) | (82) | (2,212) | (14) | (25,827) | 8,600 | (5,628) | (108) |
| Net gain/(loss) on financial instruments | – | (47) | – | (3) | – | (6) | – | (1) | (1) | (45) | – | (10) |
| Other gains/(losses) from other economic flows | 1 | 92 | 8 | 3 | 6 | 12 | 6 | 1 | 71 | 1,457 | 15 | 8 |
| Total other economic flows included in net result | (1,596) | (357) | (2,996) | (29) | (2,933) | (76) | (2,206) | (15) | (25,757) | 10,011 | (5,613) | (110) |
| Net result | (13,102) | (9,218) | 8,534 | (1,543) | (67,732) | (7,075) | (21,832) | (331,726) | (121,985) | 27,971 | (14,873) | (4,106) |
| Other economic flows – other comprehensive income |  |  |  |  |  |  |  |  |  |  |  |  |
| Items that will not be reclassified to net result |  |  |  |  |  |  |  |  |  |  |  |  |
| Changes in physical asset revaluation surplus | – | (65) | 5,940 | – | – | – | – | – | 123 | – | – | – |
| Composite reporting | 1 | – | 8 | – | – | – | – | – | – | – | – | – |
| Total other economic flows – other comprehensive income | 1 | (65) | 5,948 | – | – | – | – | – | 123 | – | – | – |
| Comprehensive result | (13,101) | (9,283) | 14,482 | (1,543) | (67,732) | (7,075) | (21,832) | (331,726) | (121,863) | 27,971 | (14,873) | (4,106) |

|  | ($ thousand) | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Bus services | | Road operations and network improvements | | Road asset management | | Integrated transport | | Port and freight network access | | Industry development and innovation | |
|  | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Continuing operations |  |  |  |  |  |  |  |  |  |  |  |  |
| Income from transactions |  |  |  |  |  |  |  |  |  |  |  |  |
| Output appropriations | 632,089 | 964,640 | 1,198,993 | 650,370 | 206,688 | 522,273 | 109,719 | 68,057 | 53,507 | 146,227 | 72,369 | 59,916 |
| Special appropriations | 119 | – | 64,591 | 6,890 | 18,760 | – | 155 | – | 161,335 | – | – | – |
| Regional Growth Fund appropriations | – | – | – | – | – | – | – | – | – | – | – | – |
| Grants | – | – | – | – | – | – | 42,704 | 7,400 | 1,000 | – | 6,831 | 2,867 |
| Sale of services | – | – | – | – | – | – | 42 | – | – | – | – | – |
| Interest income | – | – | 75 | 75 | – | – | 926 | – | – | – | – | – |
| Fair value of assets & services received free of charge | – | 4 | – | 406 | – | 2 | 61 | 5 | – | – | – | – |
| Other income | 10 | 2 | 6 | 3,856 | 4 | 1 | 1,792 | 84 | 1 | 117 | 30 | 31 |
| Total income from transactions | 632,218 | 964,647 | 1,264,733 | 661,595 | 225,451 | 522,276 | 155,398 | 75,546 | 215,843 | 146,344 | 79,231 | 62,815 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Expenses from transactions |  |  |  |  |  |  |  |  |  |  |  |  |
| Grants and other transfers | (600,431) | (951,238) | (1,432,562) | (707,915) | (417,709) | (548,709) | (68,571) | (60,307) | (56,976) | (149,747) | (60,738) | (52,109) |
| Employee expenses | (17,455) | (6,094) | (14,606) | (8,064) | (10,077) | (7,609) | (56,081) | (7,899) | (4,820) | (6,319) | (8,547) | (7,362) |
| Capital asset charge | (1,545) | (26) | (3,949) | (18,771) | (798) | (3,392) | (1,631) | (116) | (1,047) | (306) | (98) | (29) |
| Depreciation and amortisation | (1,682) | (98) | (1,564) | (1,571) | (863) | (47) | (481) | (34) | (651) | (1,133) | (104) | (59) |
| Interest expense | (2) | (1) | (7) | (3) | (1) | (1) | (6) | (5) | – | (1) | – | (3) |
| Other operating expenses | (26,692) | (10,184) | (64,813) | (15,072) | (12,935) | (1,271) | (56,337) | (25,070) | (1,822) | (1,832) | (8,005) | (4,495) |
| Total expenses from transactions | (647,807) | (967,640) | (1,517,502) | (751,396) | (442,384) | (561,028) | (183,108) | (93,431) | (65,317) | (159,338) | (77,492) | (64,058) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net result from transactions (net operating balance) | (15,590) | (2,993) | (253,837) | (89,800) | (216,933) | (38,752) | (27,710) | (17,885) | 150,526 | (12,994) | 1,739 | (1,243) |
| Other economic flows included in net result |  |  |  |  |  |  |  |  |  |  |  |  |
| Net gain/(loss) on non–financial assets | (9,595) | (176) | 29,852 | (17,263) | (4,960) | (68) | 939 | (28) | (853) | (4,358) | (613) | (20) |
| Net gain/(loss) on financial instruments | – | (17) | – | (23) | – | (7) | – | (14) | – | (1) | – | (1) |
| Other gains/(losses) from other economic flows | 26 | 13 | 21 | 3,373 | 14 | 5 | 12,109 | 22 | 2 | 1 | 1 | 28 |
| Total other economic flows included in net result | (9,569) | (180) | 29,872 | (13,913) | (4,947) | (70) | 13,048 | (20) | (852) | (4,358) | (613) | 8 |
| Net result | (25,159) | (3,173) | (223,964) | (103,713) | (221,879) | (38,822) | (14,662) | (17,905) | 149,674 | (17,353) | 1,126 | (1,235) |
| Other economic flows – other comprehensive income |  |  |  |  |  |  |  |  |  |  |  |  |
| Items that will not be reclassified to net result |  |  |  |  |  |  |  |  |  |  |  |  |
| Changes in physical asset revaluation surplus | – | – | 20,394 | (2,240) | – | – | 6,322 | – | – | – | – | – |
| Composite reporting | – | – | – | – | – | – | – | – | – | – | – | – |
| Total other economic flows – other comprehensive income | – | – | 20,394 | (2,240) | – | – | 6,322 | – | – | – | – | – |
| Comprehensive result | (25,159) | (3,173) | (203,570) | (105,953) | (221,879) | (38,822) | (8,340) | (17,905) | 149,674 | (17,353) | 1,126 | (1,235) |

|  | ($ thousand) | | | | ($ thousand) | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Cultural infrastructure and facilities | | Agriculture | | Sustainably manage fish, game and forest resources | | Industrial relations | | Departmental totals | |
|  | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Continuing operations |  |  |  |  |  |  |  |  |  |  |
| Income from transactions |  |  |  |  |  |  |  |  |  |  |
| Output appropriations | 118,801 | 101,597 | 351,367 | 344,249 | 83,283 | 78,030 | 6,253 | 6,646 | 7,958,913 | 7,064,575 |
| Special appropriations | – | – | – | – | – | – | – | – | 254,679 | 6,916 |
| Regional Growth Fund appropriations | – | – | – | – | – | – | – | – | 125,000 | 125,000 |
| Grants | – | 6,673 | 228 | 168 | 515 | – | – | – | 240,645 | 162,897 |
| Sale of services | – | – | 14,677 | – | 151 | – | – | – | 14,899 | – |
| Interest income | – | – | 1,161 | 1,711 | 36 | 37 | – | – | 5,752 | 5,396 |
| Fair value of assets & services received free of charge | – | – | – | – | – | – | – | – | 98 | 523 |
| Other income | 41 | 31 | 6,377 | 15,418 | 7,999 | 9,145 | – | – | 21,594 | 47,636 |
| Total income from transactions | 118,842 | 108,302 | 373,810 | 361,547 | 91,985 | 87,211 | 6,253 | 6,646 | 8,621,580 | 7,412,943 |
|  |  |  |  |  |  |  |  |  |  |  |
| Expenses from transactions |  |  |  |  |  |  |  |  |  |  |
| Grants and other transfers | (101,864) | (83,436) | (36,284) | (46,791) | (66,819) | (37,768) | (177) | (74) | (8,074,403) | (7,001,438) |
| Employee expenses | (3,128) | (1,095) | (124,832) | (124,397) | (2,529) | (23,896) | (4,636) | (4,352) | (411,445) | (372,719) |
| Capital asset charge | (135) | (16,473) | (18,631) | (20,573) | (118) | (1,438) | (6) | – | (82,829) | (80,598) |
| Depreciation and amortisation | (7,872) | (6,578) | (17,874) | (18,428) | (12) | (2,333) | (20) | (12) | (43,183) | (46,177) |
| Interest expense | (3) | – | (34,463) | (27,014) | (2) | (192) | (2) | (2) | (34,727) | (27,381) |
| Other operating expenses | (6,109) | (23) | (142,771) | (124,195) | (23,114) | (18,172) | (1,411) | (2,206) | (516,796) | (353,312) |
| Total expenses from transactions | (119,110) | (107,606) | (374,855) | (361,398) | (92,595) | (83,800) | (6,253) | (6,646) | (9,163,383) | (7,881,625) |
|  |  |  |  |  |  |  |  |  |  |  |
| Net result from transactions (net operating balance) | (268) | 696 | (1,045) | 149 | (610) | 3,411 | – | – | (541,803) | (468,681) |
| Other economic flows included in net result |  |  |  |  |  |  |  |  |  |  |
| Net gain/(loss) on non–financial assets | (818) | (2) | (2,139) | (6,796) | (737) | (876) | (39) | – | (36,314) | (33,826) |
| Net gain/(loss) on financial instruments | – | – | – | (188) | – | (29) | – | – | (468) | 39 |
| Other gains/(losses) from other economic flows | 2 | 4 | (9) | 42 | (8) | 138 | (1) | 18 | 12,267 | 5,529 |
| Total other economic flows included in net result | (816) | 2 | (2,148) | (6,943) | (745) | (767) | (39) | 18 | (24,515) | (28,258) |
| Net result | (1,085) | 698 | (3,194) | (6,794) | (1,355) | 2,644 | (39) | 18 | (566,318) | (496,939) |
| Other economic flows – other comprehensive income |  |  |  |  |  |  |  |  |  |  |
| Items that will not be reclassified to net result |  |  |  |  |  |  |  |  |  |  |
| Changes in physical asset revaluation surplus | – | 104,812 | 28,950 | 261 | – | (508) | – | – | 105,859 | 176,965 |
| Composite reporting | – | – | – | – | – | – | – | – | – | 18,502 |
| Total other economic flows – other comprehensive income | – | 104,812 | 28,950 | 261 | – | (508) | – | – | 105,859 | 195,467 |
| Comprehensive result | (1,085) | 105,510 | 25,756 | (6,533) | (1,355) | 2,136 | (39) | 18 | (460,459) | (301,472) |

4.1.3 Departmental outputs: Controlled assets and liabilities as at 30 June

|  | ($ thousand) | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Trade | | Tourism, major events and international education | | Employment and investment | | Regional development | | Resources (i) | | Major projects | |
|  | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Assets |  |  |  |  |  |  |  |  |  |  |  |  |
| Financial assets | 4,082 | 5,407 | 74,950 | 72,754 | 34,379 | 53,323 | 731,721 | 269,823 | 16,459 | 12,141 | 10,541 | 15,407 |
| Non–financial assets | 2,614 | 11,161 | 231,512 | 195,326 | 56,347 | 49,282 | 30,467 | 66,431 | 7,811 | 27,934 | 172,138 | 117,056 |
| Total Assets | 6,696 | 16,568 | 306,462 | 268,079 | 90,726 | 102,605 | 762,189 | 336,254 | 24,270 | 40,075 | 182,679 | 132,462 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total Liabilities | (2,811) | (3,576) | (55,723) | (24,857) | (39,831) | (34,875) | (310,130) | (39,475) | (16,495) | (9,677) | (8,209) | (9,684) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net Assets | 3,885 | 12,991 | 250,740 | 243,222 | 50,895 | 67,730 | 452,058 | 296,779 | 7,775 | 30,398 | 174,470 | 122,778 |

|  | ($ thousand) | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Industry and enterprise innovation | | Creative industries portfolio agencies | | Transport safety, security and emergency management | | Taxi and hire vehicle services | | Train services | | Tram services | |
|  | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Assets |  |  |  |  |  |  |  |  |  |  |  |  |
| Financial assets | 13,370 | 16,600 | 9,036 | 1,221 | 44,729 | 25,951 | 218,389 | 1,081 | 287,760 | 764,687 | 44,401 | 5,542 |
| Non–financial assets | 11,925 | 52,333 | 430,046 | 17,795 | 11,974 | 26,329 | 8,955 | 2,406 | 30,725 | 128,537 | 19,883 | 15,769 |
| Total Assets | 25,294 | 68,933 | 439,083 | 19,016 | 56,703 | 52,280 | 227,344 | 3,487 | 318,485 | 893,224 | 64,284 | 21,311 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total Liabilities | (16,551) | (12,369) | (11,896) | (758) | (72,207) | (16,954) | (338,137) | (332,403) | (443,152) | (607,488) | (74,947) | (3,618) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net Assets | 8,743 | 56,565 | 427,187 | 18,258 | (15,504) | 35,326 | (110,793) | (328,916) | (124,667) | 285,736 | (10,663) | 17,693 |

|  | ($ thousand) | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Bus services | | Road operations and network improvements | | Road asset management | | Integrated transport | | Port and freight network access | | Industry development and innovation | |
|  | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Assets |  |  |  |  |  |  |  |  |  |  |  |  |
| Financial assets | 66,854 | 4,436 | 490,023 | 506,489 | 80,029 | 159,208 | 448,240 | 410,582 | 6,494 | 18,369 | 4,308 | 15,191 |
| Non–financial assets | 33,633 | 26,249 | 356,887 | 277,502 | 15,228 | 10,860 | 690,312 | 200,558 | 9,575 | 15,056 | 822 | 308,969 |
| Total Assets | 100,487 | 30,685 | 846,911 | 783,991 | 95,257 | 170,068 | 1,138,551 | 611,140 | 16,068 | 33,426 | 5,129 | 324,161 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total Liabilities | (119,788) | (1,999) | (748,221) | (409,791) | (133,542) | (130,039) | (466,774) | (294,165) | (11,211) | (13,733) | (3,913) | (7,981) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net Assets | (19,301) | 28,686 | 98,690 | 374,200 | (38,286) | 40,028 | 671,777 | 316,975 | 4,857 | 19,693 | 1,217 | 316,179 |

|  | ($ thousand) | | | | ($ thousand) | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Cultural infrastructure and facilities | | Agriculture | | Sustainability manage fish, game and forest resources | | Industrial relations | | Departmental totals | |
|  | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Assets |  |  |  |  |  |  |  |  |  |  |
| Financial assets | 1,876 | 2,330 | 297,563 | 721,160 | 11,821 | 23,607 | 1,422 | 1,441 | 2,898,447 | 3,106,748 |
| Non–financial assets | 1,754 | 42,481 | 707,807 | 405,296 | 2,881 | 40,595 | 106 | 47 | 2,833,403 | 2,037,973 |
| Total Assets | 3,631 | 44,811 | 1,005,370 | 1,126,456 | 14,702 | 64,202 | 1,528 | 1,488 | 5,731,849 | 5,144,720 |
|  |  |  |  |  |  |  |  |  |  |  |
| Total Liabilities | (4,284) | (1,317) | (386,450) | (602,383) | (13,306) | (16,923) | (2,056) | (1,184) | (3,279,634) | (2,575,252) |
|  |  |  |  |  |  |  |  |  |  |  |
| Net Assets | (654) | 43,494 | 618,920 | 524,073 | 1,397 | 47,279 | (528) | 303 | 2,452,215 | 2,569,469 |

## 4.2 Administered items

### 4.2.1 Administered (non-controlled) items

Administered income includes fees and fines and the proceeds from the sale of administered surplus land and buildings. Administered assets include government income earned but not yet 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 the recognition of the departmental items in the financial statements. Both controlled and administered items of DEDJTR are consolidated into the financial statements of the state.

