Financial statements:
30 June 2019

Statements

DEPARTMENT OF AGRICULTURE AND FISHERIES
Financial Statements
For the year ended 30 June 2019

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DEPARTMENT OF AGRICULTURE AND FISHERIES
Statement of comprehensive income
For the year ended 30 June 2019

	Notes	2019 Actual $'000	2019 Original Budget $'000	Budget Variance* $'000	2018 Actual $'000
Income from continuing operations					
Appropriation revenue	B1-1	316,077	313,808	2,269	277,997
User charges and fees	B1-2	142,124	113,682	28,442	129,758
Grants and contributions	B1-3	36,879	26,044	10,835	31,567
Royalties	B1-4	30,546	27,675	2,871	29,487
Other revenue	B1-5	1,020	403	617	2,383
Total revenue		**526,646**	**481,612**	**45,034**	**471,192**
Gains on disposal and re-measurement of assets	B2	1,424	95	1,329	1,446
Total income from continuing operations		**528,070**	**481,707**	**46,363**	**472,638**
Expenses from continuing operations					
Employee expenses	B3-1	214,688	226,008	(11,320)	207,682
Supplies and services	B3-2	248,490	221,691	26,799	215,951
Grants and subsidies	B3-3	29,012	10,164	18,848	21,554
Depreciation and amortisation	B3-4	19,585	21,599	(2,014)	21,572
Impairment losses		239	-	239	132
Other expenses	B3-5	16,057	2,245	13,812	2,630
Total expenses from continuing operations		**528,070**	**481,707**	**46,363**	**469,521**
Operating result for the year		**-**	-	**-**	**3,117**
Other comprehensive income					
Items that will not be reclassified to operating result:					
Increase/(decrease) in asset revaluation surplus	C7-3	3,338	-	3,338	(11,416)
Total comprehensive income		**3,338**	**-**	**3,338**	**(8,299)**

**An explanation of major variances is included at Note E1-1*

The accompanying notes form part of these statements.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Statement of comprehensive income by major departmental services
For the year ended 30 June 2019

	Agriculture		Fisheries and Forestry		Biosecurity Queensland	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**	**2019 $'000**	**2018 $'000**
Income from continuing operations [1]						
Appropriation revenue	171,401	147,083	41,545	36,957	94,473	83,207
User charges and fees	56,624	53,526	8,623	11,827	30,839	25,386
Grants and contributions	1,064	3,532	3,629	500	32,153	27,503
Royalties	3,516	4,168	27,030	25,319	-	-
Other revenue	761	1,315	124	390	135	676
Total revenue	**233,366**	**209,624**	**80,952**	**74,992**	**157,600**	**136,772**
Gains on disposal and re-measurement of assets	1,247	1,222	72	28	104	197
Total income from continuing operations	**234,614**	**210,846**	**81,024**	**75,020**	**157,704**	**136,968**
Expenses from continuing operations [1]						
Employee expenses	93,530	92,146	36,772	34,643	60,776	57,933
Supplies and services	98,187	91,084	38,218	33,157	83,766	70,519
Grants and subsidies	26,515	13,818	166	3,322	2,295	4,381
Depreciation and amortisation	12,775	13,021	1,489	1,725	2,706	2,810
Impairment losses	172	50	59	56	7	26
Other expenses	3,548	632	4,238	1,069	8,188	898
Total expenses from continuing operations	**234,726**	**210,751**	**80,942**	**73,972**	**157,738**	**136,568**
Operating result for the year	**(112)**	**96**	**82**	**1,047**	**(34)**	**400**
Other comprehensive income						
Items that will not be reclassified to operating result:						
Increase/(decrease) in asset revaluation surplus	3,341	(12,337)	(115)	(142)	62	1,165
Total comprehensive income	**3,229**	**(12,241)**	**(33)**	**905**	**28**	**1,565**

[1] Corporate services income and expenses relating to DAF provided through the Business Corporate Partnership (BCP) arrangements have been allocated to respective departmental services based on employee full time equivalent numbers.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Statement of comprehensive income by major departmental services
For the year ended 30 June 2019

	Corporate Partnership[(2)]		Total	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Income from continuing operations [(1)]				
Appropriation revenue	8,657	10,751	316,077	277,997
User charges and fees	46,039	39,020	142,124	129,758
Grants and contributions	33	32	36,879	31,567
Royalties	-	-	30,546	29,487
Other revenue	-	1	1,020	2,383
Total revenue	**54,729**	**49,803**	**526,646**	**471,192**
Gains on disposal and re-measurement of assets	-	1	1,424	1,446
Total income from continuing operations	**54,729**	**49,804**	**528,070**	**472,638**
Expenses from continuing operations [(1)]				
Employee expenses	23,610	22,960	214,688	207,682
Supplies and services	28,319	21,190	248,490	215,951
Grants and subsidies	36	34	29,012	21,554
Depreciation and amortisation	2,615	4,015	19,585	21,572
Impairment losses	-	-	239	132
Other expenses	84	31	16,057	2,630
Total expenses from continuing operations	**54,664**	**48,230**	**528,070**	**469,521**
Operating result for the year	**65**	**1,574**	**-**	**3,117**
Other comprehensive income				
Items that will not be reclassified to operating result:				
Increase/(decrease) in asset revaluation surplus	50	(102)	3,338	(11,416)
Total comprehensive income	**115**	**1,472**	**3,338**	**(8,299)**

[(1)] Corporate services income and expenses relating to DAF provided through the BCP arrangements have been allocated to respective departmental services based on employee full time equivalent numbers.

[(2)] Income and expenses attributed to other agencies through BCP activities are shown separately and not allocated across departmental services.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Statement of financial position
as at 30 June 2019

	Notes	2019 Actual $'000	2019 Original Budget $'000	Budget Variance* $'000	2018 Actual $'000
Current assets					
Cash and cash equivalents	C1	48,506	39,305	9,201	40,798
Receivables	C2	42,689	34,670	8,019	48,746
Inventories		942	1,000	(58)	1,160
Other current assets		7,796	6,117	1,679	7,494
		99,934	81,092	18,842	98,199
Non-current assets classified as held for sale		1,010	-	1,010	-
Total current assets		**100,944**	**81,092**	**19,852**	**98,199**
Non-current assets					
Intangible assets		1,073	1,917	(844)	997
Property, plant and equipment	C3	353,462	354,819	(1,357)	351,341
Other non-current assets		11,719	11,409	310	11,757
Total non-current assets		**366,254**	**368,145**	**(1,891)**	**364,094**
Biological assets					
Biological assets		4,335	3,285	1,050	3,758
Total biological assets		**4,335**	**3,285**	**1,050**	**3,758**
Total assets		**471,532**	**452,522**	**19,010**	**466,050**
Current liabilities					
Payables	C4	27,136	11,400	(15,736)	16,982
Accrued employee benefits	C5	9,474	8,013	(1,461)	9,016
Unearned revenue	C6	24,470	21,420	(3,050)	27,952
Security deposits		228	-	(228)	324
Total current liabilities		**61,308**	**40,833**	**(20,475)**	**54,275**
Non-current liabilities					
Unearned revenue	C6	15,192	15,191	-	16,611
Total non-current liabilities		**15,192**	**15,191**	**-**	**16,611**
Total liabilities		**76,500**	**56,024**	**(20,475)**	**70,886**
Net assets		**395,032**	**396,498**	**(1,465)**	**395,165**
Equity					
Contributed equity		374,034	-	-	377,506
Accumulated surplus/deficit		(8,790)	-	-	(8,790)
Asset revaluation surplus	C7-3	29,787	-	-	26,449
Total equity		**395,032**	-	**-**	**395,165**

**An explanation of major variances is included at Note E1-2*

The accompanying notes form part of these statements.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Statement of assets and liabilities by major departmental services
as at 30 June 2019

	Agriculture		Fisheries and Forestry		Biosecurity Queensland	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Current assets						
Cash and cash equivalents	21,234	17,840	8,077	6,778	14,300	12,064
Receivables	10,178	11,713	5,490	5,168	22,133	28,003
Inventories	91	102	478	492	373	567
Other current assets	2,059	2,317	419	584	800	864
	33,562	31,972	14,465	13,021	37,606	41,497
Non-current assets classified as held for sale	1,010	-	-	-	-	-
Total current assets	**34,572**	**31,972**	**14,465**	**13,021**	**37,606**	**41,497**
Non-current assets						
Intangible assets	575	114	69	122	52	203
Property, plant and equipment	246,162	253,577	28,881	23,261	68,199	63,473
Other non-current assets	10,117	10,717	103	66	182	118
Total non-current assets	**256,853**	**264,409**	**29,052**	**23,450**	**68,432**	**63,794**
Biological assets						
Biological assets	4,066	3,480	-	-	269	278
Total biological assets	**4,066**	**3,480**	**-**	**-**	**269**	**278**
Total assets[(1)]	**294,481**	**299,861**	**43,516**	**36,471**	**106,309**	**105,568**
Current liabilities						
Payables	7,542	4,231	2,957	2,595	12,316	6,849
Accrued employee benefits	4,121	4,046	1,543	1,459	2,789	2,516
Unearned revenue	22,247	21,991	167	703	2,055	5,258
Security Deposits	-	-	228	324	-	-
Total current liabilities	**33,910**	**30,268**	**4,897**	**5,080**	**17,161**	**14,623**
Non-current Liabilities						
Unearned revenue	15,192	16,611	-	-	-	-
Total non-current liabilities	**15,192**	**16,611**	**-**	**-**	**-**	**-**
Total liabilities[(1)]	**49,101**	**46,879**	**4,897**	**5,080**	**17,161**	**14,623**