DEDJTR does not gain control over assets arising from taxes, fines, licence and regulatory fees and royalties, consequently no income is recognised in DEDJTR’s financial statements. DEDJTR 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 for the financial year ended 30 June 2018

|  | ($ thousand) | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Trade | | Tourism, major events and international education | | Employment and investment | | Regional development | | Resources | | Major projects | |
|  | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Administered income from transactions |  |  |  |  |  |  |  |  |  |  |  |  |
| Sale of goods and services | – | – | 2,610 | 2,086 | – | – | 9,437 | – | 661 | 710 | 627 | – |
| Port of Melbourne Corporation licence fee | – | – | – | – | – | – | – | – | – | – | – | – |
| Appropriations – payments made on behalf of the state | – | – | 69,743 | 65,074 | – | – | – | – | – | – | – | – |
| Royalties | – | – | – | – | – | – | – | – | 101,184 | 84,416 | – | – |
| Other income | – | – | – | – | – | – | – | – | 4,350 | 195 | – | – |
| Statutory fines | – | – | – | – | – | – | – | – | – | – | – | – |
| Regulatory fees, fines, leases and licences | – | – | – | – | – | – | – | – | 1,082 | 626 | – | – |
| Interest income | – | – | 10,648 | 10,468 | – | – | – | – | 65 | 68 | – | – |
| Commonwealth grants | – | – | – | – | – | – | – | – | – | – | – | – |
| Total administered income from transactions | – | – | 83,001 | 77,628 | – | – | 9,437 | – | 107,341 | 86,015 | 627 | – |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Administered expenses from transactions |  |  |  |  |  |  |  |  |  |  |  |  |
| Payments into Consolidated Fund | – | (1,342) | (14,217) | (17,604) | – | (303) | (9,437) | (219) | (91,183) | (59,414) | (627) | (1,174) |
| Interest expense | – | – | (40,005) | (40,329) | – | – | – | – | – | – | – | – |
| Other expenses | – | – | (22,218) | (21,257) | – | – | – | – | – | – | – | – |
| Assets transferred to local/Commonwealth government | – | – | – | – | – | – | – | – | – | – | – | – |
| Total administered expenses from transactions | – | (1,342) | (76,440) | (79,190) | – | (303) | (9,437) | (219) | (91,183) | (59,414) | (627) | (1,174) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total administered net result from transactions | – | (1,342) | 6,561 | (1,562) | – | (303) | – | (219) | 16,158 | 26,601 | – | (1,174) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Administered other economic flows included in administered net result |  |  |  |  |  |  |  |  |  |  |  |  |
| Net gain/(loss) on non–financial assets | – | (279) | – | (663) | – | (7) | – | (7) | – | (4) | – | 6,779 |
| Net gain/(loss) on financial assets | – | – | – | – | – | – | – | – | – | – | – | – |
| Total administered other economic flows | – | (279) | – | (663) | – | (7) | – | (7) | – | (4) | – | 6,779 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total administered comprehensive result | – | (1,621) | 6,561 | (2,225) | – | (310) | – | (226) | 16,158 | 26,597 | – | 5,605 |

|  | ($ thousand) | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Industry and enterprise innovation | | Creative industries portfolio agencies | | Taxi and hire vehicle services | | Train services | | Tram services | | Transport safety, security and emergency management | |
|  | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Administered income from transactions |  |  |  |  |  |  |  |  |  |  |  |  |
| Sale of goods and services | 402 | 422 | – | – | – | – | 1 | 44 | – | – | 4,244 | 7,346 |
| Port of Melbourne Corporation licence fee | – | – | – | – | – | – | – | – | – | – | – | – |
| Appropriations – payments made on behalf of the state | 1,462 | – | – | – | – | – | – | – | – | – | – | – |
| Royalties | – | – | – | – | – | – | – | – | – | – | – | – |
| Other income | 573 | – | – | – | – | – | – | 872 | – | – | – | – |
| Statutory fines | – | – | – | – | – | – | 19,323 | 21,004 | 427 | – | – | – |
| Regulatory fees, fines, leases and licences | – | – | – | – | – | – | – | 1,347 | – | – | 1,245 | – |
| Interest income | – | 266 | – | – | – | – | – | – | – | – | – | – |
| Commonwealth grants | – | – | – | – | – | – | – | – | – | – | – | – |
| Total administered income from transactions | 2,436 | 688 | – | – | – | – | 19,324 | 23,267 | 427 | – | 5,489 | 7,346 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Administered expenses from transactions |  |  |  |  |  |  |  |  |  |  |  |  |
| Payments into Consolidated Fund | (402) | (1,556) | – | (671) | – | (335) | (21,545) | (58,002) | (477) | (2,516) | (6,120) | (22,685) |
| Interest expense | – | – | – | – | – | – | – | – | – | – | – | – |
| Other expenses | (1,462) | – | – | – | – | – | – | (1,321) | – | – | – | – |
| Assets transferred to local/Commonwealth government | – | (217,474) | – | – | – | – | – | – | – | – | – | – |
| Total administered expenses from transactions | (1,863) | (219,030) | – | (671) | – | (335) | (21,545) | (59,323) | (477) | (2,516) | (6,120) | (22,685) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total administered net result from transactions | 573 | (218,342) | – | (671) | – | (335) | (2,221) | (36,056) | (49) | (2,516) | (631) | (15,339) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Administered other economic flows included in administered net result |  |  |  |  |  |  |  |  |  |  |  |  |
| Net gain/(loss) on non–financial assets | – | (9) | – | (140) | – | – | – | (15) | – | (2) | – | (1) |
| Net gain/(loss) on financial assets | 100 | – | – | – | – | (2,545) | (13,432) | (16,127) | – | – | (5,075) | – |
| Total administered other economic flows | 100 | (9) | – | (140) | – | (2,545) | (13,432) | (16,142) | – | (2) | (5,075) | (1) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total administered comprehensive result | 673 | (218,351) | – | (811) | – | (2,880) | (15,653) | (52,198) | (49) | (2,518) | (5,706) | (15,340) |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | ($ thousand) | | | | | | | | | | | |
|  | Bus services | | Road operations and network improvements | | Integrated transport | | Port and freight network access | | Industry development and innovation | | Agriculture | |
|  | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Administered income from transactions |  |  |  |  |  |  |  |  |  |  |  |  |
| Sale of goods and services | – | – | 4,590 | – | 150 | 2 | – | – | – | – | 58,141 | 44,478 |
| Port of Melbourne Corporation licence fee | – | – | – | – | – | – | – | 81,321 | – | – | – | – |
| Appropriations – payments made on behalf of the state | – | – | – | – | – | – | – | – | – | – | 1 | – |
| Royalties | – | – | – | – | – | – | – | – | – | – | – | – |
| Other income | – | – | 975 | – | – | – | – | – | – | – | 607 | 1,549 |
| Statutory fines | 719 | 3,233 | – | – | – | – | – | – | – | – | 4 | 1 |
| Regulatory fees, fines, leases and licences | – | – | – | – | – | – | – | – | – | – | 8 | 8 |
| Interest income | – | – | – | – | – | – | – | – | – | – | – | – |
| Commonwealth grants | – | – | – | – | – | – | – | – | – | – | 95 | – |
| Total administered income from transactions | 719 | 3,233 | 5,565 | – | 150 | 2 | – | 81,321 | – | – | 58,856 | 46,036 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Administered expenses from transactions |  |  |  |  |  |  |  |  |  |  |  |  |
| Payments into Consolidated Fund | (802) | (7,343) | (4,590) | – | (167) | (86) | – | (61,382) | – | (168) | (65,619) | (90,137) |
| Interest expense | – | – | – | – | – | – | – | – | – | – | – | – |
| Other expenses | – | – | – | – | – | – | – | – | – | – | – | – |
| Assets transferred to local/Commonwealth government | – | – | – | – | – | – | – | – | – | – | – | – |
| Total administered expenses from transactions | (802) | (7,343) | (4,590) | – | (167) | (86) | – | (61,382) | – | (168) | (65,619) | (90,137) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total administered net result from transactions | (83) | (4,110) | 975 | – | (17) | (84) | – | 19,939 | – | (168) | (6,763) | (44,101) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Administered other economic flows included in administered net result |  |  |  |  |  |  |  |  |  |  |  |  |
| Net gain/(loss) on non–financial assets | – | (4) | – | – | 18,790 | 8,915 | – | (70) | – | (35) | 64,740 | 63,438 |
| Net gain/(loss) on financial assets | – | – | – | – | – | – | – | – | – | – | – | – |
| Total administered other economic flows | – | (4) | – | – | 18,790 | 8,915 | – | (70) | – | (35) | 64,740 | 63,438 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total administered comprehensive result | (83) | (4,114) | 975 | – | 18,773 | 8,831 | – | 19,869 | – | (203) | 57,977 | 19,337 |

|  | ($ thousand) | | | |
| --- | --- | --- | --- | --- |
|  | Sustainably manage fish, game and forest resources | | Department Total | |
|  | 2018 | 2017 | 2018 | 2017 |
| Administered income from transactions |  |  |  |  |
| Sale of goods and services | 280 | 289 | 81,144 | 55,377 |
| Port of Melbourne Corporation licence fee | – | – | – | 81,321 |
| Appropriations – payments made on behalf of the state | – | – | 71,206 | 65,074 |
| Royalties | – | – | 101,184 | 84,416 |
| Other income | – | – | 6,505 | 2,616 |
| Statutory fines | – | – | 20,473 | 24,238 |
| Regulatory fees, fines, leases and licences | 28,761 | 34,104 | 31,096 | 36,085 |
| Interest income | – | – | 10,713 | 10,802 |
| Commonwealth grants | – | – | 95 | – |
| Total administered income from transactions | 29,041 | 34,393 | 322,415 | 359,929 |
|  |  |  |  |  |
| Administered expenses from transactions |  |  |  |  |
| Payments into Consolidated Fund | (32,379) | (4,651) | (248,130) | (329,588) |
| Interest expense | – | – | (40,005) | (40,329) |
| Other expenses | – | – | (23,680) | (22,578) |
| Assets transferred to local/Commonwealth government | – | – | – | (217,474) |
| Total administered expenses from transactions | (32,379) | (4,651) | (311,815) | (609,969) |
|  |  |  |  |  |
| Total administered net result from transactions | (3,338) | 29,742 | 10,600 | (250,040) |
|  |  |  |  |  |
| Administered other economic flows included in administered net result |  |  |  |  |
| Net gain/(loss) on non–financial assets | – | (6) | 83,530 | 77,890 |
| Net gain/(loss) on financial assets | – | – | (18,406) | (18,672) |
| Total administered other economic flows | – | (6) | 65,124 | 59,218 |
|  |  |  |  |  |
| Total administered comprehensive result | (3,338) | 29,736 | 75,724 | (190,822) |

4.2.3 Administered assets and liabilities as at 30 June 2018

|  | ($ thousand) | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Trade | | Tourism, major events and international education | | Employment and investment | | Regional development | | Resources | | Major projects | |
|  | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Administered financial assets |  |  |  |  |  |  |  |  |  |  |  |  |
| Cash and receivables | – | 1 | 2,837 | 784 | – | 5 | – | 5 | 106,320 | 86,751 | – | – |
| Trust funds | – | – | – | – | – | 1 | – | 1 | 1,742 | 317 | – | 5 |
| Loans | – | – | 287,065 | 284,960 | – | – | – | – | – | – | – | – |
| Total administered financial assets | – | 1 | 289,902 | 285,744 | – | 6 | – | 6 | 108,062 | 87,068 | – | 5 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Administered non–financial assets | – | – | – | – | – | – | – | – | – | – | – | – |
| Total administered non–financial assets | – | – | – | – | – | – | – | – | – | – | – | – |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total administered assets | – | 1 | 289,902 | 285,744 | – | 6 | – | 6 | 108,062 | 87,068 | – | 5 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Administered liabilities |  |  |  |  |  |  |  |  |  |  |  |  |
| Creditors and accruals | – | – | (2,145) | (8,470) | – | – | – | – | (175) | – | – | – |
| Unearned income | – | – | (62,120) | (64,256) | – | – | – | – | (1,080) | – | – | – |
| Interest bearing liabilities | – | – | (444,792) | (452,095) | – | – | – | – | (104) | – | – | – |
| Total administered liabilities | – | – | (509,057) | (524,821) | – | – | – | – | (1,359) | – | – | – |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total administered net assets | – | 1 | (219,155) | (239,077) | – | 6 | – | 6 | 106,703 | 87,068 | – | 5 |

|  | ($ thousand) | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Industry and enterprise innovation | | Creative industries portfolio agencies | | Taxi and hire vehicle services | | Train services | | Tram services | | Transport safety, security and emergency management | |
|  | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Administered financial assets |  |  |  |  |  |  |  |  |  |  |  |  |
| Cash and receivables | 3,030 | 1,545 | – | – | – | – | 12,497 | 25,171 | – | 1 | 1,001 | 6,831 |
| Trust funds | – | 1 | – | – | – | – | – | 4,751 | – | – | – | 24 |
| Loans | 50,000 | 2,887 | – | – | – | – | – | – | – | – | – | – |
| Total administered financial assets | 53,030 | 4,433 | – | – | – | – | 12,497 | 29,922 | – | 1 | 1,001 | 6,855 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Administered non–financial assets | – | – | – | – | – | – | – | – | – | – | – | – |
| Total administered non–financial assets | – | – | – | – | – | – | – | – | – | – | – | – |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total administered assets | 53,030 | 4,433 | – | – | – | – | 12,497 | 29,922 | – | 1 | 1,001 | 6,855 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Administered liabilities |  |  |  |  |  |  |  |  |  |  |  |  |
| Creditors and accruals | – | – | – | – | – | – | – | – | – | – | – | (11,646) |
| Unearned income | – | – | – | – | – | – | – | – | – | – | – | – |
| Interest bearing liabilities | – | – | – | – | – | – | – | – | – | – | – | – |
| Total administered liabilities | – | – | – | – | – | – | – | – | – | – | – | (11,646) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total administered net assets | 53,030 | 4,433 | – | - | – | – | 12,497 | 29,922 | – | 1 | 1,001 | (4,791) |

|  | ($ thousand) | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Bus services | | Road operations and network improvements | | Integrated transport | | Port and freight network access | | Industry development and innovation | | Agriculture | |
|  | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Administered financial assets |  |  |  |  |  |  |  |  |  |  |  |  |
| Cash and receivables | – | 2 | – | – | 4 | 9 | – | 20,330 | – | – | 75,675 | 6,902 |
| Trust funds | – | – | – | – | 97 | – | – | – | – | – | – | 230 |
| Loans | – | – | – | – | 1 | – | – | – | – | – | – | – |
| Total administered financial assets | – | 2 | – | – | 101 | 9 | – | 20,330 | – | – | 75,675 | 7,132 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Administered non–financial assets | – | – | – | – | – | – | – | – | – | – | – | – |
| Total administered non–financial assets | – | – | – | – | – | – | – | – | – | – | – | – |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total administered assets | – | 2 | – | – | 101 | 9 | – | 20,330 | – | – | 75,675 | 7,132 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Administered liabilities |  |  |  |  |  |  |  |  |  |  |  |  |
| Creditors and accruals | – | – | – | – | – | – | – | – | – | – | – | – |
| Unearned income | – | – | – | – | – | – | – | – | – | – | – | – |
| Interest bearing liabilities | – | – | – | – | – | – | – | – | – | – | – | – |
| Total administered liabilities | – | – | – | – | – | – | – | – | – | – | – | – |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total administered net assets | – | 2 | – | – | 101 | 9 | – | 20,330 | – | – | 75,675 | 7,132 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | ($ thousand) | | | |
|  | Sustainably manage fish, game and forest resources | | Department Total | |
|  | 2018 | 2017 | 2018 | 2017 |
| Administered financial assets |  |  |  |  |
| Cash and receivables | 1,646 | 4,472 | 199,541 | 152,810 |
| Trust funds | 34 | 1 | 5,343 | 5,326 |
| Loans | – | – | 337,066 | 287,847 |
| Total administered financial assets | 1,680 | 4,473 | 541,949 | 445,983 |
|  |  |  |  |  |
| Administered non–financial assets | – | – | – | – |
| Total administered non–financial assets | – | – | – | – |
|  |  |  |  |  |
| Total administered assets | 1,680 | 4,473 | 541,949 | 445,983 |
|  |  |  |  |  |
| Administered liabilities |  |  |  |  |
| Creditors and accruals | – | – | (2,320) | (20,116) |
| Unearned income | – | – | (63,200) | (64,256) |
| Interest bearing liabilities | – | – | (444,896) | (452,095) |
| Total administered liabilities | – | – | (510,416) | (536,467) |
|  |  |  |  |  |
| Total administered net assets | 1,680 | 4,473 | 31,533 | (90,484) |

## 4.3 Restructuring of administrative arrangements

The administrative arrangements the department entered into during the financial period are detailed below. Comparative amounts for the prior year have not been disclosed.

### Establishment of Victorian Fisheries Authority (VFA)

On 1 July 2017, in accordance with the *Victorian Fisheries Authorities Act 2016*, a body corporate was incorporated called Victorian Fisheries Authority (VFA) and the *Fisheries Act 1995* amended to enable the Victorian Fisheries Authority and its chief executive officer to perform or exercise functions or powers under that Act.

As part of the establishment of VFA, the department transferred the net assets of Victorian Fisheries functions within DEDJTR to VFA.

The net asset transfers were treated as a contribution of capital by the state.

### Abolishment of Tourism Victoria

On 1 June 2018, the *Major Events Legislation Amendment (Ticket Scalping and Other Matters) Act 2018* came into operation, which incorporates repeal of the *Tourism Victoria Act 1992.* By virtue of this legislation, on 1 June 2018 the entity Tourism Victoria was abolished and its members went out of office.

As part of the abolishment, Tourism Victoria’s net assets were transferred into DEDJTR.

### Transfer of Development Victoria

In accordance with the *Urban Renewal Authority Victoria Amendment (Development Victoria) Act 2017*, Maritime and South Wharf Reservation Committee assets and liabilities were transferred to the Department.

Net assets recognised/(transferred)

|  | ($ thousand) | | |
| --- | --- | --- | --- |
|  | Transfer in | | Transfer out |
|  | Tourism Victoria | Development Victoria | Victoria Fisheries Authority |
| Assets |  |  |  |
| Cash | 16,643 | 389 | – |
| Assets held for resale (motor vehicle) | – | – | 39 |
| Receivables | – | – | 7,059 |
| Net property, plant and equipment | – | 9,346 | 3,520 |
| Motor vehicles under finance lease | – | – | 1,816 |
|  |  |  |  |
| Liabilities |  |  |  |
| Deposits Repayable | – | (149) | – |
| Accruals | – | – | (557) |
| Liabilities held for resale (motor vehicle) | – | – | (39) |
| Motor vehicles finance lease liability | – | – | (1,822) |
| Employee Benefits | – | – | (6,502) |
| Net assets recognised/(transferred) | 16,643 | 9,586 | 3,514 |

# 5. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

## Introduction

The department 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 Department for delivery of those outputs.

## Structure

**5.1 Property, plant and equipment**

5.1.1 Depreciation and impairment

5.1.2 Reconciliation of movements in carrying amount

5.1.3 Carrying amount by purpose groups

**5.2 Intangible assets**

**5.3 Joint operations**

## 5.1 Property, plant and equipment

Property, plant and equipment carrying amount

|  | ($ thousand) | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
|  | Gross carrying amount | | Accumulated depreciation | | Net carrying amount | |
|  | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Land at fair value | 986,837 | 774,727 | – | – | 986,837 | 774,727 |
| Buildings and structures at fair value | 541,176 | 539,799 | (76,527) | (54,847) | 464,649 | 484,952 |
| Building leasehold | 31,521 | 23,476 | (15,071) | (8,334) | 16,450 | 15,142 |
| Leasehold Improvements | 53,903 | 68,774 | (33,978) | (36,704) | 19,925 | 32,070 |
| Plant and equipment at fair value | 126,774 | 135,381 | (79,979) | (91,566) | 46,795 | 43,815 |
| Assets under construction at cost | 846,022 | 364,687 | – | – | 846,022 | 364,687 |
| Infrastructure at fair value | 52,719 | 54,564 | (1,570) | (4,423) | 51,148 | 50,141 |
| Cultural assets at fair value | 19,641 | 19,640 | (1,287) | (6) | 18,353 | 19,634 |
| Net carrying amount | 2,658,591 | 1,981,048 | (208,413) | (195,880) | 2,450,178 | 1,785,168 |

### 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.

The initial cost for non-financial physical assets under a finance lease is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Also noted that certain assets are acquired under finance leases, which may form part of a service concession arrangement (public private partnership).

### Subsequent measurement

Property, plant and equipment (PPE) 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 below by asset category.

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 department’s specialised buildings, the current replacement cost method is used, adjusting for the associated depreciation.

Infrastructure including road infrastructure and earthworks are valued using the current replacement cost method. This cost generally represents the replacement cost of the building/component after applying depreciation rates on a useful life basis. However, for some assets, the cost may be the reproduction cost rather than the replacement cost if those assets’ service potential could only be replaced by reproducing them with the same materials.

Vehicles are valued using the current replacement cost method. The department 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 department 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 and impairment

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets that have finite useful lives are depreciated. The exceptions to this rule include items under operating leases, assets held for sale and land.

Depreciation by asset class

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2018 | 2017 |
| Buildings and structures | 22,833 | 22,639 |
| Building leasehold | 6 | 71 |
| Leasehold improvements | 6,691 | 7,206 |
| Plant and equipment | 5,250 | 8,031 |
| Leased plant and equipment | 3,967 | 4,789 |
| Infrastructure | 1,299 | 552 |
| Cultural assets | 1,281 | 797 |
| Total depreciation (i) | 41,327 | 44,085 |

i. Excludes amortisation of $1.8 million (2017: $2.0 million) relating to intangible produced assets disclosed in Note 5.2 - Intangible assets.

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. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

Useful life by asset class

|  | Years | |
| --- | --- | --- |
|  | 2018 | 2017 |
| Buildings and structures | 25 to 85 | 25 to 75 |
| Building leasehold | 1 to 33 | 7 to 33 |
| Infrastructure | 20 to 50 | 20 to 50 |
| Cultural assets | 100 | 100 |
| Leasehold improvements | 1 to 20 | 4 to 19 |
| Plant and equipment | 1 to 50 | 1 to 50 |
| Leased plant and equipment | 1 to 3 | 1 to 3 |
| Intangible produced assets – software development | 4 to 7 | 4 to 7 |

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

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).

Indefinite life assets: land, land under declared roads, and core cultural assets, which are considered to have an indefinite life, are not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

### Impairment

Non-financial assets, including items of property, plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

The assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset’s carrying value exceeds its recoverable amount, the difference is written off as an other economic flow, except to the extent that the write down can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is indication that there has been a reversal in the estimate of an asset’s recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

The recoverable amount for most assets is measured at the higher of current replacement cost method and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

### 5.1.2 Reconciliation of movements in carrying amount

|  | ($ thousand) | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Land at fair value | | Buildings and structures at fair value | | Buildings leasehold | | Leasehold improvements | | Plant and equipment | |
|  | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Opening balance | 774,727 | 714,194 | 484,952 | 545,002 | 15,142 | 16,053 | 32,069 | 28,268 | 28,237 | 26,105 |
| Additions | 68,135 | 33,213 | – | 316 | 2,558 | 7 | 30 | 5,803 | 14,093 | 11,117 |
| Disposals | – | (14,281) | (10,281) | (76) | (830) | – | – | – | (998) | (806) |
| Net revaluation increments/(decrements) | 101,376 | 145,942 | 2,176 | 21,331 | – | (257) | – | – | – | – |
| Transfers via contributed capital | 36,013 | – | – | – | – | – | – | – | – | – |
| Transfers to classified as held for sale | – | (108,492) | – | (70,666) | – | – | – | – | – | – |
| Net transfers (to)/from government entities | 6,586 | – | 2,760 | (3,862) | – | – | (800) | – | (2,720) | – |
| Depreciation and amortisation expense | – | – | (22,833) | (22,638) | (5,423) | (71) | (1,274) | (7,206) | (5,250) | (8,031) |
| Received/(given) free of charge | – | (10) | – | – | – | – | – | – | – | (143) |
| Transfers between classes | – | 4,161 | 7,876 | 15,545 | 4,056 | (590) | (5,654) | 5,204 | (601) | (6) |
| Recognition/(derecognition) | – | – | – | – | – | – | (3,500) | – | – | – |
| Closing balance | 986,837 | 774,727 | 464,650 | 484,952 | 15,503 | 15,142 | 20,871 | 32,069 | 32,761 | 28,237 |

|  | ($ thousand) | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Leased plant and equipment | | Assets under construction | | Infrastructure | | Cultural assets | | Total | |
|  | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Opening balance | 15,576 | 16,047 | 364,688 | 115,298 | 50,141 | 55,309 | 19,634 | 9,619 | 1,785,166 | 1,525,895 |
| Additions | 6,610 | 6,933 | 4,234,383 | 2,719,694 | – | 77 | – | – | 4,325,809 | 2,777,159 |
| Disposals | (1,915) | (2,517) | – | – | – | – | – | – | (14,025) | (17,681) |
| Net revaluation increments/(decrements) | – | – | – | – | 2,307 | – | – | 9,950 | 105,859 | 176,965 |
| Transfers via contributed capital | – | 8 | (3,709,833) | (2,433,694) | – | – | – | – | (3,673,820) | (2,433,686) |
| Transfers to classified as held for sale | (305) | (214) | – | – | – | – | – | – | (305) | (179,372) |
| Net transfers (to)/from government entities | (1,816) | – | – | – | – | – | – | – | 4,010 | (3,862) |
| Depreciation and amortisation expense | (3,967) | (4,789) | – | – | (1,299) | (552) | (1,281) | (797) | (41,327) | (44,084) |
| Received/(given) free of charge | 41 | – | – | – | – | – | – | – | 41 | (153) |
| Transfers between classes | (191) | 109 | (4,349) | (21,015) | – | (4,692) | – | 862 | 1,136 | (422) |
| Recognition/(derecognition) | – | – | – | (15,595) | – | – | – | – | (3,500) | (15,595) |
| Transfers to prepaid lease | – | – | (38,868) | – | – | – | – | – | (38,868) | – |
| Closing balance | 14,032 | 15,576 | 846,020 | 364,688 | 51,148 | 50,141 | 18,353 | 19,634 | 2,450,178 | 1,785,168 |

### 5.1.3 Carrying amount by purpose groups

Carrying amount by purpose groups

|  | ($ thousand) | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Public administration | | Transportation and communications | | Public safety and environment | | Total | |
|  | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Land at fair value | 156,830 | 108,073 | 248,437 | 119,974 | 581,570 | 546,680 | 986,837 | 774,727 |
| Buildings and structures at fair value | 13,668 | 2,408 | – | – | 450,980 | 482,543 | 464,649 | 484,952 |
| Building leasehold | – | 11,896 | 16,450 | – | – | 3,246 | 16,450 | 15,142 |
| Leasehold Improvements | 19,006 | 10,309 | – | 16,089 | 919 | 5,672 | 19,925 | 32,070 |
| Plant and equipment at fair value | 3,767 | 1,286 | 4,804 | 1,796 | 38,224 | 40,729 | 46,795 | 43,813 |
| Assets under construction at cost | 286,487 | 99,937 | 546,070 | 254,486 | 13,465 | 10,265 | 846,022 | 364,689 |
| Infrastructure at fair value | 26,874 | 25,595 | 24,275 | 24,546 | – | – | 51,148 | 50,141 |
| Cultural assets at fair value | – | – | 256 | 256 | 18,097 | 19,378 | 18,353 | 19,634 |
| Net carrying amount | 506,632 | 259,504 | 840,292 | 417,147 | 1,103,254 | 1,108,513 | 2,450,178 | 1,785,168 |

## 5.2 Intangible assets

|  | ($ thousand) | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
|  | Computer software | | Other | | Total | |
|  | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Gross carrying amount |  |  |  |  |  |  |
| Opening balance | 26,115 | 24,526 | 32,925 | 50,227 | 59,040 | 74,753 |
| Additions | 1,678 | 1,393 | – | – | 1,678 | 1,393 |
| Impairment | (115) | – | – | – | (115) | – |
| Machinery–of–government transfers (i) | – | – | – | (17,302) | – | (17,302) |
| Transfers between classes | (2,583) | – | – | – | (2,583) | – |
| Transfer from prepaid lease | 810 | – | – | – | 810 | – |
| Tourism Victoria composite reporting | – | 196 | – | – | – | 196 |
| Closing balance | 25,906 | 26,115 | 32,925 | 32,925 | 58,831 | 59,040 |
|  |  |  |  |  |  |  |
| Accumulated amortisation |  |  |  |  |  |  |
| Opening balance | (21,094) | (18,919) | (512) | (409) | (21,606) | (19,328) |
| Amortisation | (1,753) | (1,990) | (103) | (103) | (1,856) | (2,093) |
| Machinery-of-government transfers | – | – | – | – | – | – |
| Transfers between classes | 1,912 | (103) | – | – | 1,912 | (103) |
| Tourism Victoria composite reporting | – | (82) | – | – | – | (82) |
| Closing balance | (20,935) | (21,094) | (614) | (512) | (21,550) | (21,606) |
|  |  |  |  |  |  |  |
| Net carrying amount at end of financial year | 4,971 | 5,021 | 32,310 | 32,413 | 37,281 | 37,435 |

i. Other intangible assets were deferred expenditure for the development of Parkville Gardens by Major Projects Victoria. Effective 1 April 2017, Places Victoria and Major Projects Victoria merged to form Development Victoria.

### Other intangible assets

Other intangibles 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:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(b) an intention to complete the intangible asset and use or sell it;

(c) the ability to use or sell the intangible asset;

(d) the intangible asset will most likely generate future economic benefits;

(e) the availability of adequate technical, financial and other resources to complete the development and to use, and

(f) 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

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. This is appose to a joint venture, also a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint arrangements have two or more parties with joint control and are characterised by the following:

* the parties are bound by a contractual arrangement, and
* the contractual arrangement gives two or more of those parties joint control of the arrangement.

For joint operations, DEDJTR 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

| Name of entity | Principal activity | Country of incorporation | Ownership interest | |
| --- | --- | --- | --- | --- |
| 2018 % | 2017 % |
| Royal Melbourne Showgrounds | To host a variety of events for the public at the Showgrounds | Australia | 50 | 50 |
| Biosciences Research Centre | To continue to provide a world-class research facility | Australia | 75 | 75 |

### 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, and an incorporated joint operation entity, Biosciences Research Centre Pty Ltd to hold the assets of the joint operation and to enter into agreements on behalf of the state and La Trobe. The state’s contribution to the joint operations 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 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 department 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 department’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 department’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) | | | |
| --- | --- | --- | --- | --- |
|  | AgriBio Project | | Royal Melbourne Showgrounds | |
|  | 2018 | 2017 | 2018 | 2017 |
| Current assets |  |  |  |  |
| Cash and deposits | – | – | 237 | 326 |
| Receivables – contributions receivable | – | – | 6,165 | 6,469 |
| Receivables | 6,140 | 5,947 | 184 | 180 |
| Total current assets | 6,140 | 5,947 | 6,586 | 6,975 |
| Non–current assets |  |  |  |  |
| Receivables – contributions receivable | – | – | 5,116 | 9,776 |
| Property, plant and equipment | 119,924 | 126,534 | 106,563 | 127,392 |
| Intangible assets | 32,312 | 32,415 | – | – |
| Total non–current assets | 152,236 | 158,949 | 111,678 | 137,168 |
| Total assets | 158,376 | 164,896 | 118,264 | 144,143 |
| Current liabilities |  |  |  |  |
| Payables | 6,140 | 5,947 | 1,716 | 1,718 |
| Borrowings | 2,776 | 996 | 1,637 | 1,484 |
| Other liabilities | – | – | 55 | 55 |
| Total current liabilities | 8,916 | 6,943 | 3,408 | 3,257 |
| Non–current liabilities |  |  |  |  |
| Borrowings | 247,548 | 257,052 | 40,126 | 41,763 |
| Other liabilities | – | – | 2,202 | 2,257 |
| Total non–current liabilities | 247,548 | 257,052 | 42,328 | 44,020 |
| Total liabilities | 256,464 | 263,995 | 45,736 | 47,277 |
| Net assets | (98,088) | (99,099) | 72,528 | 96,866 |
|  |  |  |  |  |
| Income | 26,330 | 30,064 | 1,620 | 1,947 |
| Expenses | 31,456 | 30,289 | 6,443 | 6,686 |

# 6. OTHER ASSETS AND LIABILITIES

## Introduction

This section sets out those assets and liabilities that arose from the department’s 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.

|  | ($ thousand) | |
| --- | --- | --- |
| Current receivables | 2018 | 2017 |
| Contractual |  |  |
| Receivables – government | 55,963 | 42,157 |
| Receivables – non–government (ii) | 25,613 | 13,569 |
|  | 81,576 | 55,726 |
| Statutory |  |  |
| Amounts owing from Victorian Government (i) | 1,065,377 | 934,985 |
| GST input tax credit recoverable from the ATO | 132,529 | 63,347 |
|  | 1,197,906 | 998,332 |
| Total current receivables | 1,279,482 | 1,054,058 |

|  | ($ thousand) | |
| --- | --- | --- |
| NON–Current receivables | 2018 | 2017 |
| Contractual |  |  |
| Receivables – government | 7,302 | 17,423 |
| Receivables – non–government (ii) | 241,013 | 211,950 |
|  | 248,315 | 229,373 |
| Statutory |  |  |
| Amounts owing from Victorian Government(i) | 18,976 | 14,314 |
|  | 18,976 | 14,314 |
| Total non–current receivables | 267,291 | 243,687 |
|  |  |  |
| Total receivables | 1,546,773 | 1,297,745 |

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 $246 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 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 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 loans and receivables. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the weighted average interest method.