[(1)] Corporate services assets and liabilities relating to DAF provided through the BCP arrangements have been allocated to respective departmental services.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Statement of assets and liabilities by major departmental services (continued)
as at 30 June 2019

	Corporate Partnership[2]		Total	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Current assets				
Cash and cash equivalents	4,895	4,117	48,506	40,798
Receivables	4,887	3,863	42,689	48,746
Inventories	-	-	942	1,160
Other current assets	4,519	3,729	7,796	7,494
	14,302	11,709	99,934	98,198
Non-current assets classified as held for sale	-	-	1,010	-
Total current assets	**14,302**	**11,709**	**100,944**	**98,199**
Non-current assets				
Intangible assets	378	558	1,073	997
Property, plant and equipment	10,219	11,029	353,462	351,341
Other non-current assets	1,318	855	11,719	11,757
Total non-current assets	**11,915**	**12,442**	**366,254**	**364,094**
Biological assets				
Biological assets	-	-	4,335	3,758
Total biological assets	**-**	-	4,335	**3,758**
Total assets[1]	**26,217**	**24,151**	**471,532**	**466,050**
Current liabilities				
Payables	4,321	3,308	27,136	16,982
Accrued employee benefits	1,021	996	9,474	9,017
Unearned revenue	-	-	24,470	27,952
Security Deposits	-	-	228	324
Total current liabilities	**5,342**	**4,304**	**61,308**	**54,275**
Non-current liabilities				
Unearned revenue	-	-	15,191	16,611
Total non-current liabilities	**-**	-	**15,191**	**16,611**
Total liabilities [1]	**5,342**	**4,304**	**76,500**	**70,886**

(1) Corporate services assets and liabilities relating to DAF provided through the BCP arrangements have been allocated to respective departmental services.

(2) Assets and liabilities attributed to other agencies through BCP activities are shown below separately and not allocated across departmental services.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Statement of changes in equity
For the year ended 30 June 2019

	Notes	Contributed Equity $'000	Accumulated Surplus/Deficit $'000	Asset Revaluation Surplus $'000	TOTAL $'000
Balance as at 1 July 2017		**383,357**	**(12,010)**	**37,866**	**409,213**
Operating result					
Operating result from continuing operations		-	3,117	-	**3,117**
Other comprehensive income					
- Increase/(decrease) in asset revaluation surplus	C7-3	-	-	(11,314)	**(11,314)**
- Transfers between asset revaluation reserve and accumulated surplus		-	102	(102)	**-**
Total comprehensive income for the year		**-**	**3,219**	**(11,416)**	**(8,197)**
Transactions with owners as owners:					
- Appropriated equity injections		2,150	-	-	**2,150**
- Appropriated equity withdrawals		(5,851)	-	-	**(5,851)**
Total appropriated equity adjustments	C7-2	**(3,701)**	**-**	**-**	**(3,701)**
- Non appropriated equity withdrawals		(2,150)	-	-	**(2,150)**
Net transactions with owners as owners		**(5,851)**	**-**	**-**	**(5,851)**
Balance at 30 June 2018		**377,506**	**(8,790)**	**26,449**	**395,165**
Operating result					
Operating result from continuing operations		**-**	**-**	**-**	**-**
Other comprehensive income					
- Increase/(decrease) in asset revaluation surplus	C7-3	-	-	3,338	**3,338**
- Transfers between asset revaluation reserve and accumulated surplus		-	**-**	-	**-**
Total comprehensive income for the year		**-**	**-**	**3,338**	**3,338**
Transactions with owners as owners:					
- Appropriated equity injections		-	-	-	**-**
- Appropriated equity withdrawals	C7-2	(3,503)	-	-	**(3,503)**
- Non appropriated equity adjustment		31	-	-	**31**
Net transactions with owners as owners		**(3,472)**	**-**	**-**	**(3,472)**
Balance at 30 June 2019		**374,034**	**(8,790)**	**29,787**	**395,032**

The accompanying notes form part of these statements.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Statement of cash flows
For the year ended 30 June 2019

	Notes	2019 Actual $'000	2019 Original Budget $'000	Budget Variance* $'000	2018 Actual $'000
Cash flows from operating activities					
Inflows:					
Service appropriation receipts		316,198	313,808	2,390	273,625
User charges and fees		135,093	111,482	23,611	130,028
Grants and other contributions		44,699	26,044	18,655	16,323
Royalties		30,546	27,675	2,871	29,487
GST input tax credits received from ATO		12,433	13,181	(748)	9,119
GST collected from customers		14,368	-	14,368	13,023
Other inflows		1,218	1,003	215	2,716
Outflows:					
Employee expenses		(214,373)	(226,008)	11,635	(207,365)
Supplies and services		(248,101)	(222,304)	(25,797)	(211,931)
Grants and subsidies		(29,012)	(10,164)	(18,848)	(21,554)
GST paid to suppliers		(26,868)	(13,131)	(13,737)	(23,037)
GST remitted to ATO		-	-	-	(93)
Other outflows		(5,639)	(2,845)	(2,794)	(2,526)
Net cash provided by operating activities		**30,560**	**18,741**	**11,819**	**7,815**
Cash flows from investing activities					
Inflows:					
Sales of property, plant and equipment		346	525	(179)	1,953
Sales of biological assets		(392)	-	(392)	1,227
Outflows:					
Payments for property, plant and equipment		(19,855)	(20,377)	522	(16,656)
Payments for intangibles		(497)	-	(497)	(123)
Payments for biological assets		1,049	-	1,049	(472)
Net cash used in investing activities		**(19,350)**	**(19,852)**	**502**	**(14,071)**
Cash flows from financing activities					
Inflows:					
Equity Injection		-	1,000	(1,000)	2,150
Outflows:					
Equity withdrawal		(3,503)	(3,503)	-	(8,001)
Net cash provided by financing activities		**(3,503)**	**(2,503)**	**(1,000)**	**(5,851)**
Net increase (decrease) in cash and cash equivalents		7,708	(3,614)	11,322	(12,106)
Cash and cash equivalents - opening balance		40,798	42,919	(2,121)	52,904
Cash and cash equivalents - closing balance	C1	**48,506**	**39,305**	**9,201**	**40,798**

**An explanation of major variances is included at Note E1-3*

The accompanying notes form part of these statements.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the statement of cash flows
For the year ended 30 June 2019

Reconciliation of operating result to net cash provided by operating activities

	2019	2018
	$'000	$'000
Operating surplus/(deficit)	-	3,117
Non-cash items included in operating result:		
Depreciation and amortisation expense	19,585	21,572
Gains on sale or disposal of property, plant and equipment	(190)	(328)
Loss on sale or disposal of property, plant and equipment	774	236
Net increment in valuation of biological assets	(1,234)	(1,118)
Assets received below fair value(1)	-	(2,446)
Change in assets and liabilities:		
(Increase)/decrease in appropriation services revenue receivable	182	434
(Increase)/decrease in receivables	6,060	(8,935)
(Increase)/decrease in GST input tax credits receivable	66	(1,126)
(Increase)/decrease in long service leave reimbursements	57	(256)
(Increase)/decrease in annual leave reimbursements	(191)	(183)
(Increase)/decrease in other assets	(265)	(705)
(Increase)/decrease in other receivables	18	38
(Increase)/decrease in inventories	218	(180)
Increase/(decrease) in payables	10,154	(962)
Increase/(decrease) in accrued employee benefits	458	754
Increase/(decrease) in unearned revenue	(4,902)	(2,095)
Increase/(decrease) in GST payable	(133)	138
Increase/(decrease) in security deposits	(95)	(138)
Net cash provided by operating activities	**30,560**	**7,815**

(1) This includes $2.4 million of leasehold improvements for 41 George Street transferred from the Department of Housing and Public Works in 2017-18.

SECTION 1
About the department and this financial report

A1 Basis of financial statement preparation

A1-1 General information

The Department of Agriculture and Fisheries (DAF) is a Queensland Government department established under the *Public Service Act* 2008 and controlled by the State of Queensland, which is the ultimate parent.

The head office and principal place of business of the department is Level 35, 1 William Street, BRISBANE QLD 4000.

A1-2 Compliance with prescribed requirements

DAF has prepared these financial statements in compliance with section 42 of the *Financial Performance Management Standard 2009* . The financial statements comply with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2018.

DAF is a not-for-profit entity and these general purpose financial statements are prepared on an accrual basis (except for the statement of cash flows which is prepared on a cash basis) in accordance with Australian Accounting Standards and Interpretations applicable to not-for-profit entities.

New accounting standards applied for the first time in these financial statements are outlined in Note G3.

A1-3 Presentation

Currency and rounding

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest $1,000 or, where that amount is $500 or less, to zero, unless disclosure of the full amount is specifically required.