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. Amounts recognised from the Victorian Government represent funding for all commitments incurred and are drawn from the Consolidated Fund as the commitments fall due.

Ageing analysis of contractual receivables

|  | ($ thousand) | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  | Past due but not impaired | | | |
|  | Carrying amount | Not past due and not impaired | Less than 1 month | 1–3 months | 3–12 months | 1–5 years |
| 2018 |  |  |  |  |  |  |
| Receivables (i) | 329,891 | 315,066 | 5,639 | 1,521 | 2,718 | 4,947 |
| Total | 329,891 | 315,066 | 5,639 | 1,521 | 2,718 | 4,947 |
| 2017 |  |  |  |  |  |  |
| Receivables (i) | 285,099 | 273,679 | 1,338 | 762 | 4,756 | 4,564 |
| Total | 285,099 | 273,679 | 1,338 | 762 | 4,756 | 4,564 |

i. The carrying amounts disclosed here exclude statutory receivables (e.g. amounts owing from Victorian Government and GST input tax credit recoverable).

The receivables include a provision for doubtful debts of $0.2 million (2017: $0.2 million).

Receivables are assessed for bad and doubtful debts on a regular basis. A provision for doubtful receivables is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. In assessing impairment of statutory (non-contractual) financial assets which are not financial instruments, professional judgement is applied in assessing materiality and using estimates, averages and computational shortcuts in accordance with AASB 136 Impairment of Assets.

No interest is charged on receivables. Average credit period for sale of goods/services and for other receivables is 30 days. A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. The increase in the provision for the year is recognised in the net result.

Loans to third parties are repayable on demand. However, payment is not expected within 12 months after the reporting period and these balances are consequently classified as non-current.

Bad debts are considered as written off unilaterally are classified as a transaction expense. Bad debts not written off by mutual consent but included in the provision for doubtful receivables, are classified as other economic flows in the net result.

## 6.2 Payables

Payables includes short and long-term trade debt and accounts payable, grants, taxes and interest payable.

|  | ($ thousand) | |
| --- | --- | --- |
| Current payables | 2018 | 2017 |
| Contractual |  |  |
| Amounts payable to other government agencies | 1,110,104 | 1,323,713 |
| Other payables | 611,155 | 379,518 |
|  | 1,721,259 | 1,703,231 |
| Statutory |  |  |
| Other payables | 2,479 | 2,495 |
| Total current payables | 1,723,738 | 1,705,726 |
|  |  |  |
| Non–current payables |  |  |
| Contractual |  |  |
| Other payables | 88,210 | 12,252 |
| Total non–current payables | 88,210 | 12,252 |
| Total payables | 1,811,948 | 1,717,978 |

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

**Statutory payables** 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 a contract.

Maturity analysis of contractual payables (i)

|  | ($ thousand) | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  | Maturity dates | | | |
|  | Carrying amount | Nominal amount | Less than 1 Month | 1 – 3 Months | 3 – 12 Months | 1 – 5 years |
| 2018 |  |  |  |  |  |  |
| Payables | 1,809,469 | 1,809,405 | 1,686,172 | 29,386 | 5,637 | 88,210 |
| Total | 1,809,469 | 1,809,405 | 1,686,172 | 29,386 | 5,637 | 88,210 |
| 2017 |  |  |  |  |  |  |
| Payables | 1,715,483 | 1,715,483 | 1,693,994 | 1 | 9,235 | 12,252 |
| Total | 1,715,483 | 1,715,483 | 1,693,994 | 1 | 9,235 | 12,252 |

i. Maturity analysis is presented using the contractual and discounted cash flow.

Payables for supplies and services have an average credit period is 30 days. No interest is charged on late payments for “other payables”.

## 6.3 Other non-financial assets

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2018 | 2017 |
| Current other non–financial assets |  |  |
| Prepayments | 19,665 | 12,873 |
| Inventories | 170 | 272 |
| Total current other non–financial assets | 19,835 | 13,145 |
|  |  |  |
| Non–Current other non–financial assets |  |  |
| Prepayments | 186,661 | – |
| Total non-current other non-financial assets | 186,661 | – |

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Inventories refer to consumables and farm produce of consumable stores relating to the agriculture division.

## 6.4 Other provisions

Other provisions

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2018 | 2017 |
| Acquisition of land and buildings | 19,817 | 107,088 |
| Other | 342 | 383 |
| Total other provisions | 20,159 | 107,471 |

Reconciliation of movement – Acquisition of land and buildings

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2018 | 2017 |
| Current |  |  |
| Opening balance | 107,088 | 31,588 |
| Acquisition of land and buildings | 9,037 | 79,761 |
| Reduction in provisions | (96,308) | (4,261) |
| Closing balance | 19,817 | 107,088 |

Other provisions are recognised when DEDJTR 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 wholly settle the present obligation at the end of the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to wholly settle the present obligation, its carrying amount is the present value of those cashflows, using a discount rate that reflects the time value of money and risks specific to the provision.

When some or all of the economic benefits required to wholly settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

# 7. HOW WE FINANCED OUR OPERATIONS

## Introduction

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

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.

## Structure

**7.1 Borrowings**

7.1.1 Maturity analysis of borrowings

7.1.2 Interest expense

**7.2 Leases**

7.2.1 Finance lease liabilities

7.2.2 Operating lease liabilities

**7.3 Cash flow information and balances**

7.3.1 Cash and cash equivalents

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

**7.4 Trust account balances**

7.4.1 Trust account balances relating to trust accounts controlled by the Department

7.4.2 Trust account balances relating to trust accounts administered by the Department

7.4.3 Trust accounts opened and closed by the Department

**7.5 Commitments for expenditure**

7.5.1 Net commitments payable

7.5.2 Controlled Public Private Partnership (PPP) commitments

7.5.3 Administered Public Private Partnership (PPP) commitments

## 7.1 Borrowings

Borrowings

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2018 | 2017 |
| Current borrowings |  |  |
| Finance lease liabilities (i) | 13,593 | 11,040 |
| Advances from government (ii) | 439,651 | 66,309 |
| Advances from Commonwealth (iv)(v) | 12,542 | 1,256 |
| Advances from non public sector(iii) | 245,652 | – |
| Total current borrowings | 711,438 | 78,605 |
| Non–current borrowings |  |  |
| Finance lease liabilities (i) | 321,772 | 306,092 |
| Advances from Commonwealth (iv)(v) | 279,809 | 229,162 |
| Total non–current borrowings | 601,581 | 535,254 |
| Total borrowings | 1,313,019 | 613,859 |

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. State Works Loan Agreement with Transurban for the West Gate Tunnel Project.

iv. Effective from 30 June 2016, the Rural Assistance Commissioner replaced the former Rural Finance Corporation Victoria. Through an agreement with the 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 government.

v. 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, finance leases and other interest bearing arrangements.

**Borrowings** are classified as financial instruments. All interest bearing liabilities are initially recognised at the fair value of the consideration received, less directly attributable transaction costs. The measurement basis subsequent to initial recognition depends on whether DEDJTR has categorised its interest bearing liabilities as either financial liabilities designated at fair value through profit or loss, or financial liabilities at amortised cost. The classification depends on the nature and purpose of the interest bearing liabilities. DEDJTR determines the classification of its interest bearing liabilities at initial recognition.

During the current and prior 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 | Over 5 years |
| 2018 |  |  |  |  |  |  |  |
| Finance lease liabilities | 335,365 | 710,859 | 5,954 | 7,448 | 28,484 | 149,217 | 519,756 |
| Advances from government | 439,651 | 439,651 | 82,030 | – | 340,417 | 16,285 | 919 |
| Advances from Commonwealth | 292,351 | 292,442 | – | – | 12,633 | 53,922 | 225,887 |
| Advances from non public sector | 245,652 | 245,652 | – | – | 245,652 | – | – |
| Total | 1,313,019 | 1,688,604 | 87,984 | 7,448 | 627,186 | 219,424 | 746,562 |
| 2017 |  |  |  |  |  |  |  |
| Finance lease liabilities | 317,132 | 667,164 | 3,138 | 6,276 | 28,458 | 131,045 | 498,247 |
| Advances from government | 66,309 | 66,309 | 31,517 | 5,958 | 10,710 | 17,205 | 919 |
| Advances from Commonwealth | 230,418 | 230,418 | – | – | – | 64,822 | 165,596 |
| Total | 613,859 | 963,891 | 34,655 | 12,234 | 39,168 | 213,072 | 664,762 |

i. Maturity analysis is presented using the contractual and discounted cash flow.

### 7.1.2 Interest expense

Total interest expense

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2018 | 2017 |
| Interest on finance leases | (34,727) | (27,381) |
| Total interest expense | (34,727) | (27,381) |

Interest expense includes costs incurred in connection with borrowings. It includes interest on components of finance lease repayments, and amortisation of discounts or premiums in relation to borrowings.

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

## 7.2 Leases

### 7.2.1 Finance lease liabilities (DEDJTR as lessee)

Finance leases entered into by DEDJTR include Royal Melbourne Showgrounds, Biosciences Research Centre, Melbourne Exhibition and Convention Centre and motor vehicles.

Commissioned PPPs related finance lease liabilities payable

|  | ($ thousand) | | | |
| --- | --- | --- | --- | --- |
|  | Minimum future lease payments(i) | | Present value of minimum future lease payments | |
|  | 2018 | 2017 | 2018 | 2017 |
| Royal Melbourne Showgrounds |  |  |  |  |
| Not longer than one year | 5,730 | 5,730 | 1,637 | 1,484 |
| Longer than one year but no later than five years | 22,921 | 22,921 | 8,422 | 7,634 |
| Longer than five years | 46,623 | 52,353 | 31,704 | 34,129 |
| Biosciences Research Centre(i) |  |  |  |  |
| Not longer than one year | 24,277 | 23,609 | 2,776 | 996 |
| Longer than one year but no later than five years | 103,331 | 100,492 | 19,073 | 11,739 |
| Longer than five years | 420,658 | 445,894 | 228,475 | 245,312 |
| Melbourne Exhibition and Convention Centre |  |  |  |  |
| Not longer than one year | 3,784 | – | 1,385 | – |
| Longer than one year but no later than five years | 16,238 | – | 6,533 | – |
| Longer than five years | 52,475 | – | 21,031 | – |
| Total | 696,036 | 650,999 | 321,035 | 301,294 |

i. Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual, including 100 per cent of the joint operation (AgriBio Project) finance lease liability, as La Trobe University extinguished its financial obligation during 2015–16.

A lease is a right to use an asset for an agreed period of time in exchange for payment.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of infrastructure, property, plant and equipment are classified as finance infrastructure leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. For service concession arrangements, the commencement of the lease term is deemed to be the date the asset is commissioned. All other leases are classified as operating leases.

### Finance leases - DEDJTR as lessee

At the commencement of the lease term, finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The lease asset is accounted for as a non-financial physical asset. If there is certainty that DEDJTR will obtain ownership of the lease asset by the end of the lease term, the asset shall be depreciated over the useful life of the asset. If there is no reasonable certainty that DEDJTR, as lessee, will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

Minimum finance lease payments are apportioned between reduction of the outstanding lease liability and 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 are recognised as an expense in the period in which they are incurred.

### 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 finance lease as disclosed in the table above. In addition, the department also pays operating and maintenance costs.

#### 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 finance lease as disclosed in the table below. In addition, the department also pays operating and maintenance costs.

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

The Melbourne Convention and Exhibition Centre (MCEC) Expansion Project (Stage 2) was announced in the 2015‑16 Budget. The project is being delivered as a modification under the existing Melbourne Convention Centre Development (MCCD) Project. The project will extend 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.

Total interest bearing liabilities

|  | ($ thousand) | | | |
| --- | --- | --- | --- | --- |
|  | Minimum future lease payments(i) | | Present value of minimum future lease payments | |
|  | 2018 | 2017 | 2018 | 2017 |
| Finance lease liabilities payable (including PPPs) |  |  |  |  |
| Not longer than one year | 41,727 | 37,872 | 13,299 | 10,826 |
| Longer than one year and not longer than five years | 149,376 | 131,045 | 40,563 | 26,651 |
| Longer than five years | 519,756 | 498,247 | 281,209 | 279,441 |
| Minimum lease payments(i) | 710,858 | 667,164 | 335,071 | 316,918 |
| Less future finance charges | (375,494) | (350,246) | – | – |
| Present value of minimum lease payments | 335,365 | 316,918 | 335,071 | 316,918 |
|  |  |  |  |  |
| Included in the financial statements as: |  |  |  |  |
| Current borrowings | – | – | 13,593 | 10,826 |
| Non–current borrowings | – | – | 321,772 | 306,092 |
| Total interest bearing liabilities | – | – | 335,365 | 316,918 |

i. Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual, including 100 per cent of the joint operation (AgriBio Project) finance lease liability, as La Trobe University extinguished its financial obligation during 2015–16.

### 7.2.2 Operating lease liabilities

#### Leasing arrangements

Operating leases mainly relate to accommodation with lease terms of between 2 and 20 years. All operating lease contracts contain market review clauses in the event the department exercises its option to renew. The department does not have an option to purchase the leased assets at the expiry of the lease period.

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2018 | 2017 |
| Non–cancellable operating leases |  |  |
| Not longer than one year | 43,544 | 40,167 |
| Longer than one year but not longer than five years | 94,075 | 111,374 |
| Longer than five years | 11,346 | 17,467 |
| Non–cancellable operating leases (inclusive of GST) | 148,965 | 169,008 |
| less GST recoverable from the ATO (i) | (13,542) | (15,364) |
| Non–cancellable operating leases (exclusive of GST) | 135,422 | 153,644 |

i. GST is not applicable to leases relating to overseas offices, which are included in this note.

## 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 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) | |
| --- | --- | --- |
|  | 2018 | 2017 |
| Cash and short term deposits | 73,291 | 78,788 |
| Funds held in trust | 1,278,311 | 1,730,142 |
| Balance as per cash flow statement | 1,351,602 | 1,808,930 |

Due to the State of Victoria’s investment policy and government funding arrangements, the department does not hold a large cash reserve in its bank accounts. Cash received by the department 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 department 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 department 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 department’s suppliers or creditors.

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

At 30 June 2018, cash at bank included the amount of a notional shortfall for the payment of unpresented cheques of $25,478,153 (2017: $486,280.)

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

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2018 | 2017 |
| Net result for the period | (566,318) | (496,939) |
| Non–cash movements |  |  |
| Loss on sale of disposal of non–current assets | 32,253 | 18,804 |
| Depreciation and amortisation of non–financial assets and intangible assets | 43,183 | 46,177 |
| Derecognition of property, plant and equipment | 3,870 | 15,595 |
| Resources provided free of charge or for nominal consideration | – | 1,301 |
| Resources received free of charge or for nominal consideration | (98) | (523) |
| Revaluation of biological assets | (434) | (1,405) |
| Revaluation of financial instruments | 2 | (2) |
| Revaluation of forward FX contract | 464 | (228) |
| Gain/(impairment) of loans and receivables | 2 | 191 |
| Revaluation of long service leave liability | (150) | (2,168) |
| Unwinding of other provision | (12,117) | (3,361) |
| Movements in assets and liabilities |  |  |
| (Increase)/decrease in receivables | (256,089) | 249,625 |
| (Increase)/decrease in inventories | 102 | (69) |
| (Increase)/decrease in prepayments | (49,618) | (8,565) |
| Increase/(decrease) in payables | 94,378 | 494,124 |
| Increase/(decrease) in provisions | 5,176 | 14,413 |
| Net cash flows from/(used) in operating activities | (705,394) | 326,970 |

## 7.4 Trust account balances

The department has responsibility for transactions and balances relating to trust funds held on behalf of third parties external to the department. 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 department.

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

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

Controlled trusts

|  | ($ thousand) | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2016 | Total receipts | Total payments | 2017 | Total receipts | Total payments | 2018 |  | |
| State trusts |  |  |  |  |  |  |  |  | |
| Better Roads Victoria Trust Account Established under the *Business Franchise (Petroleum Products) Act 1979* to provide funding for road improvements across Victoria. | 1,022,316 | 380,477 | (302,205) | 1,100,588 | 517,389 | (902,523) | 715,454 |  | |
| 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. | 264,784 | 139,049 | (142,552) | 261,281 | 129,260 | (162,884) | 227,657 |  | |
| 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. | 89,461 | 150,609 | (136,322) | 103,748 | 123,477 | (98,160) | 129,065 |  | |
| Victorian Transport Fund Established under the *Delivering Victorian Infrastructure (Port of Melbourne Lease Transaction) Act 2016* into which the proceeds of Port of Melbourne lease transaction are paid; and from which amounts authorised by the Treasurer to fund the cost of all or any part of the development of the Level Crossing Removal Program; and infrastructure projects for or in relation to public transport, roads, rail, the movement of freight, ports or other infrastructure (including regional infrastructure) are paid. | – | 2,076,651 | (1,962,570) | 114,081 | 3,125,456 | (3,195,164) | 44,373 |  | |
| 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. | 47,320 | 6,052 | (24,657) | 28,715 | 14,537 | (13,356) | 29,896 |  | |
| 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. | 23,029 | 6,290 | (4,086) | 25,233 | 6,306 | (2,927) | 28,612 |  | |
| Recreational Fishing Licences Trust Account Operates under section 151B of the *Fisheries Act 1995* to disburse revenue derived from the sale of recreational fishing licenses to projects that will further improve recreational fishing opportunities in Victoria, and to fund costs incurred in the administration of recreational fishing licences and the account. | 5,355 | 8,497 | (6,945) | 6,907 | 7,899 | (9,286) | 5,520 |  | |
| 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. | 9,188 | 753 | (6,509) | 3,432 | 280 | (279) | 3,433 |  | |
| 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. | 3,813 | 1,617 | (3,610) | 1,820 | 2,457 | (1,185) | 3,092 |  | |
| 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. | – | - | - | - | 71,761 | (69,824) | 1,937 |  | |
| 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. | - | - | - | - | 33 | – | 33 |  | |
| VicFleet Vehicle Lease Trust Account 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 government motor vehicle pool. | 2,666 | 998 | (3,038) | 626 | 853 | (1,479) | - |  | |
| Arts Fund Established under the *Arts Victoria Act 1972* to provide funds to develop and improve knowledge, understanding, appreciation and practice of the arts in Victoria. | 4,246 | 9,130 | (13,376) | - | - | - | - |  | |
| Commonwealth Treasury Trust Fund Established under section 19 of the *Financial Management Act 1994*, for the purpose of holding funds from the Commonwealth Government. | 67,355 | 20,181 | (3,825) | 83,711 | 20,005 | (14,477) | 89,239 |  | |
| Total controlled trusts | 1,539,533 | 2,800,304 | (2,609,695) | 1,730,142 | 4,019,713 | (4,471,544) | 1,278,311 |  | |

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

The department has responsibility for transactions and balances relating to trust funds held on behalf of third parties external to the department. 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 department.

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

Administered trusts

|  | ($ thousand) | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2016 | Total receipts | Total payments | 2017 | Total receipts | Total payments | 2018 |
| 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. | 4,178 | 428 | – | 4,606 | 722 | – | 5,328 |
| **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. | 2,535 | 105 | (1,205) | 1,435 | 1 | (650) | 786 |
| **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. | 120 | – | (120) | – | – | – | – |
| **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. | (477) | – | (238) | (715) | – | (56) | (771) |
| Total administered trusts | 6,356 | 533 | (1,563) | 5,326 | 723 | (706) | 5,343 |

### 7.4.3 Trust accounts opened and closed by the department

During the 2018 financial year, one new trust account was opened by the department : Animals in Research and Teaching Welfare Fund

The Arts Fund was used as a trust to hold funds on behalf of Victorian Government arts agencies. This function is no longer required under modernised funding arrangements.

In addition, activities in relation to the ‘ANZAC Day Proceeds Trust Fund’ are now with the Department of Health and Human Services.

## 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: 2018

|  | ($ thousand) | | | |
| --- | --- | --- | --- | --- |
|  | Less than 1 year | Between 1 and 5 years | Over 5 years | Total |
| Public private partnership commitments | 306,456 | 4,634,691 | 13,798,622 | 18,739,768 |
| Capital expenditure commitments | 1,816,668 | 1,738,761 | 241,162 | 3,796,591 |
| Other operating commitments | 136,266 | 58,106 | 6,241 | 200,613 |
| Grant commitments | 320,934 | 293,413 | 14,314 | 628,662 |
| Total commitment (inclusive of GST) | 2,580,324 | 6,724,971 | 14,060,339 | 23,365,634 |
| Less GST recoverable |  |  |  | (2,124,149) |
| Total commitment (exclusive of GST) |  |  |  | 21,241,485 |

Nominal Amounts: 2017

|  | ($ thousand) | | | |
| --- | --- | --- | --- | --- |
|  | Less than 1 year | Between 1 and 5 years | Over 5 years | Total |
| Public private partnership commitments | 8,098 | 228,471 | 6,183,353 | 6,419,922 |
| Capital expenditure commitments | 2,349,364 | 568,513 | 2,975 | 2,920,852 |
| Other operating commitments | 43,026 | 33,393 | 23,919 | 100,338 |
| Grant commitments | 334,998 | 389,450 | 14,804 | 739,252 |
| Total commitment (inclusive of GST) | 2,735,486 | 1,219,827 | 6,225,051 | 10,180,364 |
| Less GST recoverable |  |  |  | (925,488) |
| Total commitment (exclusive of GST) |  |  |  | 9,254,876 |

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

DEDJTR 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).

SCAs usually take one of two main forms. In the more common form, DEDJTR 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 DEDJTR 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 DEDJTR and construct infrastructure. At the end of the concession period, the land and state works, together with the constructed facilities, will be returned to DEDJTR.

There is currently no authoritative accounting guidance applicable to grantors (the department) on the recognition and measurement of the right of the state to receive assets from such concession arrangements. Due to the lack of such guidance, there has been no change to existing policy and those assets are not currently recognised.

|  | ($ thousand) | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2018 | | | 2017 | | |
|  | Minimum lease payments | Other commitments(i) | Commitments | Minimum lease payments | Other commitments (i) | Commitments |
|  | Discounted value | Present value | Nominal value | Discounted value | Present value | Nominal value |
| Commissioned PPP Commitments payable | | |  |  |  |  |
| Royal Melbourne Showgrounds (ii) | – | 19,554 | 36,740 | – | 19,860 | 39,007 |
| Biosciences Research Centre (iii) (iv) | – | 126,257 | 281,819 | – | 123,347 | 289,750 |
| Melbourne Convention and Exhibition Centre Expansion Project(viii) | – | 47,826 | 76,595 | – | – | – |
| Sub–total | – | 193,637 | 395,154 | – | 143,207 | 328,757 |
| Uncommissioned PPPs (vi) (vii) | |  |  |  |  |  |
| High Capacity Metro Trains (v) | 1,860,890 | 932,098 | 6,135,445 | 1,860,890 | 932,098 | 6,135,445 |
| West Gate Tunnel Project(ix) | – | 1,638,804 | 1,871,352 | – | – | – |
| Melbourne Metro Tunnel and Station | 6,609,728 | 510,167 | 10,456,592 | – | – | – |
| Sub–total | 8,470,618 | 3,081,069 | 18,463,389 | 1,860,890 | 932,098 | 6,135,445 |
|  |  |  |  |  |  |  |
| Total commitments for PPPs | 8,470,618 | 3,274,706 | 18,858,543 | 1,860,890 | 1,075,305 | 6,464,202 |
| Commissioned PPP Commitments receivable | | |  |  |  |  |
| Royal Melbourne Showgrounds (ii) | – | (9,777) | (18,370) | – | (9,930) | (19,504) |
| Biosciences Research Centre (iii) (iv) | – | (11,095) | (23,810) | – | (11,095) | (24,777) |
| Melbourne Convention and Exhibition Centre Expansion Project(viii) | – | (47,826) | (76,595) | – | – | – |
| less GST recoverable from the ATO | (770,056) | (291,455) | (1,703,615) | (169,172) | (95,844) | (583,629) |
| Total commitments for PPP (exclusive of GST) | 7,700,562 | 2,914,553 | 17,036,153 | 1,691,718 | 958,437 | 5,836,293 |

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 QSP cost 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 BRC operating costs resulting in DEDJTR recognising a liability for this prepayment that will be offset against the BRC operating costs over the remaining contract term.

iv. Other operating commitments for the AgriBio Project 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. High Capacity Metro Trains are being delivered to the state over a period of four years. The commitments for uncommissioned PPPs include the discounted value of the portion of the minimum lease payments that relate to train sets that have not been provisionally accepted and therefore are not presented on the balance sheet.

vi. The total commitments will not equal the sum of the minimum lease payments and other commitments because they are discounted, whereas total commitments are at nominal value. For uncommissioned projects, the discounted values of the ‘minimum lease payment’ commitments are derived by proxy, being the nominal sum of the total capital costs and any other allowable capitalised expenses, including capitalised interest, during the development and construction phase of a project as reflected in the contracted financial model. This nominal sum is deemed as the fair value of the leased asset for the purpose of AASB 117 Leases and will equate to the discounted values of the ‘minimum lease payment’ commitments.

vii. The minimum lease payments of uncommissioned PPPs include the government capital contributions. If the government capital contributions are made upfront, the amount represents the nominal value of the payments that will be made when the project is commissioned.

viii. 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 QSP cost under the terms of the memorandum of understanding with Melbourne Convention and Exhibition Trust.

ix. Refer to the West Gate Tunnel disclosure in Section 8.2 for further information on contingent liabilities associated with the West Gate Tunnel Project.

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

Melbourne Convention Centre development project finance lease commitment

|  | ($ thousand) | | | |
| --- | --- | --- | --- | --- |
|  | Minimum future lease payments | | Present value of future lease payments | |
|  | 2018 | 2017 | 2018 | 2017 |
| Commissioned PPP related finance lease commitments |  |  |  |  |
| Not longer than one year | 47,140 | 45,662 | 44,556 | 43,159 |
| Longer than one year but not longer than five years | 201,067 | 194,751 | 151,988 | 147,224 |
| Longer than five years | 637,072 | 702,126 | 253,795 | 265,462 |
| Minimum future lease payments | 885,279 | 942,540 | 450,339 | 455,845 |
| Less future finance charges | (434,940) | (486,694) | – | – |
| Present value of minimum lease payments | 450,339 | 455,845 | 450,339 | 455,845 |
|  |  |  |  |  |
| Uncommissioned PPP related finance lease commitments |  |  |  |  |
| Not longer than one year | – | – | – | – |
| Longer than one year but not longer than five years | – | 15,673 | – | 12,263 |
| Longer than five years | – | 58,285 | – | 24,723 |
| Minimum future lease payments | – | 73,958 | – | 36,986 |
| Less future finance charges | – | (36,972) | – | – |
| Present value of minimum lease payments | – | 36,986 | – | 36,986 |

i. Prior year uncommissioned PPP related to Melbourne Convention Centre Development Project (Expansion Stage). This project is now commissioned and is stated as a finance lease liability in the departments financial statements. Refer Note 7.2.1.

Melbourne Convention Centre development project operating lease commitment

|  | ($ thousand) | | | |
| --- | --- | --- | --- | --- |
|  | Minimum future lease payments | | Present value of future lease payments | |
|  | 2018 | 2017 | 2018 | 2017 |
| Commissioned PPP related operating lease commitments |  |  |  |  |
| Not longer than one year | 20,438 | 19,843 | 19,462 | 18,895 |
| Longer than one year but not longer than five years | 86,736 | 84,224 | 68,012 | 66,046 |
| Longer than five years | 270,233 | 298,218 | 121,301 | 127,841 |
| Minimum future lease payments | 377,407 | 402,284 | 208,775 | 212,782 |
| Less future finance charges | (168,632) | (189,502) | – | – |
| Present value of minimum lease payments | 208,775 | 212,782 | 208,775 | 212,782 |

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 department 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 2018 that future lease payments relating to the facility constructed in 2009 amount to $450.3 million (2017: $492.8 million) in net present value terms, or $885.3 million (2017: $1,061 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 department on behalf of the State of Victoria has entered into a loan agreement with MCET under which MCET undertakes 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 will provide 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 2018, these future service payments amount to $208.7 million (2017: $212.8 million) in net present value terms, or $377.4 million (2017: $492.8 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

DEDJTR 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 DEDJTR related mainly to fair value determination.

## Structure

**8.1 Financial instruments specific disclosures**

8.1.1 Categorisation

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

8.1.3 Financial risk management objectives and policies

**8.2 Contingent assets and contingent liabilities**

**8.3 Fair value determination**

8.3.1 Fair value determination of financial assets and liabilities

8.3.2 Non-financial physical assets

## 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 DEDJTR’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.

#### Categories of non-derivative financial instruments

Loans and receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method (and for assets, less any impairment). DEDJTR recognises the following assets in this category:

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

**Available-for-sale financial instrument assets** are those designated as available-for-sale or not classified in any other category of financial instrument asset. Such assets are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value with gains and losses arising from changes in fair value, recognised in ‘Other economic flows – other comprehensive income’ until the investment is disposed. Movements resulting from impairment and foreign currency changes are recognised in the net result as other economic flows. On disposal, the cumulative gain or loss previously recognised in ‘Other economic flows – other comprehensive income’ is transferred to other economic flows in the net result. DEDJTR recognises investments in equities and managed investment schemes in this category.

**Financial assets and liabilities at fair value through profit and loss** Financial assets are categorised as fair value through profit or loss at trade date if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed by the entity concerned 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 profit or loss are initially measured at fair value and attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows. Any interest on a financial asset is recognised in the net result from transactions.

Financial assets and liabilities at fair value through profit or loss include the majority of DEDJTR’s equity investments, debt securities, and borrowings.

**Financial liabilities at amortised cost** Financial instrument liabilities are initially recognised on the date they are originated. They are initially recognised 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 weighted average interest rate method.

Financial instrument liabilities measured at amortised cost include DEDJTR’s leased motor vehicles, contractual payables, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through profit or loss.

**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 consolidated comprehensive operating statement as an ‘other economic flow’ included in the net result.

#### 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
* DEDJTR 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
* DEDJTR has transferred its rights to receive cash flows from the asset and either

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

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

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

#### Impairment of financial assets

At the end of each reporting period, DEDJTR assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Receivables are assessed for bad and doubtful debts on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful receivables are classified as ‘other economic flows’ in the net result.

The amount of the allowance is the difference between the financial asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

In assessing impairment of statutory (non-contractual) financial assets which are not financial instruments, professional judgement is applied in assessing materiality and using estimates, averages and computational shortcuts in accordance with AASB 136 Impairment of Assets.

#### Reclassification of financial instruments

Subsequent to initial recognition and under rare circumstances, non‑derivative financial instruments assets that have not been designated at fair value through profit or loss upon recognition, may be reclassified out of the fair value through profit or loss category, if they are no longer held for the purpose of selling or repurchasing in the near term.

Financial instrument assets that meet the definition of loans and receivables may be reclassified out of the fair value through profit and loss category into the loans and receivables category, where they would have met the definition of loans and receivables had they not been required to be classified as fair value through profit and loss. In these cases, the financial instrument assets may be reclassified out of the fair value through profit and loss category, if there is the intention and ability to hold them for the foreseeable future or until maturity.

Available-for-sale financial instrument assets that meet the definition of loans and receivables may be reclassified into the loans and receivables category if there is the intention and ability to hold them for the foreseeable future or until maturity.

#### 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 consolidated comprehensive operating statement.

8.1.1 Financial instruments: Categorisation

|  | ($ thousand) | | |
| --- | --- | --- | --- |
|  | Contractual financial assets – cash, loans and receivables | Contractual financial liabilities at amortised cost | Total |
| 2018 |  |  |  |
| Contractual financial assets |  |  |  |
| Cash and deposits | 1,351,602 | – | 1,351,602 |
| Receivables(i) | 329,891 | – | 329,891 |
| Investments | 71 | – | 71 |
| Total contractual financial assets | 1,681,564 | – | 1,681,564 |
| Contractual financial liabilities |  |  |  |
| Payables(i) |  |  |  |
| – Supplies and services | – | 1,809,469 | 1,809,469 |
| Borrowings | – | 1,313,019 | 1,313,019 |
| Total contractual financial liabilities | – | 3,122,488 | 3,122,488 |
| 2017 |  |  |  |
| Contractual financial assets |  |  |  |
| Cash and deposits | 1,808,930 | – | 1,808,930 |
| Receivables(i) | 285,099 | – | 285,099 |
| Investments | 73 | – | 73 |
| Total contractual financial assets | 2,094,102 | – | 2,094,102 |
| Contractual financial liabilities |  |  |  |
| Payables(i) |  |  |  |
| – Supplies and services | – | 1,715,483 | 1,715,483 |
| Borrowings | – | 316,918 | 316,918 |
| Total contractual financial liabilities | – | 2,032,401 | 2,032,401 |

(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) | |
| --- | --- | --- |
|  | Interest income/ (expense) | Total |
| 2018 |  |  |
| Contractual financial assets |  |  |
| Financial assets designated at amortised cost | 5,752 | 5,752 |
| Total contractual financial assets | 5,752 | 5,752 |
| Contractual financial liabilities |  |  |
| Financial liabilities at amortised cost | (34,727) | (34,727) |
| Total contractual financial liabilities | (34,727) | (34,727) |
| 2017 |  |  |
| Contractual financial assets |  |  |
| Financial assets designated at amortised cost | 5,396 | 5,396 |
| Total contractual financial assets | 5,396 | 5,396 |
| Contractual financial liabilities |  |  |
| Financial liabilities at amortised cost | (27,381) | (27,381) |
| Total contractual financial liabilities | (27,381) | (27,381) |

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.