Comparatives

Comparative information reflects the audited 2017-18 financial statements. The department has re-aligned prior period balances to reflect mapping changes across and within account categories, where applicable.

Current/non-current classification

Assets and liabilities are classified as either 'current' or 'non-current' in the statement of financial position and associated notes. Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within 12 months after the reporting date, or the department does not have an unconditional right to defer settlement to beyond 12 months after the reporting date.

All other assets and liabilities are classified as non-current.

A1-4 Authorisation of financial statements for issue

The financial statements are authorised for issue by the Director-General and Chief Finance Officer at the date of signing the Management Certificate.

A1-5 Basis of measurement

Historical cost is used as the measurement basis in this financial report except for the following:

- Land, buildings and infrastructure which are measured at fair value
- Inventories which are measured at the lower of cost and net realisable value.

Historical cost

Under historical cost, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire assets at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the financial statements
For the year ended 30 June 2019

A1 Basis of financial statement preparation (continued)

A1-5 Basis of measurement (continued)

Fair value

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 under current market conditions (i.e. an exit price) regardless or whether that price is directly derived from observable inputs or estimated using another valuation technique. Fair value is determined using one of the following three approaches:

- The *market approach* uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities, such as business
- The *cost approach* reflects the amount that would be required currently to replace the service capacity of an asset. This method includes the current/depreciated replacement cost methodology
- The *income approach* converts multiple future cash flows amounts to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

Where fair value is used, the fair value approach is disclosed.

Present value

Present value represents the present discounted value of the future net cash inflows that the item is expected to generate (in respect of assets) or the present discounted value of the future net cash outflows expected to settle (in respect of liabilities) in the normal course of business.

Net realisable value

Net realisable value represents the amount of cash or cash equivalents that could currently be obtained by selling as asset in an orderly disposal.

A1-6 The reporting entity

The financial statements include all income, expenses, assets, liabilities and equity of the department.

A2 Departmental objectives

DAF works to achieve the vision of a productive and profitable agriculture, fisheries and forestry sector. The department promotes a sustainable and innovative sector, helping to realise its value to the economy and the community.

Agriculture is a high risk business, affected by rainfall, price variability and susceptibility to pest and disease threats. Biosecurity leadership and delivery of drought assistance, and extension services are crucial to improve risk preparedness and resilience. These services contribute to the Government's objectives to deliver quality frontline services and to build safe, caring and connected communities. The department's management of fisheries and forestry resources and programs for best practice land management strives to balance commercial interests with the ongoing economic, environmental and social value of the community's resources. The department's efforts and those of the sector contribute to the Government's objective to protect the environment and address water quality issues in the Great Barrier Reef catchments.

Our strategic objectives reflect this context and focus on:

- creating the conditions for successful agribusinesses and supply chains which encourage innovation and productivity
- assisting people in agri and rural businesses to respond to challenges and protect environmental values
- ensuring the sustainable management of natural resources to underpin productivity and protect the environment.

Key investment areas for 2018-19 included:

- Growing Queensland's Food Exports program to support a fruit and vegetable producers
- Invest and investigate new opportunities to advance economic activity and employment in Queensland
- Investment to maximise the impact of white spot disease on aquaculture and commercial fishing, Panama disease tropical race 4 in bananas, and Red Witch Weed on the sugar industry and stakeholders, leading to more responsive decision making
- Deliver a more responsive and consultative approach to fisheries management as outlined in the Sustainable Fisheries Strategy
- Deliver a comprehensive Great Barrier Reef Water Quality Program to support the continuation of programs to assist in working towards the achievement of water quality targets, including Best Practice Management programs, provision of economic support and decision making tools for agricultural producers, the Paddock to Reef program and the Natural Resources Management Program for Reef Water Quality
- Progress the Commercialisation Technology Fund and the Agricultural and Food Research, Development and Extension Ten Year Roadmap and Action Plan, which highlight the ongoing commitment to international leadership in tropical and sub-tropical agricultural research and development through innovation, world-class facilities, partnerships and collaboration.

A2 Departmental objectives (continued)

Major departmental services of the department

DAF has three main service areas. They are Agriculture, Biosecurity Queensland and Fisheries and Forestry.

Agriculture

This service area:

- undertakes industry analysis to ensure the policy and regulatory frameworks underpin the long term productivity growth, export potential and sustainability of Queensland's food and fibre sector
- works with producers, industry and all levels of government to capitalise on rural opportunities, improve supply chains and create long term jobs for the benefit of Queensland's food and fibre sector
- works with rural communities to identify regional economic priorities, improve the competitiveness of rural business and increase the number of jobs in rural communities
- undertakes research, development and extension and delivers services to assist producers to advance Queensland agriculture and bring the best quality food and fibre products to market
- provides industry and university scientists with access to the department's world-class research facilities
- leads initiatives aimed at improving the delivery of services to customers.

Biosecurity Queensland

Biosecurity Queensland works closely with national and local governments, industry bodies, producers and the community to maintain a strong biosecurity system. Biosecurity Queensland's main areas of focus are:

- animal pests and diseases
- plant pests and diseases
- invasive plants and animals, such as weeds and pest animals
- biosecurity diagnostics and other laboratory services
- animal welfare and ethics, including exhibited animals
- agvet chemical use and contaminant risk
- biosecurity incident responses, such as exotic tramp ants white spot disease in prawns, and Panama disease tropical race 4 in bananas.

Fisheries and Forestry

Fisheries and Forestry ensures sustainable and productive fisheries and the responsible allocation and use of State-owned forests and related resources. It does this by:

- managing access to, and the sustainable use of Queensland fisheries resources
- providing education and enforcing fishing regulations to promote equitable access to fisheries resources by commercial, recreational and traditional fishers
- responsibly managing the allocation and use of State-owned forests and related resources
- supporting the growth and development of the Queensland forest and timber industry
- overseeing the Plantation Licence issued to HQPlantations Pty Ltd and related agreements.

Business Corporate Partnership (BCP) - corporate services

In addition to the corporate services provided to DAF, the department also participates in the BCP arrangement whereby some agencies host a number of strategic and operational corporate services provided to a number of other recipient departments. This arrangement was developed with a focus on ensuring economies of scale, service integration, scalability and responsiveness.

The host agency of each corporate service function receives the appropriation of funds and reports Full Time Equivalent positions in the respective agency. The model is multi-layered for different corporate services functions.

As the host agency, DAF provided defined services to the following agencies:

- Department of Natural Resources, Mines and Energy (DNRME): Information Management, Fleet Management, Telecommunications,
- Department of Environment and Science (DES): Information Management, Fleet Management, Telecommunications
- Department of Innovation, Tourism Industry Development and Commonwealth Games (DITID): Finance; Information Management, Fleet Management, Telecommunications.

DEPARTMENT OF AGRICULTURE AND FISHERIES
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For the year ended 30 June 2019

B1. Revenue

B1-1. Appropriation revenue	**2019 $'000**	**2018 $'000**
Reconciliation of payments from Consolidated Fund to appropriated revenue recognised in operating result		
Budgeted appropriation revenue	313,808	287,832
Lapsed appropriation revenue	-	(14,207)
Unforeseen expenditure	2,390	-
Total appropriation receipts (cash)	**316,198**	**273,625**
Less: opening balance of appropriation revenue receivable	(182)	(616)
Plus: closing balance of appropriation revenue receivable	-	182
Plus: opening balance of deferred appropriation payable to Consolidated Fund	61	4,806
Less: closing balance of deferred appropriation payable to Consolidated Fund	(9,747)	(61)
Net appropriation revenue	**306,330**	**277,936**
Plus: deferred appropriation payable to Consolidated Fund (expense)	9,747	61
Appropriation revenue recognised in statement of comprehensive income	**316,077**	**277,997**

Accounting Policy - Appropriation revenue

Appropriations provided under the *Appropriation Act 2018* are recognised as revenue when received or when appropriation revenue receivable is recognised after approval from Queensland Treasury.

B1-2. User charges and fees

Fee for service [1]	121,730	110,603
Sale of goods	4,510	4,390
Fees and fines	8,417	7,698
Property rental	7,467	7,066
Total	**142,124**	**129,758**

(1) Relates to funding for National Red Imported Fire Ants Eradication Program (NRIFAEP) and National Cost Sharing (NCS) arrangements from other states and territories for Four Tropical Weeds, National Electric Ants eradication programs and pests and disease emergency responses.

Accounting Policy - User charges and fees

User charges and fees controlled by the department are recognised when the revenue has been earned and can be measured reliably with a sufficient degree of certainty. This involves either invoicing for related goods/services and/or the recognition of accrued revenue. User charges and fees are controlled by the department where they can be deployed for the achievement of departmental objectives. User charges and fees collected, but not controlled, by the department are reported as administered revenue. Refer Note F1-1.

DEPARTMENT OF AGRICULTURE AND FISHERIES
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	2019 $'000	2018 $'000
B1-3. Grants and contributions		
Commonwealth grants [(1)]	25,862	20,482
Local government contributions	6,126	6,002
Queensland State contributions [(2)]	3,711	414
Other State contributions	740	1,761
Industry contributions	119	149
Goods and services received below fair value [(3)]	321	2,759
Total	**36,879**	**31,567**

(1) Relates to funding for NRIFAEP and National Cost Sharing (NCS) arrangements from the Australian Government for Four tropical weeds, Electric ants and pests and disease emergency responses.