### 8.1.3 Financial risk management objectives and policies

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

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

DEDJTR’s principal financial instruments comprise:

* cash assets
* term deposits
* receivables (excluding statutory receivables)
* payables (excluding statutory payables)
* borrowings, and
* finance lease liabilities payable.

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 DEDJTR’s financial risks within the government policy parameters.

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

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

In December 2015, DEDJTR entered into a foreign exchange contract to hedge exposures to USD payments to a third party, for the hosting of an international golf event in Melbourne to be held in 2018.

#### Financial instruments: Credit risk

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

Credit risk associated with DEDJTR’s financial assets is minimal because its main debtor is the Victorian Government. For debtors other than government, it is DEDJTR’s policy to obtain sufficient collateral or credit enhancements where appropriate.

DEDJTR 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, DEDJTR’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 DEDJTR 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.

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 DEDJTR’s maximum exposure to credit risk without taking account of the value of any collateral obtained.

There has been no material change to the Department’s credit risk in 2017–18.

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

|  | ($ thousand) | | | | |
| --- | --- | --- | --- | --- | --- |
|  | Government agencies (AAA credit rating) | Financial institutions (minimum BBB credit rating) | Internally rated bank deposits | Other | Total |
| 2018 |  |  |  |  |  |
| Cash and deposits | 1,322,427 | 26,491 | 2,684 | – | 1,351,602 |
| Receivables(i) | 63,265 | – | – | 266,626 | 329,891 |
| Investments | – | – | – | 71 | 71 |
| Total contractual financial assets | 1,385,693 | 26,491 | 2,684 | 266,697 | 1,681,564 |
| 2017 |  |  |  |  |  |
| Cash and deposits | 1,802,278 | – | 6,652 | – | 1,808,930 |
| Receivables(i) | 59,580 | – | – | 225,519 | 285,099 |
| Investments | – | – | – | 73 | 73 |
| Total contractual financial assets | 1,861,858 | – | 6,652 | 225,592 | 2,094,102 |

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 DEDJTR 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.

#### Financial instruments: Liquidity risk

Liquidity risk is the risk that DEDJTR would be unable to meet its financial obligations as and when they fall due. DEDJTR 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.

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

* 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.

DEDJTR’s exposure to liquidity risk is deemed insignificant based on prior period’s data and current assessment of risk. Maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the balance sheet.

#### Financial instruments: Market risk

DEDJTR’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

DEDJTR 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.

DEDJTR manages its risk through continuous monitoring of movements in exchange rates and ensures availability of funds through rigorous cash flow planning and monitoring. In December 2015, DEDJTR entered into hedging arrangements with Treasury Corporation Victoria to manage its risk in respect of a future event to be held in 2018.

##### Interest rate risk

Exposure to interest rate risk is insignificant and might arise primarily through DEDJTR’s interest bearing liabilities and assets. The only interest bearing liabilities and assets are the finance lease liabilities and term deposits. DEDJTR’s interest bearing assets are managed by Treasury Corporation Victoria and any movement in interest rates are monitored on a daily basis.

##### Sensitivity analysis disclosure

DEDJTR’s sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five year period, with all variables other than the primary risk variable held constant. DEDJTR’s fund managers cannot be expected to predict movements in market rates and prices; sensitivity analyses are shown for illustrative purposes only. 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 DEDJTR’s net result and equity for each category of financial instrument held by DEDJTR at the end of the reporting period as presented to key management personnel if the above movements were to occur.

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 |
| 2018 |  |  |  |  |  |
| Financial assets |  |  |  |  |  |
| Cash and deposits | 1.78% | 1,351,602 | 70,150 | 246,433 | 1,035,019 |
| Receivables(i) | 3.05% | 329,891 | – | 241,013 | 88,878 |
| Investments |  | 71 | – | – | 71 |
| Total financial assets |  | 1,681,564 | 70,150 | 487,446 | 1,123,968 |
| Financial liabilities |  |  |  |  |  |
| Payables(i) |  | 1,809,469 | – | – | 1,809,469 |
| Advances from Commonwealth | 1.53% | 292,351 | – | 292,351 | – |
| Finance lease liability | 8.01% | 335,365 | 321,330 | 14,035 | – |
| Advances from government |  | 439,651 | – | – | 439,651 |
| Advances from non public sector |  | 245,652 | – | – | 245,652 |
| Total financial liabilities |  | 3,122,488 | 321,330 | 306,386 | 2,494,772 |
| 2017 |  |  |  |  |  |
| Financial assets |  |  |  |  |  |
| Cash and deposits | 1.66% | 1,808,930 | 76,430 | 239,031 | 1,493,469 |
| Receivables(i) | 2.49% | 285,099 | – | 183,892 | 101,207 |
| Investments |  | 73 | – | – | 73 |
| Total financial assets |  | 2,094,102 | 76,430 | 422,923 | 1,594,749 |
| Financial liabilities |  |  |  |  |  |
| Payables(i) |  | 1,715,483 | – | – | 1,715,483 |
| Advances from Commonwealth | 2.49% | 230,418 | – | 230,418 | – |
| Finance lease liability | 8.57% | 316,918 | 301,294 | 15,624 | – |
| Total financial liabilities |  | 2,262,819 | 301,294 | 246,042 | 1,715,483 |

(i) The carrying amounts disclosed exclude statutory receivables and payables (e.g. amounts owing from Victorian Government, GST recoverable and GST payable).

Interest rate risk sensitivity

|  |  | ($ thousand) | |
| --- | --- | --- | --- |
|  |  | Interest rate | |
|  |  | -100 basis points | +100 basis points |
|  | Carrying amount | Net result | Net result |
| 2018 |  |  |  |
| Contractual financial assets |  |  |  |
| Cash and deposits | 1,351,602 | (2,464) | 2,464 |
| Receivables | 329,891 | (2,410) | 2,410 |
| Investments | 71 | – | – |
| Total impact |  | (4,874) | 4,874 |
| Contractual financial liabilities |  |  |  |
| Payables | 1,809,469 | – | – |
| Advances from Commonwealth | 292,351 | 2,924 | (2,924) |
| Borrowings | 335,365 | 140 | (140) |
| Advances from government | 439,651 | – | – |
| Advances from non public sector | 245,652 | – | – |
| Total impact |  | 3,064 | (3,064) |
| 2017 |  |  |  |
| Contractual financial assets |  |  |  |
| Cash and deposits | 1,808,930 | (2,390) | 2,390 |
| Receivables | 285,099 | – | – |
| Investments | 73 | – | – |
| Total impact |  | (2,858) | 2,390 |
| Contractual financial liabilities |  |  |  |
| Payables | 1,715,483 | – | – |
| Borrowings | 316,918 | 156 | (156) |
| Total impact |  | 156 | (156) |

## 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 department.

The department did not have any significant contingent assets for this and the comparative financial reporting period.

### Contingent liabilities

Contingent liabilities are:

* 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) | |
| --- | --- | --- |
|  | 2018 | 2017 |
| Legal disputes | 1,671 | 1,843 |
| Insurance claims | 1,419 | 1,787 |
| Mining rehabilitation | 1,690 | 690 |
| Total contingent liabilities | 4,780 | 4,320 |

#### Non-quantifiable contingent liabilities

From time to time the department 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 department.

##### Voluntary purchase scheme

The state has compulsorily acquired a number of properties (residential and commercial) through the *Land Acquisition and Compensation Act 1986* to facilitate delivery of various transport projects. Possible future claims for compensation arising from the compulsory acquisition of these properties cannot be quantified at this stage.

##### West Gate Tunnel Project

The State and the Transurban Group entered into a public private partnership contract for the Transurban Group to build, operate and maintain the West Gate Tunnel project. The total estimated project cost is $6.7 billion (nominal).

Government policy is to fund the capital cost of the project from a State contribution of $2.7 billion (nominal), with the remainder of $4 billion (nominal) and ongoing operation and maintenance costs to be funded by Transurban from changes to tolling on the existing City Link toll road and tolls on the West Gate Tunnel. This policy depends on obtaining the legislative support outlined in the contractual documents for implementing these toll changes.

Should legislative support for any of the proposed toll revenue streams not be forthcoming in the agreed form and time-frame, the contractual documents specify additional State funding to replace funding from the relevant toll revenue streams plus a rate of return on finances raised by Transurban. Several variables may influence the value of any additional State funding which will depend on:

* The extent and form of legislation that is obtained in relation to tolling the West Gate Tunnel;
* The extent and form of amendments to the current City Link Concession Deed (including those that give effect to changes to the current tolling arrangements) that are approved by Parliament;
* The timing of the above legislation and parliamentary approval;
* The date construction completion is achieved (and whether any completion delays are due to the State’s or Project Co’s risks);
* The costs of the West Gate Tunnel Project that have been financed by the Transurban Group up to the point the legislative support is obtained; and
* The impacts on expected traffic and toll revenue on City Link and West Gate Tunnel resulting from the form of legislative support after the West Gate Tunnel is open to traffic.

The State and the Transurban Group will therefore be required to negotiate the applicable financial or commercial adjustments when the additional State funding is due to be paid. Due to the significant number of variables and the high level of uncertainty, it is not feasible to reliably quantify an estimate of the likely additional State funding support at the date of this report.

##### Public acquisition overlays for the future development of rail and road infrastructure

Public acquisition overlays are in place in order to reserve certain areas of land for future development of rail and road infrastructure. Under section 98 of the *Planning and Environment Act 1987*, the State has a legislative responsibility to compensate eligible land and property owners who face either:

* (i) loss on sale – an eligible landowner is entitled to compensation for the incremental loss on sale when a property affected by a public acquisition overlay is sold for less than its market value, or
* (ii) financial loss – the entitlement to financial loss compensation is triggered when a development permit is refused because the property is required for a public purpose.

Compensation and purchase claims occur as a result of claims by land owners. The future liability depends on factors including the number of claims received and the prevailing value of land at the time the claim is made, which cannot be reliably quantified.

#### Onshore gas exploration

A Supreme Court litigation is progressing in relation to onshore gas exploration permits and retention leases held under the *Petroleum Act 1998* which is quantified at this time.

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

##### Royal Melbourne Showgrounds

Under the State Support Deed – Core Land, the state has undertaken to ensure the performance of the payment obligations in favour of the Concessionaire and the performance of the joint operation financial obligations in favour of the security trustee.

Under the state’s commitment to Royal Agricultural Society of Victoria (RASV), 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.

The state has also 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 (AgriBio Project)

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 DEDJTR 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.

DEDJTR 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 DEDJTR’s independent valuation agency and the department 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).

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

DEDJTR 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 2018–19 reporting period.

Fair value of financial instruments measured at amortised cost

|  | ($ thousand) | | | |
| --- | --- | --- | --- | --- |
|  | Carrying amount | Fair value | Carrying amount | Fair value |
|  | 2018 | 2018 | 2017 | 2017 |
| Contractual financial assets |  |  |  |  |
| Cash and deposits | 1,351,602 | 1,351,602 | 1,808,930 | 1,808,930 |
| Receivables(i) | 329,891 | 329,891 | 285,099 | 285,099 |
| Investments | 71 | 71 | 73 | 73 |
| Total contractual financial assets | 1,681,564 | 1,681,564 | 2,094,102 | 2,094,102 |
| Contractual financial liabilities |  |  |  |  |
| Payables(i) |  |  |  |  |
| – Supplies and services | 1,809,469 | 1,809,469 | 1,715,483 | 1,715,483 |
| Borrowings | 1,313,019 | 1,313,019 | 316,918 | 316,918 |
| Total contractual financial liabilities | 3,122,488 | 3,122,488 | 2,032,401 | 2,032,401 |

(i) The carrying amounts exclude statutory amounts (e.g. amounts owing from government, GST input tax credit recoverable, and GST payable)

Financial assets 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) |
| 2018 |  |  |  |  |
| Financial assets at fair value |  |  |  |  |
| Cash and deposits | 1,351,602 | 1,351,602 | – | – |
| Receivables | 329,891 | 329,891 | – | – |
| Investments | 71 | 71 | – | – |
| Total | 1,681,564 | 1,681,564 | – | – |
| 2017 |  |  |  |  |
| Financial assets at fair value |  |  |  |  |
| Cash and deposits | 1,808,930 | 1,808,930 | – | – |
| Receivables | 285,099 | 285,099 | – | – |
| Investments | 73 | 73 | – | – |
| Total | 2,094,102 | 2,094,102 | – | – |

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.

Listed securities: The listed share assets are valued at fair value with reference to a quoted (unadjusted) market price from an active market. The department categorises these instruments as Level 1.

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

Fair value measurement hierarchy for assets

|  | ($ thousand) | |  |  |  | ($ thousand) |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Carrying amount as at | Carrying amount as at | Fair value measurement at end of reporting period using: | | | | | |
|  | Level 1(i) | | Level 2(i) | | Level 3(i) | |
|  | 30 June 2018 | 30 June 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Land at fair value |  |  |  |  |  |  |  |  |
| Non-specialised land | 338,112 | 277,435 | – | – | 338,112 | 277,435 | – | – |
| Specialised land | 648,724 | 497,292 | – | – | – | – | 648,724 | 497,292 |
| Total of land at fair value | 986,837 | 774,727 | – | – | 338,112 | 277,435 | 648,724 | 497,292 |
| Buildings at fair value |  |  |  |  |  |  |  |  |
| Specialised/heritage buildings | 428,893 | 454,000 | – | – | – | – | 428,893 | 454,000 |
| Non-specialised buildings | 35,755 | 30,951 | – | – | 35,755 | 30,951 | – | – |
| Total of buildings at fair value | 464,649 | 484,951 | – | – | 35,755 | 30,951 | 428,893 | 454,000 |
| Plant and equipment at fair value |  |  |  |  |  |  |  |  |
| Vehicles(ii) | 14,033 | 15,576 | – | – | – | – | 14,033 | 15,576 |
| Plant and equipment | 32,762 | 28,237 | – | – | 91 | 91 | 32,671 | 28,146 |
| Total plant and equipment at fair value | 46,795 | 43,813 | – | – | 91 | 91 | 46,704 | 43,722 |
| Infrastructure at fair value |  |  |  |  |  |  |  |  |
| Infrastructure | 51,148 | 50,141 | – | – | – | – | 51,148 | 50,141 |
| Total infrastructure at fair value | 51,148 | 50,141 | – | – | – | – | 51,148 | 50,141 |
| Cultural assets at fair value |  |  |  |  |  |  |  |  |
| Cultural assets | 18,353 | 19,634 | – | – | 24 | 24 | 18,329 | 19,610 |
| Total cultural assets at fair value | 18,353 | 19,634 | – | – | 24 | 24 | 18,329 | 19,610 |
| Building leasehold improvements at fair value |  |  |  |  |  |  |  |  |
| Leasehold improvements | 36,375 | 32,069 | – | – | 15,142 | – | 21,233 | 32,069 |
| Total leasehold improvements at fair value | 36,375 | 32,069 | – | – | 15,142 | – | 21,233 | 32,069 |
| Building leasehold at fair value |  |  |  |  |  |  |  |  |
| Building leasehold | – | 15,142 | – | – | – | 15,142 | – | – |
| Total building leasehold at fair value | – | 15,142 | – | – | – | 15,142 | – | – |
| Total property, plant, equipment and infrastructure at fair value | 1,604,157 | 1,420,477 | – | – | 389,125 | 323,643 | 1,215,032 | 1,096,834 |

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.

#### 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 was performed by the Valuer-General Victoria (VGV) at 30 June 2018 of some of the Public Administration Sector assets to determine the fair value using the current replacement cost method approach. Valuation of the assets was 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. For the transport sector output group, the majority of specialised buildings are valued using the market approach, adjusted for the associated depreciation and allowance for the buildings restricted use. As restricted use 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. There were no changes in valuation techniques throughout the period to 30 June 2018. For all assets measured at fair value, the current use is considered the highest and best use.

#### Infrastructure assets

Infrastructure assets are valued using the current replacement cost method. This cost represents the replacement cost of the asset after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the current service capacity of the asset. Economic obsolescence has also been factored into the current replacement cost method calculation.

An independent valuation of public administration sector’s heritage assets and infrastructure was performed by the VGV. The valuation was performed based on the current replacement cost method of the assets. The effective date of the valuation was 30 June 2017. An independent valuation of public safety and environment sector’s structures was performed by the VGV. The valuation was performed based on the current replacement cost method of the assets. The effective date of the valuation was 30 June 2016. An independent valuation of transport sector’s infrastructure was performed by the VGV. The valuation was performed based on the Current replacement cost method of the assets. The effective date of the valuation was 30 June 2015.

For transport and public administration sectors as current replacement cost method is considered as significant, unobservable inputs in infrastructure assets are classified as level 3 fair value measurements.

#### Motor vehicles under finance lease

Vehicles are valued using the depreciated cost method. The department 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 and transport sectors where research of similar examples in existence in Australia was conducted and an estimated cost for replacement was established. Depreciation from this value was then attributed to the asset. For public safety and environment sector, cultural and historic assets are valued using the market approach. Under this valuation method, the historic and cultural assets are determined by a comparison to similar examples of the artists work in existence throughout Australia and research on prices paid for similar examples offered at auction or through art galleries in recent years.

To the extent that public safety and environment artwork and historic assets do not contain significant, unobservable adjustments, these assets are classified as level 2 under the market approach.

An independent valuation of the public administration sector’s heritage assets was performed by the VGV as at 30 June 2017. The valuation was performed based on the replacement cost of the assets. An independent valuation of transport sector’s artwork and historic assets was performed by the VGV. The valuation was performed based on the current replacement cost method of the assets. The effective date of the valuation was 30 June 2015. An independent valuation of the public safety and environment’s sector artwork and historic assets was performed by the VGV. The effective date of the valuation was 30 June 2016.

Reconciliation of Level 3 fair value movements

|  | ($ thousand) | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Specialised land | Specialised buildings | Plant and equipment and vehicles | Infrastructure | Cultural assets | Leasehold improvements | Total |
| 2018 |  |  |  |  |  |  |  |
| 2017 Opening balance | 497,292 | 454,000 | 43,722 | 50,141 | 19,610 | 32,069 | 1,096,834 |
| Purchases | 68,136 | – | 20,704 | – | – | 2,588 | 91,429 |
| Disposals | – | (10,282) | (2,913) | – | – | (830) | (14,025) |
| Transfers in/(out) of Level 3 – assets classified as held for sale | – | – | (306) | – | – | – | (306) |
| Transfers in/(out) – free of charge | 6,586 | 2,760 | 41 | – | – | – | 9,387 |
| Transfer between classes | – | 1,004 | (791) | – | – | (1,597) | (1,384) |
| Transfers in/(out) via contributed capital | 36,013 | – | (4,536) | – | – | (800) | 30,677 |
| Subtotal | 110,735 | (6,517) | 12,199 | – | – | (640) | 115,778 |
| Gains or losses recognised in net result |  |  |  |  |  |  | – |
| Depreciation | – | (20,766) | (9,217) | (1,299) | (1,281) | (6,697) | (39,260) |
| Recognition/(derecognition), (write-down) of assets | – | – | – | – | – | (3,500) | (3,500) |
| Subtotal | – | (20,766) | (9,217) | (1,299) | (1,281) | (10,197) | (42,760) |
| Gains or losses recognised in other economic flows – other comprehensive income |  |  |  |  |  |  | – |
| Revaluation | 40,698 | 2,176 | – | 2,307 | – | – | 45,180 |
| Sub-total | 40,698 | 2,176 | – | 2,307 | – | – | 45,180 |
| Closing balance 30 June 2018 | 648,724 | 428,893 | 46,704 | 51,149 | 18,329 | 21,233 | 1,215,032 |

Reconciliation of Level 3 fair value movements

|  | ($ thousand) | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Specialised land | Specialised buildings | Plant and equipment and vehicles | Infrastructure | Cultural assets | Leasehold improvements | Total |
| 2017 |  |  |  |  |  |  |  |
| 2016 Opening balance | 441,949 | 445,317 | 42,060 | 55,309 | 9,595 | 28,268 | 1,022,498 |
| Purchases | 34,993 | 316 | 18,050 | 77 | – | 5,803 | 59,239 |
| Disposals | (5) | (76) | (4,323) | – | – | – | (4,404) |
| Transfers in/(out) of Level 3 – assets classified as held for sale | (141,848) | – | (214) | – | – | – | (142,062) |
| Transfers in/(out) – free of charge | – | – | (143) | – | – | – | (143) |
| Transfers in/(out) – machinery of government transfers | – | – | – | – | – | – | – |
| Transfer between classes | 22,452 | 9,750 | 1,104 | (4,161) | 862 | 5,204 | 35,211 |
| Transfers in/(out) via contributed capital | – | – | 8 | – | – | – | 8 |
| Subtotal | (84,408) | 9,990 | 14,482 | (4,084) | 862 | 11,007 | (52,152) |
| Gains or losses recognised in net result |  |  |  |  |  |  |  |
| Depreciation | – | (22,638) | (12,820) | (552) | (797) | (7,206) | (44,013) |
| Recognition/(derecognition), (write-down) of assets | – |  |  | (532) |  |  | (532) |
| Subtotal | – | (22,638) | (12,820) | (1,084) | (797) | (7,206) | (44,545) |
| Gains or losses recognised in net result |  |  |  |  |  |  |  |
| Revaluation | 139,751 | 21,331 | – | – | 9,950 | – | 171,032 |
| Sub-total | 139,751 | 21,331 | – | – | 9,950 | – | 171,032 |
| Closing balance 30 June 2017 | 497,292 | 454,000 | 43,722 | 50,141 | 19,610 | 32,069 | 1,096,834 |

Description of significant unobservable inputs to Level 3 valuations for 2018 and 2017

| 2018 and 2017 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 |
| Infrastructure | Current replacement cost method | Cost per unit |
|  |  | Useful life of infrastructure |
| Cultural assets | Current replacement cost method | Cost per unit |
|  |  | Useful life of cultural assets |
| Specialised structures | Current replacement cost method | Cost per unit |
|  |  | Useful life of specialised structures |
| 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 department’s independent Valuer.

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

|  | ($ thousand) | | | |
| --- | --- | --- | --- | --- |
|  | 2018 | | 2017 | |
|  | Carrying amount | Level 2 Fair value measurement | Carrying amount | Level 2 Fair value measurement |
| Breeding livestock – pigs, sheep and cattle | 2,092 | 2,092 | 2,232 | 2,232 |
| Total biological assets | 2,092 | 2,092 | 2,232 | 2,232 |

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period to 30 June 2018.

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 department’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 Responsible persons**

**9.7 Remuneration of executives**

**9.8 Related parties**

**9.9 Remuneration of auditors**

**9.10 Subsequent events**

**9.11 Other accounting policies**

**9.12 Australian Accounting Standards issued that are not yet effective**

**9.13 Departmental output objectives and descriptions**

**9.14 Glossary of technical terms**

**9.15 Style conventions**

## 9.1 Ex-gratia expenses

There were nil ex-gratia payments for the twelve months ended 30 June 2018 (30 June 2017: $2.3 million).

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.

## 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) | |
| --- | --- | --- |
|  | 2018 | 2017 |
| Net gain/(loss) on non-financial assets |  |  |
| Gross proceeds from sale of leased vehicles | 2,899 | 4,182 |
| Disposal of leased vehicles | (2,189) | (2,429) |
| Recognition of non-financial assets | 59 | – |
| Revaluation writedown property, plant and equipment | (3,870) | (15,595) |
| Gain/(loss) on disposal of property, plant and equipment | (32,907) | (17,653) |
| Gain arising from changes in fair value of biological assets | 434 | 1,769 |
| Decrease attributable to demise of biological assets | (5) | (364) |
| Decrease attributable to sales | (620) | (832) |
| Loss on disposal of intangible assets | – | (2,904) |
| Impairment of intangible assets | (115) | – |
| Total net loss on non-financial assets | (36,314) | (33,826) |
|  |  |  |
| Net gains/(losses) on financial instruments |  |  |
| Gain/(impairment) of loans and receivable | (2) | (191) |
| Net gain/(loss) arising from revaluation of financial instruments | (2) | 2 |
| Realised gain/(loss) on foreign exchange hedge | (464) | 228 |
| Total net gains/(losses) on financial instruments | (468) | 39 |
|  |  |  |
| Other gains/(losses) from other economic flows |  |  |
| Net gain/(loss) arising from revaluation of long service leave liability(i) | 150 | 2,168 |
| Unwinding of other provision | 12,117 | 3,361 |
| Total other gains/(losses) from other economic flows | 12,267 | 5,529 |
|  |  |  |
| Total Other economic flows included in net result | (24,515) | (28,258) |

i. Revaluation gain/(loss) due to changes in bond rates.

## 9.3 Non-financial assets held for sale

Total non-financial assets held for sale

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2018 | 2017 |
| Current assets |  |  |
| Land held for sale | 66,160 | 129,111 |
| Buildings held for sale | 71,018 | 70,666 |
| Leased motor vehicles held for sale | 177 | 214 |
| Total non-financial assets held for sale | 137,355 | 199,992 |

### 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 disposal. 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) | |
| --- | --- | --- |
|  | 2018 | 2017 |
| Balance at beginning of financial year | 2,423,092 | 2,382,511 |
| Capital transactions with the state in its capacity as owner arising from: |  |  |
| Capital appropriations | 2,066,340 | 1,553,191 |
| Capital funding to agencies within portfolio | (853,502) | (1,068,370) |
| Administrative restructure and other transfers – net assets received | 9,586 | – |
| Administrative restructure and other transfers – net assets transferred | (3,514) | – |
| Net assets transferred to other government entities | (3,998,719) | (2,448,389) |
| Net assets transferred from other government entities | 3,123,013 | 2,021,126 |
| Net assets transferred through administered transactions | – | (17,444) |
| Composite reporting of Rural Assistance Commissioner(i) | – | 467 |
| Balance at end of financial year | 2,766,296 | 2,423,092 |

(i)Effective from 30 June 2016, the Rural Assistance Commissioner replaced the former Rural Finance Corporation Victoria. Through an agreement with the State Government, rural assistance schemes such as grants and loans are delivered by Bendigo and Adelaide Bank under the name Rural Finance. Rural Finance will continue to deliver rural assistance schemes, such as drought and dairy concessional loans, on behalf of the State Government.

Capital funding to agencies within portfolio

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2018 | 2017 |
| Public Transport Victoria | (343,741) | (705,105) |
| VicRoads | (407,908) | (306,973) |
| VicTrack | (33,277) | (6,822) |
| Melbourne Olympic Park Trust(i) | – | (28,500) |
| Victorian Arts Centre | (12,811) | (7,357) |
| State Library | (39,636) | (12,803) |
| Geelong Performing Arts Centre | (2,894) | (716) |
| Taxi Services Commission | (1,232) | (94) |
| Federation Square | (2,703) | – |
| Port of Melbourne Corporation | (5,000) | – |
| Museum Victoria | (4,300) | – |
| Total capital contributions to agencies within portfolio | (853,502) | (1,068,370) |

(i) Effective from 1 October 2016, portfolio responsibility for the Melbourne Olympic Park Trust was transferred from DEDJTR to the Department of Health and Human Services (DHHS).

Net assets transferred to other Government entities

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2018 | 2017 |
| VicTrack | (3,709,833) | (2,405,836) |
| Department of Treasury and Finance | (288,885) | – |
| Victorian Fisheries Authority | (3,514) | – |
| Department of Environment, Land, Water and Planning(i) | – | (1,890) |
| Development Victoria(ii) | – | (42,738) |
| Visit Victoria(iii) | – | 2,076 |
| Balance at end of financial year | (4,002,233) | (2,448,389) |

i. Effective 1 July 2016 Energy Safe Victoria transferred from DEDJTR to Department of Environment, Land, Water and Planning (DELWP).

ii. Effective 1 April 2017, Places Victoria and Major Projects Victoria merged to form Development Victoria.

iii. Effective 1 July 2016, as part of a machinery of government restructure, Visit Victoria commenced operations and took over portfolio responsibility of Tourism Victoria and the Victorian Major Events Company Limited.

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

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

* Major Projects Victoria
* Rural Assistance Commissioner,
* Linking Melbourne Authority, and
* Tourism Victoria (Effective 1 June 2018, Tourism Victoria was abolished under the Major Events Legislation Amendment (Ticket Scalping and Other Matters) Act 2018. The net assets of the entity was consolidated with the department.

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 Economic Development, Jobs, Transport and Resources | | Other section 53(1)(b) entities(i) | | Eliminations and adjustments | | DEDJTR consolidated group | |
|  | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Total income from transactions | 8,615,810 | 7,415,705 | 6,630 | – | (860) | (2,761) | 8,621,580 | 7,412,944 |
| Net result from transactions | (523,833) | (458,761) | (17,970) | (9,920) | – | – | (541,803) | (468,681) |
| Total assets(ii) | 5,315,353 | 5,144,721 | 416,496 | – | – | – | 5,731,849 | 5,144,721 |
| Total liabilities | 2,985,938 | 2,575,251 | 293,696 | – | – | – | 3,279,634 | 2,575,251 |

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 DEDJTR consolidated group.

## 9.6 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 DEDJTR were:

|  |  |  |
| --- | --- | --- |
| Secretary, Department of Economic Development, Jobs, Transport and Resources | Mr Richard Bolt | 1 July 2017 to 30 June 2018 |
| Minister for Public Transport Minister for Major Projects | The Hon. Jacinta Allan MP | 1 July 2017 to 30 June 2018 |
| Minister for Industry and Employment | The Hon. Wade Noonan MP | 1 July 2017 to 16 October 2017 |
|  | The Hon. Ben Carroll MP | 16 October 2017 to 30 June 2018 |
| Minister for Resources | The Hon. Wade Noonan MP The Hon. Tim Pallas MP | 1 July 2017 to 16 October 2017 16 October 2017 to 30 June 2018 |
| Minister for Roads and Road Safety Minister for Ports | The Hon. Luke Donnellan MP | 1 July 2017 to 30 June 2018 |
| Minister for Creative Industries | The Hon. Martin Foley MP | 1 July 2017 to 30 June 2018 |
| Minister for Industrial Relations | The Hon. Natalie Hutchins MP | 1 July 2017 to 30 June 2018 |
| Minister for Agriculture Minister for Regional Development | The Hon. Jaala Pulford MLC | 1 July 2017 to 30 June 2018 |
| Minister for Tourism and Major Events | The Hon. John Eren MP | 1 July 2017 to 30 June 2018 |
| Minister for Small Business, Innovation and Digital Economy and Trade and Investment | The Hon. Philip Dalidakis MLC | 1 July 2017 to 30 June 2018 |

### Accountable officers’ remuneration

Total remuneration received or receivable by the accountable officers in connection with the management of the department during the reporting period was in the range of $480,000 – $490,000 ($510,000 – $520,000 in 2016–17).

Other related transactions and loans requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to report

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:

parliament.vic.gov.au/publications/register‑of‑interests.

## 9.7 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 below. Total annualised employee equivalents provides a measure of full-time equivalent executive officers over the reporting period.

Remuneration comprises 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, 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.

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

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.

Remuneration of executive officers

|  | ($ thousand) | |
| --- | --- | --- |
|  | Total remuneration | |
|  | 2018 | 2017 |
| Short-term employee benefits | 45,899 | 40,281 |
| Post-employment benefits | 3,740 | 2,961 |
| Other long-term benefits | 1,242 | 964 |
| Termination benefits | 473 | 326 |
| Total remuneration(i) | 51,354 | 44,532 |
|  |  |  |
| Total number of executives | 260 | 223 |
| Total annualised employee equivalent (AEE)(ii) | 198.9 | 155.8 |

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. Annualised employee equivalent is based on the time fraction worked over the reporting period.