(2) Increase largely due to $3.5 million funding received from DES for Yurol/Ringtail protected area.

(3) The amount for 2017-18 included fitout for $2.4 million received from DHPW for 41 George Street.

Accounting Policy - Grants and other contributions

Grants, contributions, donations and gifts that are non-reciprocal in nature are recognised as revenue in the year in which the department obtains control over them (control is generally obtained at the time of receipt). Where grants are received that are reciprocal in nature, revenue is progressively recognised as it is earned, according to the terms of the funding arrangements.
Contributed physical assets are recognised at their fair value.

Accounting Policy - Services received below fair value

Contributions of services are recognised only if the services would have been purchased if they had not been donated and their fair value can be measured reliably. Where this is the case, an equal amount is recognised as revenue and an expense.

Disclosure - Services received below fair value

DAF received defined services from the following agencies:
- DNRME : Accommodation Services; Legal Services
- DES : Privacy and Ethics; Internal Audit; Procurement; Right to Information

The revenue and expense related to these contributions of services have not been recognised in the financial statements as these values cannot be measured reliably.

	2019 $'000	2018 $'000
B1-4. Royalties		
Royalties - Timber	16,952	14,725
Royalties - Quarry Materials	9,978	10,404
Royalties - Other	3,617	4,358
Total	**30,546**	**29,487**

Accounting Policy - Royalties

The department under the provisions of the *Forestry Act 1959* has issued sales permits regarding the supply of forest products (including native forest log timber and quarry material) from lands relevant to the *Forestry Act 1959*. The department recognises the revenue for forest products based on the returns provided by the permit holders.

DEPARTMENT OF AGRICULTURE AND FISHERIES
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For the year ended 30 June 2019

	2019 $'000	2018 $'000
B1-5. Other revenue		
Sale of portable and attractive items	3	11
Bad debts recovered	5	8
Insurance recoveries	386	479
Impairment loss reversal - receivables	177	40
Sundry revenue [1]	449	1,846
Total	**1,020**	**2,383**

[1] The amount for 2017-18 includes $1.6 million in recoveries from DHPW for expenses incurred for the relocation of the Department's Information Technology data centre from the former Lands Centre at Woolloongabba as part of the Cross River Rail project.

B2. Gains on disposal and re-measurement of assets

	2019 $'000	2018 $'000
Net gains on disposal of property, plant and equipment	190	328
Net increment in valuation of biological assets	1,234	1,118
Total	**1,424**	**1,446**

Accounting Policy - Biological assets

Under AASB 141 *Agriculture* such assets are defined as living animals and plants. They are distinguished from other assets by the fact that they have the natural capacity to grow and/or procreate. These include livestock, which are accounted for in the department's accounts. The department measures biological assets at the end of each reporting period at fair value.

Key Judgement

Under the provision of the *Forestry Act 1959,* the department is required to oversee the harvesting of log timber from Department of Environment and Science native forests, which are not controlled by the department. Under the guidelines of AASB 141 *Agriculture* the department considers that it does not meet the criteria of managing an agricultural activity, which would have required the valuation of available log timber as biological assets. Consequently, the value of native forest products has not been recognised in the statement of financial position. This assessment will be reviewed should circumstances change.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the financial statements
For the year ended 30 June 2019

B3. Expenses

B3-1. Employee expenses	**2019 $'000**	**2018 $'000**
Employee Benefits		
Wages and salaries	166,257	160,934
Termination benefits	601	254
Employer superannuation contributions	22,531	21,593
Annual leave levy	17,704	17,095
Long service leave levy	3,369	3,268
Other employee benefits	2,208	2,195
Employee Related Expenses		
Workers compensation premium	956	1,122
Other employee related expenses	1,062	1,221
Total [1]	**214,688**	**207,682**

[1]The table below sets out the number of employees as at 30 June 2019, including both full-time and part-time employees, measured on a full-time basis as provided to the Public Service Commission (PSC) and utilised in the preparation of the Minimum Obligatory Human Resource Information (MOHRI).The BCP employee expenses aligned to DAF are also included in the above total with the number of employees shown below:

	2019	**2018**
Number of employees:		
Department of Agriculture and Fisheries	1,833	1,831
BCP (providing services to other departments)	218	216
Total number of employees	**2,051**	**2,047**

Accounting Policy - Employee expenses

Employer superannuation contributions, annual leave levies and long service leave levies are regarded as employee benefits. Workers' compensation insurance is a consequence of employing employees, but is not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses.

Wages, salaries and sick leave

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at the current salary rates. As the department expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.
Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

Long service leave and annual leave

Under the Queensland Government’s Long Service Leave Scheme (LSL) and Annual Leave Central Scheme (ALCS), levies are payable by the department to cover the cost of employees’ long service leave and annual leave (including leave loading and on-costs). Hence, no provision for long service leave and annual leave will be recognised in the department's financial statements. Instead, the provision for these schemes are reported on a whole of government basis pursuant to AASB 1049 Whole of Government and General Government Sector Financial Reporting.
These levies are expensed in the period in which they are payable. Amounts paid to employees for long service leave and annual leave are claimed from the scheme quarterly in arrears.

Superannuation

Post-employment benefits for superannuation are provided through defined contribution (accumulation) plans or the Queensland Government's QSuper defined benefit plan as determined by the employee's conditions of employment.

Defined contribution plans - Contributions are made to eligible complying superannuation funds based on the rates specified in the relevant Enterprise Bargaining Agreement or other conditions of employment. Contributions are expensed when they are paid or become payable following completion of the employee's service each pay period.

Defined benefit plan - The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 Whole of Government and General Government Sector Financial Reporting. The amounts of contributions for defined benefit plan obligations is based upon the rates determined on the advice of the State Actuary. Contributions are paid by the department at the specific rate following completion of the employee's service each pay period. The department's obligations are limited to those contributions paid.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the financial statements
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B3-2. Supplies and services

	2019 $'000	2018 $'000
Contractors [1]	68,974	56,186
Collaborative research arrangements	18,100	12,638
Consultancy fees	1,166	1,147
Operating lease rentals	30,554	29,251
Building services	7,149	7,276
Repairs and maintenance	12,149	10,293
Transport	9,864	7,483
Travel	6,380	5,852
Computer/information technology	17,223	16,406
Telecommunications and electricity	6,726	6,727
Shared services provider fee	5,801	5,635
Materials	19,997	14,791
Portable and attractive items	3,472	3,326
Service delivery costs and service level agreement charges	8,938	8,682
Outsourced service delivery	22,985	23,172
Other	9,013	7,085
Total	**248,490**	**215,951**

[1] Increase in contractors expense is largely due to delivery of Information Technology services as DAF is host agency to the BCP arrangement.

Accounting Policy - Distinction between grants and procurement

For a transaction to be classified as supplies and services, the value of goods and services received by the department must be of approximately equal value to the value of the consideration exchanged for those goods or services. Where this is not the substance of the arrangement, the transaction is classified as a grant in Note B3-3.

Accounting Policy - Operating leases

Operating lease payments are representative of the pattern of benefits derived from the leased assets and are expensed in the periods in which they are incurred. Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expenses and reduction of the liability.

Disclosure - Operating leases

Operating leases are entered into as a means of acquiring access to office accommodation and storage facilities. Lease terms extend over a period of 1 year to 20 years. The department has no option to purchase the leased item at the conclusion of the lease although the lease provides for a right of renewal at which time the lease terms are renegotiated.

Operating lease rental expenses comprises the minimum lease payments payable under operating lease contracts. Lease payments are generally fixed, but with annual inflation escalation clauses upon which future year rentals are determined.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the financial statements
For the year ended 30 June 2019

B3-3. Grants and subsidies

	2019 $'000	2018 $'000
Queensland and local government	6,824	6,590
Industry	2,339	1,518
Subsidies [1]	18,648	9,802
Commonwealth	88	88
Capital	800	3,257
Goods and services provided below fair value	313	298
Total	**29,012**	**21,554**

[1] This relates to the continuation of the Drought Assistance package and On-Farm Emergency Water Infrastructure rebate scheme, and grant payments to Queensland Strawberry Growers Association (QSGA) and GrowCom under the Strawberry Industry Recovery Package.

Accounting Policy - Grants and subsidies

A non-reciprocal grant is a payment or contribution made to an organisation or person which is not to be repaid or reciprocated, but which must be spent by the recipient for a specific purpose. Accordingly, non reciprocated grant payments are expensed when payment is made. Where the grant payment is reciprocal in nature, an asset (prepayment) is recognised when payment is made. This prepayment is expensed as the grant recipient satisfies the performance obligation under the funding agreement.

A subsidy payment is a payment or contribution made to an organisation or person which is not repaid or reciprocated. Gifts and donations are disclosed in Note B3-5.

B3-4. Depreciation and amortisation

Depreciation and amortisation were incurred in respect of:

	2019 $'000	2018 $'000
Buildings	5,154	5,149
Infrastructure	439	414
Plant and equipment	13,571	15,217
Software purchased	256	486
Software internally generated	165	305
Total [1]	**19,585**	**21,572**

[1] Refer to Note C3-5 for the accounting policy.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the financial statements
For the year ended 30 June 2019

B3-5. Other expenses

	2019 $'000	2018 $'000
Deferred appropriation payable to Consolidated Fund- State funded	5,995	61
Deferred appropriation payable to Consolidated Fund-Commonwealth funded	3,752	-
External audit fees - QAO[1]	228	197
Other audit services performed	33	3
Insurance premiums - QGIF[2]	698	727
Insurance premiums - Other	151	170
Loss on disposal of property, plant and equipment	774	236
Losses - Public property	1	-
Sponsorships	40	323
Donations and gifts	30	4
License fees and permits	202	235
Patent, copyright & trademark acquisition	454	416
Special payments		
Ex-gratia payments [3]	134	103
Compensation payments[4]	3,500	11
Other	64	144
Total	**16,057**	**2,630**

(1) Total audit fees payable to the Queensland Audit Office relating to the 2018-19 financial year are based upon their estimated fee of $235,000 (2018: $235,750). There are no non-audit services included in this amount.

(2) The department's non-current physical assets and other risks are insured through the QGIF, premiums being paid on a risk assessment basis.

(3) Ex-gratia payments include mainly reimbursements to owners for the Red Witch Weed eradication program.

(4) Compensation payments made to HQPlantations for the staged voluntary surrender of their plantation licence over Yurol and Ringtail State Forests for harvesting of their timber over a five-year period.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the financial statements
For the year ended 30 June 2019

	2019 $'000	2018 $'000
C1. Cash and cash equivalents		
Cash at bank	48,485	40,770
Imprest accounts	21	29
Total	**48,506**	**40,798**

Accounting Policy - Cash and cash equivalents

For the purposes of the Statement of financial position and the Statement of cash flows, cash assets include all cash and cheques receipted but not banked at 30 June.

Departmental bank accounts grouped within the whole-of-Government set-off arrangement with the Queensland Treasury Corporation and do not earn interest on surplus funds. Interest earned on the aggregate set-off arrangement balance accrues to the Consolidated Fund.

C2. Receivables

	2019 $'000	2018 $'000
Current		
Trade debtors	35,733	41,970
Less: allowance for impairment loss	(16)	(193)
	35,717	41,777
GST input tax credits receivable	2,511	2,577
GST payable	(5)	(138)
	2,506	2,439
Appropriation revenue receivable	-	182
Annual leave reimbursements	3,371	3,180
Long service leave reimbursements	1,063	1,119
Other	32	49
	4,465	4,530
Total	**42,689**	**48,746**

Accounting Policy - Receivables

Receivables are measured at amortised cost which approximates their fair value at reporting date.

Trade debtors are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase/contract price. Settlement of these amounts is generally required within 30 days from the invoice date.

The collectability of receivables is assessed periodically with allowance being made for impairment. All known bad debts are written-off as at 30 June.

Accounting Policy - Impairment of receivables

The loss allowance for trade and other debtors reflects lifetime expected credit losses and incorporates reasonable and supportable forward-looking information. Economic changes impacting the department's debtors, and relevant industry data form part of the department's impairment assessment.

The department's other receivables are from Queensland Government agencies and Australian Government agencies. No loss allowance is recorded for these receivables on the basis of materiality. Refer to Note D2-2 for the department's credit risk management policies.

Where the department has no reasonable expectation of recovering an amount owed by a debtor, the debt is written-off by directly reducing the receivable against the loss allowance. This occurs when the debt is over 365 days past due and the department has ceased enforcement activity. If the amount of debt written off exceeds the loss allowance, the excess is recognised as an impairment loss.

The amount of impairment losses recognised for receivables is disclosed in Note C2-1.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the financial statements
For the year ended 30 June 2019

C2. Receivables (continued)

C2-1. Impairment of receivables (continued)

Disclosure - credit risk exposure of receivables

The maximum exposure to credit risk at balance date for receivables is the gross carrying amount of those assets.

Collateral is held as security for Forestry receivables however no credit enhancements relate to financial assets held by the department.

The department uses a provision matrix to measure the expected credit losses on trade debtors. Loss rates are calculated for customers with similar loss patterns. The department has determined that the revenue stream of sale of services will be used for measuring expected credit losses.

The calculations reflect historical observed default rates calculated using credit losses experienced on past sales transactions during the last 5 years preceding 30 June 2019. The historical default rates are then adjusted by reasonable and supportable forward-looking information for expected changes in macroeconomic indicators that affect the future recovery of those receivables. For DAF a change in the unemployment rate is determined to be the most relevant forward-looking indicator for receivables. Actual credit losses over the 5 years preceding 30 June 2019 have been correlated against changes in the unemployment rate and based on those results, the historical default rates are adjusted based on expected changes to that indicator.

Set out below is the credit risk exposure on the department's trade debtors broken down by aging band. The comparative disclosure for 2018 is made under AASB 139 Impairment rules, where receivables are assessed individually for impairment.

Impairment - Trade debtors

	2019			2018		
	Gross receivables	Loss rate	Expected credit losses	Gross receivables	Impairment allowance	Carrying amount
Aging	**$'000**	**%**	**$'000**	**$'000**	**$'000**	**$'000**
Current	4,061	0.23	9	31,366	-	31,366
1 to 30 days overdue	108	0.42	1	2,222	-	2,222
31 to 60 days overdue	573	1.25	7	266	-	266
61 to 90 days overdue	43	2.33	1	96	-	96
> than 90 days overdue	564	3.40	19	1,695	193	1,502
Total	**5,349**		**37**	**35,645**	**193**	**35,452**

Disclosure – Movement in allowance for trade debtors

	2019	2018
	$'000	**$'000**
Loss allowance as at 1 July	193	210
Increase/decrease in allowance recognised in operating result	(15)	5
Amounts written-off during the year	(162)	(22)
Loss allowance as at 30 June	**16**	**193**

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the financial statements
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C3. Property, plant and equipment

C3-1. Closing balances and reconciliation of carrying amount

	Land	Buildings	Infrastructure	Plant and equipment	Capital work in progress	Total
	2019	**2019**	**2019**	**2019**	**2019**	**2019**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross	109,721	259,066	42,163	217,872	10,000	**638,822**
Less: accumulated depreciation	-	(145,478)	(20,321)	(119,369)	-	**(285,168)**
Less: accumulated impairment losses	-	-	-	(192)	-	**(192)**
Carrying amount at 30 June 2019	**109,721**	**113,588**	**21,842**	**98,311**	**10,000**	**353,462**
Represented by movements in carrying amount:						
Carrying amount at 1 July 2018	107,736	117,083	21,074	100,714	4,734	**351,341**
Acquisitions (including upgrades)	-	-	-	5,172	14,683	**19,855**
Transfer in from other Qld Government entities	9	19	-	3	-	**31**
Disposals	(79)	(534)	-	(317)	-	**(930)**
Assets reclassified as held for sale	(1,010)		-	-	-	**(1,010)**
Transfers between asset classes	-	1,901	1,207	6,309	(9,417)	**-**
Net Revaluation increments/(decrements) in asset revaluation surplus	3,065	273	-	-	-	**3,338**
Depreciation expense	-	(5,154)	(439)	(13,571)	-	**(19,164)**
Carrying amount at 30 June 2019	**109,721**	**113,588**	**21,842**	**98,311**	**10,000**	**353,462**

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the financial statements
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C3. Property, plant and equipment (continued)

C3-1. Closing balances and reconciliation of carrying amount (continued)

	Land	Buildings	Infrastructure	Plant and equipment	Capital works in progress	Total
	2018	2018	2018	2018	2018	2018
	$'000	$'000	$'000	$'000	$'000	$'000
Gross	107,736	256,490	40,956	214,889	4,734	624,805
Less: accumulated depreciation	-	(139,407)	(19,882)	(113,938)	-	(273,227)
Less: accumulated impairment losses	-	-	-	(236)	-	(236)
Carrying amount as at 30 June 2018	**107,736**	**117,083**	**21,074**	**100,714**	**4,734**	**351,341**
Represented by movements in carrying amount:						
Carrying amount at 1 July 2017	120,348	120,557	20,364	103,169	1,756	**366,195**
Acquisitions (including upgrades)	-	15	-	8,012	11,014	**19,041**
Transfer in from other Qld Government entities	61	-	-	-	-	**61**
Disposals	(1,392)	(285)	-	(184)	-	**(1,860)**
Transfers between asset classes	-	1,979	1,124	4,934	(8,036)	**-**
Net Revaluation increments/(decrements) in asset revaluation surplus(1)	(11,280)	(34)	-	-	-	**(11,314)**
Depreciation expense	-	(5,149)	(414)	(15,217)	-	**(20,780)**
Carrying amount as at 30 June 2018	**107,736**	**117,083**	**21,074**	**100,714**	**4,734**	**351,341**

(1) The decrement is mainly due to the revaluation of the Redlands Poultry Station prior to sale of $11.7 million. The sale value was due to determined by arriving at a suitable discount rate for the restrictions on reserve land. There was also an increment of $1.1 million indexation as at 31 March 2018.