## 9.8 Related parties

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

The following agencies have been consolidated into the DEDJTR’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):

* Major Projects Victoria
* Rural Assistance Commissioner
* Linking Melbourne Authority
* Tourism Victoria (until abolition on 1 June 2018)

Related parties of the department, Major Projects Victoria, Rural Assistance Commissioner, Linking Melbourne Authority and Tourism Victoria 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 department receives parliamentary and special appropriation to draw funds out of the Consolidated Funds to be applied towards departmental outputs (see Note 2.2 – Appropriation). In addition, the department 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 department 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 department 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 DEDJTR includes the Portfolio Ministers (see Note 9.6 – Responsible persons) and members of the Senior Executive Team, which includes:

* Secretary: Richard Bolt
* Employment, Investment and Trade, Head: Justin Hanney
* Employment, Investment and Trade, Deputy Head & Agriculture Victoria Chief Executive Officer: Emily Phillips
* Strategy and Planning Lead Deputy Secretary: Anthea Harris (until 14 May 2018) and Graeme Maddern (from 15 May 2018)
* Corporate Services Lead Deputy Secretary: Sue Eddy (until 21 November 2017) and Luke Wilson (from 22 November 2017)
* Transport for Victoria Head: Gillian Miles
* Major Transport Infrastructure Program Coordinator General: Corey Hannett
* CEO Creative Victoria: Andrew Abbott
* Chief Financial Officer: Greg Forck (until 27 December 2017), Simon Burrage (from 28 December 2017 to 18 May 2018), and Jessica Lambous (from 21 May 2018)

**Key management personnel** of the Administrative Offices include:

* Level Crossing Removal Authority – Richard Bolt, Corey Hannett & Kevin Devlin (CEO)
* Rail Projects Victoria – Richard Bolt, Corey Hannett & Evan Tattersall (CEO)
* Western Distributor Authority – Richard Bolt, Corey Hannett & Peter Sammut (CEO)
* North East Link Authority – Richard Bolt, Corey Hannett & Duncan Elliot (CEO)

**Key management personnel** of the agencies consolidated pursuant to section 53(1)(b) of the FMA into DEDJTR’s financial statements include:

* Tourism Victoria: Richard Bolt, Justin Hanney, Andrew Dwyer (until 31 May 2018), Deborah Beale (until 10 March 2018) and John Dalton - DEDJTR Secretary and Head and all the board members (entity abolished 1 June 2018)
* Linking Melbourne Authority: Richard Bolt, Greg Forck, Leanne Price (commenced 1 May 2018), Christina A Borzi (commenced 1 May 2018), Robert Abboud (until 31 March 2018) and Katie O’Brien (until 31 March 2018) - DEDJTR Secretary and all board members
* Major Projects Victoria: Richard Bolt – DEDJTR Secretary
* Rural Assistance Commissioner: Richard Bolt – Commissioner and Emily Phillips – CE Agriculture Victoria.

The compensation detailed below excludes the salaries and benefits the Portfolio Ministers receive. 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) | | ($ thousand) | |
| --- | --- | --- | --- | --- |
|  | 2018 | 2017 | 2018 | 2017 |
|  | DEDJTR(iii) | DEDJTR(iii) | Administrative offices and section 53(iv) | Administrative offices and section 53(iv) |
| Short-term employee benefits(i) | 3,059 | 3,587 | 1,870 | 1,930 |
| Post-employment benefits | 177 | 174 | 122 | 115 |
| Other long-term benefits | 86 | 85 | 45 | 42 |
| Total compensation(ii) | 3,322 | 3,845 | 2,038 | 2,087 |

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 DEDJTR and Administrative Offices and entities consolidated under the FMA s53(1), their remuneration is reflected under DEDJTR’s compensation of KMPs.

iv. This includes remuneration of KMPs for Major Projects Victoria, Rural Assistance Commissioner, Linking Melbourne Authority and Tourism Victoria (until abolition 1 June 2018).

### 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, there were no related party transactions that involved key management personnel, their close family members and their personal business interests, for the following agencies consolidated into the department’s financial statements:

* Major Projects Victoria,
* Rural Assistance Commissioner,
* Linking Melbourne Authority, and
* Tourism Victoria (until abolition on 1 June 2018)

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

9.9 Remuneration of auditors

|  | ($ thousand) | |
| --- | --- | --- |
|  | 2018 | 2017 |
| Victorian Auditor-General’s Office |  |  |
| Audit of the financial statements | 563 | 550 |
| Total | 563 | 550 |

## 9.10 Subsequent events

Other than the matters below, there are no events that have arisen since 30 June that have significantly affected or may significantly affect the operations, or results, or state of affairs of the department.

### Establishment of the Major Road Projects Authority

The Major Road Projects Authority is an independent statutory authority established on 1 July 2018 in an effort to bring a more integrated approach to project delivery across the broader transport portfolio. This authority will be consolidated within DEDJTR.

### Name change

Effective 2 July 2018, Taxi Services Commission changed its name to Commercial Passenger Vehicle Commission as proclaimed in the amending act *Commercial Passenger Vehicle Industry Amendment (Further Reforms) Act 2017.*

## 9.11 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 department.

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.

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

Certain new AASs have been published that are not mandatory for the reporting period. DTF assesses the impact of these new standards and advises DEDJTR of their applicability and early adoption where applicable. For the financial year ended 30 June 2018, DEDJTR has assessed the new standards and has decided not to early adopt these standards, as they will have no impact on DEDJTR.

| Standard/ Interpretation | Summary | Applicable for annual reporting periods beginning on | Impact on DEDJTR’s financial statements |
| --- | --- | --- | --- |
| AASB 9 Financial Instruments | The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred. | 1 Jan 2018 | The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. The initial application of AASB 9 is not expected to significantly impact the financial position, however there will be a change to the way financial instruments are classified and new disclosure requirements. |
| AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments] | Amends various AASs to reflect the AASB’s decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018; as a consequence of Chapter 6; and to amend reduced disclosure requirements. | 1 Jan 2018 | This amending standard will defer the application period of AASB 9 to the 2018–19 reporting period in accordance with the transition requirements. |
| AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 | Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9. | 1 Jan 2018 | The assessment has indicated that there will be no significant impact for the public sector. |
| AASB 15 Revenue from Contracts with Customers | The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. | 1 Jan 2018 | The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. The initial application of ASB 15 is not expected to significantly impact the financial position. |
| AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities | This standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019. | 1 Jan 2019 | This amending standard will defer the application period of AASB 15 for not‑for-profit entities to the 2019‑20 reporting period. |
| AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 | This standard amends AASB 15 to clarify requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: a promise to transfer to a customer a good or service that is ‘distinct’ to be recognised as a separate performance obligation; for items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and for licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access). | 1 Jan 2018 | The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified for AASB 15 above. |
| AASB 16 *Leases* | The key changes introduced by AASB 16 include the recognition of most operating leases (which are current not recognised) on balance sheet. | 1 Jan 2019 | The assessment has indicated that most operating leases, with the exception of short term and low value leases will come on to the balance sheet and will be recognised as right of use assets with a corresponding lease liability. In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge. There will be no change for lessors as the classification of operating and finance leases remains unchanged. The initial application of AASB 16 is expected to significantly increase lease assets and liabilities. The quantity of the increase has not yet been determined. |
| AASB 1058 Income of Not-for-Profit Entities | This Standard will replace AASB 1004 Contributions and establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives. | 1 Jan 2019 | The current revenue recognition for grants is to recognise revenue up front upon receipt of the funds. This may change under AASB 1058, as capital grants for the construction of assets will need to be deferred. Income will be recognised over time, upon completion and satisfaction of performance obligations for assets being constructed, or income will be recognised at a point in time for acquisition of assets. The revenue recognition for operating grants will need to be analysed to establish whether the requirements under other applicable standards need to be considered for recognition of liabilities (which will have the effect of deferring the income associated with these grants). Only after that analysis would it be possible to conclude whether there are any changes to operating grants. The impact on current revenue recognition of the changes is the phasing and timing of revenue recorded in the profit and loss statement. The initial application of AASB 1058 is not expected to significantly impact the financial position. |
| AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities | This Standard amends AASB 9 and AASB 15 to include requirements and implementation guidance to assist not-for-profit entities in applying the respective standards to particular transactions and events. | 1 Jan 2019 | This standard clarifies the application of AASB 15 and AASB 9 in a not-for-profit context. The areas within these standards that are amended for not-for-profit application include:  AASB 9  • • Statutory receivables are recognised and measured similarly to financial assets  AASB 15  • • The “customer” does not need to be the recipient of goods and/or services;  • • The “contract” could include an arrangement entered into under the direction of another party; • Contracts are enforceable if they are enforceable by legal or “equivalent means”;  • • Contracts do not have to have commercial substance, only economic substance; and  • • Performance obligations need to be “sufficiently specific” to be able to apply AASB 15 to these transactions. |
| AASB 1059 Service Concession Arrangements: Grantor | This standard applies to arrangements that involve an operator providing a public service on behalf of a public sector grantor. It involves the use of a service concession asset and where the operator manages at least some of the public service at its own direction. An arrangement within the scope of this standard typically involves an operator constructing the asset used to provide the public service or upgrading the assets and operating and maintaining the assets for a specified period of time.  The State has 2 types of PPPs:  • 1. Social Infrastructure: A PPP that requires the government to make payments to the operator upon commencement of services:  • • Operator finances and constructs the infrastructure; and  • • State pays unitary service payments over the term.  • 2. Economic Infrastructure: A PPP that is based on user pays model:  • • Operator finances and constructs the infrastructure;  • • State does not pay for the cost of the construction; and  • • Operator charges asset users and recovers the cost of construction and operation for the term of the contract. | 1 Jan 2019 | For an arrangement to be in scope of AASB 1059 all of the following requirements are to be satisfied:  • • Operator is providing public services using a service concession asset;  • • Operator manages at ‘least some’ of public services under its own discretion;  • • The State controls / regulates:  – What services are to be provided;  – To whom; and  – At what price  • • State controls any significant residual interest in the asset.  If the arrangement does not satisfy all the above requirements the recognition will fall under the requirements of another applicable accounting standard.  Currently the social infrastructure PPPs are only recognised on the balance sheet at commercial acceptance. The arrangement will need to be progressively recognised as and when the asset is being constructed. This will have the impact of progressively recognising the financial liability and corresponding asset as the asset is being constructed.  For economic infrastructure PPP arrangements, that were previously not on balance sheet, the standard will require recognition of these arrangements on balance sheet. There will be no impact to net debt, as a deferred revenue liability will be recognised and amortised over the concession term.  The initial application of AASB 1059 has not been determined. |

## 9.13 Departmental output objectives and descriptions

The departmental outputs during the financial year ended 30 June 2018 are disclosed in Note 4.1 - Departmental outputs. The outputs objectives and descriptions are summarised below.

### More productive, competitive and sustainable and jobs-rich food, fibre and resources industries

#### Objective: Resources and Primary Industries

This output group creates the conditions for productive, competitive and sustainable and jobs-rich food, fibre, and natural resources industries. These outputs contribute to the departmental objective to create more productive, competitive and sustainable food, fibre, and resource industries.

#### Descriptions

##### Agriculture

This output creates conditions for increased jobs, productivity and access to markets for Victoria’s food and fibre industries. The Department works with research and industry partners, primary producers and rural communities across Victoria to address major and emerging challenges in productivity, biosecurity and competitiveness in food and fibre industries.

##### Resources

This output develops and delivers policy, programs and regulations to enable investment and generate jobs through the sustainable development of the State’s earth resources, including extractives, minerals and petroleum. The Department also regulates the earth resources sector through transparent, consistent and timely regulatory processes that provide industry with confidence to invest and have regards to the needs of communities and minimise impacts to the environment.

##### Sustainably Manage Fish, Game and Forest Resources

This output creates the conditions to grow the natural resources economy by ensuring forestry, fish and game resources are sustainably allocated and used for both recreational and commercial purposes.

### Increase the economic, social and cultural value of tourism, major events and creative industries

#### Objective: Creative Industries

These outputs contribute to the development of Victorian creative industries through the provision of industry assistance programs, infrastructure development and policy advice. These outputs contribute to the departmental objective to increase the economic, social and cultural value and impact of the creative industries.

#### Descriptions

##### Development and Innovation

This output supports the creative industries to deliver economic, social and cultural benefit through: talent and leadership; the creative and business ecology; innovation and social impact; participation and place making; and international engagement.

##### Creative Industries Portfolio Agencies

This output promotes, presents and preserves our heritage and the creative industries through Victoria’s cultural agencies: Arts Centre Melbourne, Australian Centre for the Moving Image (ACMI), Docklands Studios Melbourne, Film Victoria, Geelong Performing Arts Centre, Melbourne Recital Centre, Museum Victoria, National Gallery of Victoria, and the State Library of Victoria.

##### Cultural Infrastructure and Facilities

This output supports Victorian cultural venues and state owned facilities through strategic assessment and provision of advice on portfolio infrastructure proposals and projects. The output includes consolidation of portfolio asset management plans and management of funding programs for maintenance and minor capital works.

### Grow Victoria’s economy and Victorian jobs by working with the private and public sectors to foster investment, trade and innovation

#### Objective: Employment, Industry and Growth

This output group delivers initiatives and activities to foster investment, growth and employment opportunities to support workers, industries and regions. These outputs contribute to the departmental objective to increase sustainable employment opportunities for Victorians and build investment, trade and tourism prospects for the State through working with priority industry sectors, delivering major projects, investing in regional Victoria, providing innovation opportunities for businesses, and building resilience in the State’s workforce.

#### Descriptions

##### Employment and Investment

This output provides programs to link business and workforce needs with training, retraining and support for skills required in the economy. It also provides investment attraction and facilitation services to attract new investment and encourage additional investment by companies already operating in Victoria.

##### Industrial Relations

This output provides public and private sector industrial relations advice and strategic workforce management counsel to Ministers and departmental and agency reviews.

##### Industry and Enterprise Innovation

This output provides access to information and connections, and builds the capacity of businesses and industry to develop and effectively use new practices and technologies to increase productivity and competitiveness in Victoria. It also helps businesses overcome barriers to competitiveness.

##### Major Projects

This output facilitates investment in the Victorian economy through the development, delivery and management of economic assets. This output represents activities undertaken by Major Projects Victoria (MPV) within the Department of Economic Development, Jobs, Transport and Resources. Output costs include the cost of projects for which MPV has financial responsibility.

##### Regional Development

This output guides the development and implementation of regional plans and strategies to manage growth and change in regional and rural Victoria. It provides better services to encourage innovation in order to create jobs and improve career opportunities for regional Victorians.

##### Tourism, Major Events and International Education

This output maximises employment and the long‑term economic benefits of tourism, international education and major events to Victoria by developing and marketing the State as a competitive destination.

##### Trade

This output promotes business growth opportunities by connecting organisations to global business opportunities in priority markets and supporting the establishment and deepening of strategic commercial partnerships.

### More productive and liveable places, towns and cities through integrated and user-focused transport services and better infrastructure

#### Objective: Transport Network Safety, Operation and Development

This output group delivers a safe, cost effective and efficient transport network. This output group supports the department’s objective to sustainably grow Victoria’s economy and employment. These outputs contribute to the departmental objective to create more productive and liveable cities and regions through improved transport services and better infrastructure.

#### Descriptions

##### Bus Services

This output delivers reliable and cost effective statewide bus services and infrastructure investments, including services delivered through contractual arrangements with private operators.

##### Integrated Transport

This output delivers strategic transport infrastructure activity to improve the transport system. The output contributes to the Department’s objective to create more productive and liveable cities and regions through improved transport services and better infrastructure.

##### Port and Freight Network Access

This output delivers capital initiatives and programs to increase the capacity, efficiency and safety of the ports, freight and logistics network.

##### Road Asset Management

This output group delivers programs and initiatives to maintain Victoria’s freeways and arterial road network. Activities support the safety and reliability of the network.

##### Road Operations and Network Improvements

This output group delivers network improvement initiatives to enhance and develop Victoria’s freeways, arterial road network and strategic local road connections. Activities support improvements to the safety and reliability of the network.

##### Taxi and Hire Vehicle Services

This output delivers safe and accessible taxi and hire vehicle services in metropolitan and regional Victoria through the regulation of drivers and operators and promoting choices available to customers.

##### Train Services

This output delivers reliable and cost effective train services and infrastructure investments across the Victorian rail network, including services delivered through contractual arrangements with private operators.

##### Tram Services

This output delivers reliable and cost-effective tram services and infrastructure investments, including public transport services delivered through contractual arrangements with private operators.

##### Transport Safety, Security and Emergency Management

This output delivers initiatives and regulatory activities that will improve safety and security and strengthen resilience on Victoria’s transport network.

## 9.14 Glossary of technical terms

### Glossary

**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, finance leases 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:

(a) cash

(b) an equity instrument of another entity

(c) 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

(d) 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:

(a) 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

(b) 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 department.

**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 department.

**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.

## 9.15 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 2017–18 Model Report for Victorian Government Departments.