C3. Property, plant and equipment (continued)

C3-2. Recognition and acquisition

Accounting policy - Recognition

Basis of capitalisation and recognition thresholds

Items of property, plant and equipment, with a historical cost or other value equal to or exceeding the following thresholds in the year of acquisition are reported as property, plant and equipment in the following classes:

Buildings	$10,000
Infrastructure	$10,000
Land	$1
Plant and equipment	$5,000

Items with a lesser value are expensed in the year of acquisition.

Land improvements undertaken by the department are included with buildings or infrastructure based on the proximity of the asset to which they relate.

Expenditure on property, plant and equipment is capitalised where it is probable that the expenditure will produce future service potential for the department. Subsequent expenditures only added to an asset's carrying amount if it increases the service potential or useful life of that asset. Maintenance expenditure that merely restores original service potential (lost through ordinary wear and tear) is expensed.

Assets under construction (Capital Works in Progress) is recognised at cost. All costs relating to items of property, plant and equipment constructed in-house are recorded as work in progress until completion of the project using all direct and indirect costs, where the latter are reliably attributable. Work in progress performed under external contracts is recorded using the invoice amount supplied by the contractor.

Restricted assets are recognised as property, plant and equipment. These are assets, the uses of which are wholly or partly restricted by legislation or other externally imposed requirements. The total value of restricted assets for 30 June 2019 is $0.6 million (2018: $0.7 million) including Buildings valued at $0.1 million (2018:$0.1 million) and plant and equipment at $0.6 million (2018: $0.6 million)

Componentisation of complex assets

Complex assets comprise separately identifiable components (or groups of components) of significant value, that require replacement at regular intervals and at different times to other components comprising the complex asset.

On initial recognition, the asset recognition thresholds outlined above apply to the complex asset as a single item. Where the complex asset qualifies for recognition, components are then separately recorded when their value is significant.

When a separately identifiable component (or group of components) of significant value is replaced, the existing component(s) is derecognised. The replacement component(s) are capitalised when it is probable that future economic benefits from the significant components will flow to the department in conjunction with other components comprising the complex asset and the cost exceeds the asset recognition thresholds specified above. Replacement components that do not meet the asset recognition thresholds for capitalisation are expensed.

Components are valued on the same basis as the asset class to which they relate. The accounting policy for depreciation of complex assets, and estimated useful lives of components, are disclosed in Note C3-5.

Accounting policy - cost of acquisition

Historical cost is used for the initial recording of all property, plant and equipment acquisitions. Historical cost is determined as the value given as consideration and costs incidental to the acquisition (such as architects' fees and engineering design fees), plus all other costs incurred in getting the assets ready for use.

Where assets are received free of charge from another Queensland department entity (whether as a result of a machinery-of-Government change or other involuntary transfer), the acquisition cost is recognised as the gross carrying amount in the books of the other entity immediately prior to the transfer.

Assets acquired at no cost or for nominal consideration, other than from another Queensland Government entity, are recognised at their fair value at the date of acquisition.

Where an asset is acquired by means of a finance lease, the asset is recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The lease liability is recognised at the same amount.

DEPARTMENT OF AGRICULTURE AND FISHERIES
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C3. Property, plant and equipment (continued)

C3-3. Measurement using historical cost

Accounting Policy

Plant and equipment, (that is not classified as major plant and equipment) is measured at cost in accordance with the NCAP. The carrying amounts for such plant and equipment at cost is not materially different from their fair value.
The department does not classify any plant and equipment as major plant and equipment.

C3-4. Measurement using fair value

Accounting Policy

Land, buildings and infrastructure assets are measured at fair value as required by Queensland Treasury's Non-Current Asset Policies (NCAP) for the Queensland Public Sector. These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses where applicable.

The cost of items acquired during the financial year has been judged by management of DAF to materially represent their fair value at the end of the reporting period.

Property, plant and equipment classes measured at fair value are revalued on an annual basis either by appraisals undertaken by an independent valuer or by the use of appropriate and relevant indices. For financial reporting purposes, the revaluation process is managed by the department's Financial Accounting and Policy section, who determine the specific revaluation practices and procedures. The outcomes are reported to the Chief Finance Officer and the Audit and Risk Committee after each annual review.

Use of specific appraisals

Revaluations using independent professional valuer appraisals are undertaken at least once every five years. However, if a particular asset class experiences significant and volatile changes in fair value, that class is subject to specific appraisal in the reporting period, where practicable, regardless of the timing of the last specific appraisal.

The fair values reported by the department are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs (as defined in Note D1-1). Materiality is considered in determining whether the difference between the carrying amount and the fair value of an asset is material (in which case revaluation is warranted).

Use of indices

Where assets have not been specifically appraised in the reporting period, their previous valuations are materially kept up-to-date via the application of relevant indices. DAF ensures that the application of such indices results in valid estimation of the assets' fair values at reporting date. The State Valuation Service (SVS) supplies the indices used for the various types of assets. Such indices are either publicly available, or are derived from market information available to SVS. SVS provides assurance of their robustness, validity and appropriateness for application to the relevant assets.

Indices used are tested for reasonableness by applying the indices to a sample of assets, comparing the results to similar assets that have been valued by an independent professional valuer, and analysing the trend of changes in values over time. Through this process which is undertaken annually, management assesses and confirms the relevance and suitability of indices provided by SVS based on the departments' own particular circumstances.

Accounting for changes on fair value

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation surplus of the appropriate class, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus relating to that asset class.

For assets revalued using a cost valuation approach (e.g. current replacement cost) - accumulated depreciation is adjusted to equal the difference between the gross amount and carrying amount, after taking into account accumulated impairment losses. This is generally referred to as the 'gross method'.

For assets revalued using a market or income-based valuation approach - accumulated depreciation and accumulated impairment losses are eliminated against the gross amount of the asset prior to restating for the revaluation. This is generally referred to as the 'net method'.

C3-5. Accounting Policy Depreciation expense

Accounting Policy - Depreciation expense

Property, plant and equipment is depreciated on a straight-line basis so as to allocate the net cost or revalued amount of each asset, less its estimated residual value, progressively over its estimated useful life to the department.

Land is not depreciated as it has an unlimited useful life. Straight line depreciation is used as that is consistent with the even consumption of service potential of these assets over their useful life to the department.

Separately identifiable components of complex assets are depreciated according to the useful lives of each component, as doing so results in a material impact on the depreciation expense reported.

Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to the department.

Assets under construction (work-in-progress) are not depreciated until they reach service delivery capacity. Service delivery capacity relates to when construction is complete and the asset is first put to use or is installed ready for use in accordance with its intended application. These assets are then reclassified to the relevant classes within property, plant and equipment.

The depreciable amount of improvements to or on leasehold land is allocated progressively over the estimated useful lives of the improvements or the unexpired period of the lease, whichever is the shorter. The unexpired period of a lease includes any option period where exercise of the option is probable.

Plant and equipment subject to a finance lease is amortised on a straight line basis over the term of the lease, or where it is likely that the department will obtain ownership of the asset, the expected useful life of the asset to the department.

Depreciation rates
For each class of depreciable asset, the following depreciation and amortisation rates are used:

Asset class	Category	Life (years)
Buildings	Buildings - Fabric	20-80
	Buildings - Fixtures and fittings	20-40
	Buildings - Plant and services	20-50
	Access roads	25-80
	Land improvements	20-60
Infrastructure	Wild dog barrier fence	50
Plant and equipment	Computer equipment	3-8
	Motor vehicles	5-20
	Boats and boating equipment	4-20
	Heavy plant	5-20
	Scientific equipment	8-20
	Office equipment	5-20
	Leasehold improvements	10
	Other plant and equipment	8

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C3. Property, plant and equipment (continued)

C3-6. Impairment

Accounting Policy

Indicators of impairment and determining recoverable amount

All property, plant and equipment including work in progress assets are assessed for indicators of impairment on an annual basis or, where the asset is measured at value, for indicators of a change in fair value/service potential since the last valuation was completed. Where indicators of a material change in fair value or service potential since the last valuation arise, the asset is revalued at the reporting date under AASB 13 *Fair Value Measurement.* If an indicator of possible impairment exists, the department determines the asset's recoverable amount under AASB 136 *Impairment of Assets* . Recoverable amount is equal to the higher of the fair value less costs of disposal and the asset's value in use subject to the following:

- As a not-for-profit entity, certain property, plant and equipment of the department is held for the continuing use of its service capacity and not for the generation of cash flows. Such assets are typically specialised in nature. In accordance with AASB 136, where such assets are measured at fair value under AASB13, that fair value (with no adjustment for disposal costs) is effectively deemed to be the recoverable amount. As a consequence, AASB 136 does not apply to such assets unless they are measured at cost.
- For other non-specialised property, plant and equipment measured at fair value, where indicators of impairment exist, the only difference between the asset's fair value and its fair value less costs of disposal is the incremental costs attributable to the disposal of the asset. Consequently, the fair value of the asset determined under AASB 13 will materially approximate its recoverable amount where the disposal costs attributable to the asset are negligible. After the revaluation requirements of AASB 13 are first applied to these assets, applicable disposal costs are assessed and, in the circumstances where such costs are not negligible, further adjustments to the recoverable amount are made in accordance with AASB 136.

For all other remaining assets measured at cost, and assets within the entity held for the generation of cash flow recoverable amount is equal to the higher of the fair value less costs of disposal and the asset's value in use.

Value in use is equal to the present value of the future cash flows expected to be derived from the asset, or where the department no longer uses an asset and has made a formal decision to not use or replace the asset, the value in use is the present value of net disposal proceeds.

Recognising impairment losses

For assets measured at fair value, the impairment loss is treated as a revaluation decrease and offset against the asset revaluation surplus of the relevant class to the extent available. Where no asset revaluation surplus is available in respect of the class of asset, the loss is expensed in the statement of comprehensive income as a revaluation decrement.

For assets measurement at cost, an impairment loss is recognised immediately in the statement of comprehensive income.

Reversal of impairment losses

Where an impairment loss is subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but so that the increased carrying amount must not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

For assets measured at fair value, to the extent the original decrease was expensed through the statement of comprehensive income, the reversal is recognised in income, otherwise the reversal is treated as a revaluation increase for the class of asset through the asset revaluation surplus.

For assets measured at cost, impairment losses are reversed through income.

DEPARTMENT OF AGRICULTURE AND FISHERIES
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	2019 $'000	2018 $'000
C4. Payables		
Current		
Trade creditors	9,509	9,809
Deferred appropriation refundable to Consolidated Fund	9,747	61
Taxes, fees and fines payable	62	66
Accrued expenses	7,795	6,930
Royalties payable	24	116
Total	**27,136**	**16,982**

Accounting Policy - Payables

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the nominal amount i.e. agreed purchase/ contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 7,14, or 30 day terms.

C5. Accrued employee benefits

	2019 $'000	2018 $'000
Current		
Salaries and wages outstanding	3,805	3,578
Annual leave levy payable	4,708	4,508
Long service leave levy payable	961	931
Total	**9,474**	**9,016**

Accounting Policy - Accrued employee benefits

No provision for annual leave or long service leave is recognised in the department's financial statements as the liability is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting.*

C6. Unearned revenue

	2019 $'000	2018 $'000
Current		
Contract services	18,281	20,058
National cost sharing arrangements	425	4,158
Other [(1)]	5,764	3,736
Total	**24,470**	**27,952**
Non-Current		
Other [(1)]	15,192	16,611
Total	**15,192**	**16,611**

[(1)] This includes unearned revenue for Ecosciences Precinct and Health and Food Sciences Precinct (property rental).

Accounting Policy - Unearned revenue

Unearned revenue is recognised as a liability when the department has received revenue in advance of the delivery of the supply of goods and/or services. The amount recognised at the reporting date is the unspent balance of the funds received for which a contract exists.

DEPARTMENT OF AGRICULTURE AND FISHERIES
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C7. Equity

C7-1. Contributed equity

Interpretation1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* specifies the principles for recognising contributed equity by the department. Appropriations for equity adjustments are recognised as contributed equity by the department during the reporting and comparative years. Refer Note C7-2.

	2019 $'000	2018 $'000
C7-2. Appropriation recognised in equity		
Budgeted equity adjustment appropriation	(2,503)	(4,138)
Transfers to other headings	(1,000)	-
Unforeseen expenditure	-	437
Equity adjustment recognised in contributed equity	**(3,503)**	**(3,701)**

C7-3. Asset revaluation surplus by asset class

	Land $'000	Buildings $'000	Infrastructure $'000	Heritage & Cultural $'000	Total $'000
Balance 1 July 2018	5,816	16,362	4,271	-	**26,449**
Revaluation increments	3,065	273	-	-	**3,338**
Balance 30 June 2019	**8,882**	**16,635**	**4,271**	**-**	**29,787**

	Land $'000	Buildings $'000	Infrastructure $'000	Heritage & Cultural $'000	Total $'000
Balance 1 July 2017	17,097	16,396	4,271	102	**37,866**
Revaluation decrements	(11,280)	(34)	-	-	**(11,314)**
Transfers to Accumulated Surplus	-	-	-	(102)	**(102)**
Balance 30 June 2018	**5,816**	**16,362**	**4,271**	**-**	**26,449**

D1. Fair value measurement

D1-1. Accounting policies and inputs for fair values

What is fair value?

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 under current market conditions(i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being values. Observable inputs used by the department include, but are not limited to, published sales data for land and general office buildings.

Unobservable inputs are data assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Significant unobservable inputs used by the department include, but are not limited to, subjective adjustments made to observable data to take account of the characteristics of the department's assets/liabilities, internal records of recent construction costs (and /or estimates of such costs), assets' characteristics/functionality, and assessments of physical condition and remaining useful life. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/ liabilities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

Fair value measurement hierarchy

Details of individual assets and liabilities measured under each category of fair value are set out in the following table.

The Department does not recognise any financial assets or financial liabilities at fair value.

All assets and liabilities of the department for which fair value is measured or disclosed in the financial statements are categories within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

Level 1	represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;
Level 2	represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and
Level 3	represents fair value measurements that are substantially derived from unobservable inputs

None of the department's valuations of assets or liabilities are eligible for categorisation into level 1 of the fair value hierarchy.
There were no transfers of assets between fair value hierarchy levels during the period.

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D1-2. Basis for fair values of assets and liabilities

Land

Effective date of last specific appraisal:	30 June 2016 by State Valuation Service (SVS)
Valuation approach:	Market-based assessment
Inputs	All Local Government property market movements are reviewed annually by market surveys to determine any material changes in values. For local government areas where the Valuer-General has issued land values, an index will be provided. Ongoing market investigations undertaken by SVS assists in providing an accurate assessment of the prevailing market conditions and detail the specific market movement that are applicable to each property. Significant judgement was used by SVS in arriving at suitable discount rates for the restrictions on reserve land. The fair value of reserve land was derived by discounting the market value of similar land that had no restrictions, and then estimating the discount a willing market participant would make taking into account the restrictions on use.
Subsequent valuation activity:	Indexed as at 30 June 2019 and an investigation and research is undertaken by SVS into each factor provided for the indices. SVS provides an individual factor change per property derived from the review of market transactions (Observable Market Data). These market movements are determined having regard to the review of land values undertaken for each local government area issued by the Valuer-General Department of Natural Resources and Mines and Energy.

Buildings

Effective date of last specific appraisal:	30 June 2016 by SVS
Valuation approach:	The current replacement cost of buildings at balance date is derived using unit prices that required significant judgements. These include identifying whether the existing building contains obsolescence or less utility compared to the modern substitute, and if so, estimating the adjustment to the unit rate required to reflect this difference.
Subsequent valuation activity:	Indexed as at 30 June 2019 using the most appropriate method of indexation and determined by the type of asset to which the index is be applied. Improvements such as specialised Government assets were indexed with a Building Price Index (BPI) which is based on recent tenders for typical specialised buildings (Observable Market Data) and is the most appropriate index to apply for specialised government assets. General non-residential construction was indexed using the Queensland Treasury's OESR Implicit Price Deflator as the recommended and is the most appropriate index to use for these particular assets appropriate index to use for these particular assets. Residential assets were indexed by the Cordell Housing Price Index which is specific to Queensland house price movements (Observable Market Data) and is the most appropriate index to use for residential housing specific to Queensland properties.

Infrastructure

Effective date of last specific appraisal:	30 June 2016 by SVS
Valuation approach:	Market based assessment
Subsequent valuation activity:	Indexed as at 30 June 2019 using indices provided by SVS. Improvements such as specialised Government assets were indexed with a Building Price Index (BPI) which is based on recent tenders for typical specialised buildings (Observable Market Data) and is the most appropriate index to apply for specialised government assets.

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D1. Fair value measurement (continued)

D1-3. Categorisation of assets and liabilities measured at fair value

	Land		Buildings		Infrastructure		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Fair value level 1	-	-	-	-	-	-	-	-
Fair value level 2	48,431	48,690	45,301	45,643	-	-	93,732	94,333
Fair value level 3	61,290	59,046	68,287	71,440	21,842	21,074	151,419	151,560
Carrying amount at 30 June	**109,721**	**107,736**	**113,588**	**117,083**	**21,842**	**21,074**	**245,151**	**245,893**

D1-4. Level 3 fair value measurement - reconciliation

	Land		Buildings		Infrastructure		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	59,046	71,921	71,440	81,195	21,074	20,364	151,560	173,480
Acquisitions	-	61	-	857	-	1,124	-	2,042
Disposals	(79)	(1,142)	(641)	(412)	-	-	(720)	(1,554)
Transfers between classes	-	-	537	-	1,207	-	1,744	-
Revaluation increments/(decrements)	2,323	(11,793)	213	(51)	-	-	2,536	(11,844)
Impairment (losses)/reversals	-	-	-	5	-	-	-	5
Reclassification of fair value levels	-	-	-	(6,930)	-	-	-	(6,930)
Depreciation and amortisation	-	-	(3,262)	(3,225)	(439)	(414)	(3,701)	(3,640)
Carrying amount at 30 June	**61,290**	**59,046**	**68,287**	**71,440**	**21,842**	**21,074**	**151,419**	**151,560**

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D2 Financial risk disclosures

D2-1 Financial instrument categories

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the department becomes party to the contractual provisions of the financial instrument. The department has the following categories of financial assets and financial liabilities:

Financial assets at amortised cost	**Note**	**2019 $'000**	**2018 $'000**
Cash and cash equivalents	C1	48,506	40,798
Receivables	C2	42,689	48,746
Total		**91,195**	**89,545**
Financial liabilities at amortised cost - comprising			
Payables	C4	27,136	16,982
Security deposits		228	324
Total		**27,364**	**17,306**

No financial assets and financial liabilities have been offset and presented net in the statement of Financial Position.

D2-2 Financial risk management

(a) Risk exposure

Financial risk management is implemented pursuant to Queensland Government and departmental policy. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the department.
All financial risk is managed by the Finance and Asset Management Division under policies approved by the department. The department provides written principles for overall risk management, as well as policies covering specific areas.

The department's activities expose it to a variety of financial risks as set out in the following table:

Risk Exposure	**Definition**	**Exposure**
Credit risk	Credit risk exposure refers to the situation where the department may incur financial loss as result of another party to a financial instrument failing to discharge their obligation	The department is exposed to credit risk in respect of its receivables (Note C2)
Liquidity risk	Liquidity risk refers to the situation where the department may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.	The department is exposed to liquidity risk in respect of its payables (Note C4).
Market risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. *Interest rate risk* is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.	The department does not trade in foreign currency and is not materially exposed to commodity price changes or other market prices.

D2 Financial risk disclosures (continued)

D2-2 Financial risk management (continued)

(b) Risk measurement and management strategies

Risk Exposure	Measurement Method	Risk Management Strategies
Credit risk	Ageing analysis	The department manages credit risk through the use of a credit management strategy. This strategy aims to reduce the exposure to credit default by ensuring that the department invests in secure assets and monitors all funds owed on a timely basis. Exposure to credit risk is monitored on an ongoing basis.
Liquidity risk	Sensitivity analysis	The department manages liquidity risk through the use of a liquidity management strategy. This strategy aims to reduce the exposure to liquidity risk by ensuring the department has sufficient funds available to meet employee and supplier obligations as they fall due. This is achieved by ensuring that minimum levels of cash are held within the various bank accounts so as to match the expected duration of the various employee and supplier liabilities.
Market risk	Interest rate sensitivity analysis	DAF does not trade in foreign currency. The department does not undertake any hedging in relation to interest risk and manages its risk as per the department's liquidity risk management strategy articulated in the department's Financial Management Practice Manual.

D2-3 Credit risk disclosures

Credit risk management practices

DAF considers financial assets that are over 30 days past due to have significantly increased in credit risk, and measures the loss allowance of such assets at lifetime expected credit losses. The loss allowance for trade receivables is measured at lifetime expected credit losses.

The department considers a financial asset to be in default when it becomes 90 days past due. However, a financial asset can be in default before that point if information indicates that the department is unlikely to receive the outstanding amounts in full. The department’s assessment of default does not take into account any collateral or other credit enhancements.

The department’s write off policy is disclosed in Note C2-1.

Credit risk exposure

Credit risk exposure relating to receivables is disclosed in Note C2-1

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D3. Contingencies

(a) Litigation in progress

As at 30 June 2019, the following cases were filed in the courts naming the State of Queensland through DAF or DAF, as defendant:

	2019	2018
Federal Court	1	-
District Court	3	3
Magistrates Court	19	16
Planning and Environment Court	-	4
Queensland Civil and Administrative Tribunal (QCAT)	1	1
Queensland Industrial Relations Commission (QIRC)	1	2
Administrative Appeals Tribunal (AAT)	-	1
Total number of litigation in progress	**25**	**27**

It is not possible to make a reliable estimate of the final amount payable, if any, in respect of the litigation before the courts at this time. The department has also received notification of three other cases that are not yet subject to court action. This may or may not result in subsequent litigation. Depending on the outcome of the litigation process, indemnity for the department may be sought in respect of some of the above matters through the Queensland Government Insurance Fund.

(b) Contaminated land sites

Assets of the former Forestry Plantations Queensland (FPQ) were transferred to HQPlantations Pty Ltd (HQPlantations) or the State respectively in 2010. This included the transfer of potentially contaminated land and assets to the State including: underground (fuel) storage tanks, above-ground (fuel) storage tanks and herbicide disposal pits. Responsibility for the potentially contaminated land assets was placed with DAF to manage on behalf of the State.
In 2018 the remediation for the fuel tank site locations was completed with the necessary environmental clearance. All herbicide pits are long out of use and since have been buried.
In 2019-20, DAF will seek to surrender the management of contaminated land sites from the Department of Environment and Science (DES).

(c) Long-term sales permits

The department, under the provisions of the *Forestry Act 1959,* has issued the following long-term sales permits to various sawmilling business regarding the supply of log timber from State-owned native forests.

- 13 sales permits, which expire 31 December 2024, and 1 sales permit, which expires 31 December 2019, for the supply of native forest hardwood sawlogs from State-owned native forests in south-east Queensland;
- 2 sales permits, which expire 31 December 2034, for the supply of native forest hardwood sawlogs from State-owned native forests in Western Queensland; and
- 14 sales permits, which expire 31 December 2037, for the supply of native forest cypress sawlogs from State-owned native forests in Southern Queensland.

These sales permits provide for the payment of compensation by the department to the holder to the extent that the specified quantity of log timber is not harvested from the particular State-owned forests. At this stage the department does not foresee the need to pay compensation in relation to any of these long-term sales permits.

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D4. Commitments

(a) Operating leases

Commitments under operating leases at reporting date (inclusive of non-recoverable GST input tax credits) are payable as follows:

	2019 $'000	2018 $'000
• Not later than 1 year	23,553	21,531
• Later than 1 year and not later than 5 years	66,453	72,612
• Later than 5 years	283,251	297,873
Total operating lease commitments	**373,257**	**392,016**

The department has operating leases predominately relating to land, building, laboratories, office accommodation and storage facilities. Lease payments are generally fixed and reported at present value, but with inflation escalation clauses on which contingent rentals are determined.

(b) Capital expenditure commitments

Material classes of capital expenditure commitments (inclusive of non-recoverable GST input tax credits) contracted for at the reporting date but not recognised in the accounts are payable as follows:

Capital Works in Progress		
Plant and equipment	816	1,314
	54	411
	870	**1,725**
Payable:		
• Not later than 1 year	870	1,725
Total capital expenditure commitments	**870**	**1,725**

(c) Grants and subsidies commitments

Grants and subsidies commitments (inclusive of non-recoverable GST input tax credits), committed to be provided at the reporting date, but not recognised in the accounts are payable as follows:

Payable:		
• Not later than 1 year	18,930	10,164
• Later than 1 year and not later than 5 years	17,318	18,909
Total grants and subsidies expenditure commitments	**36,248**	**29,073**

(d) Other expenditure commitments

Other expenditure commitments (inclusive of non-recoverable GST input tax credits), committed to provide at reporting date but not recognised in the accounts are payable as follows:

Payable:		
• Not later than 1 year	72,144	49,145
• Later than 1 year and not later than 5 years	38,358	26,850
• Later than five years	55,726	60,298
Total other expenditure commitments	**166,228**	**136,294**

Expenditure commitments have increased largely due to additional contractors engaged for Biosecurity responses and the extension of the Shark Control program to 2027.

D5. Events occurring after reporting date

There are no events subsequent to balance date, which would have material effect on the information provided in the department's controlled or administered financial statements.

DEPARTMENT OF AGRICULTURE AND FISHERIES
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D6. Future impact of accounting standards not yet effective

At the date of authorisation of the financial report, the potential impacts of new or amended Australian Accounting Standards with future commencement dates are set out below.

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

The transition date for both AASB 15 and AASB 1058 is 1 July 2019. Consequently, these standards will first apply to the department when preparing the financial statements for 2019-20. The department has reviewed the impact of AASB 15 and AASB 1058 and identified the following impacts (or estimated impact where indicated) of adoption the new standards:

Special Purpose Capital Grants

Under AASB 1058, special purpose grants received to construct non-financial assets controlled by the department will be recognised as a liability, and subsequently recognised progressively as revenue as the department satisfies its performance obligations under the grant.

The department is not currently in receipt of any capital grants.

Capital Appropriation Funding

Amounts for capital works received by the department via equity appropriation from Queensland Treasury will continue to be recognised on receipt of the appropriation. There is no impact on unearned revenue or revenue recognition for these amounts.

Grants and Contributions Revenue

National Cost Sharing Arrangements - The department has cost sharing arrangements with the Commonwealth's Department of Agriculture and Water Resources (DAWR) and other States and Territories that relate to funding of activity based services for the eradication and control of pests and diseases, including the NRIFAEP, Red Witch Weed Program and Four Tropical Weeds Program. These arrangements have been identified as having sufficiently specific performance obligations under enforceable agreements. Under AASB 15, revenue will be recognised progressively over time and a contract asset (representing the department's right to consideration in exchange for the services transferred to the customer) recognised for services rendered but unbilled at each reporting date. Timing of payments can also result in unearned revenue for unperformed services at the reporting date.

For the period ended 30 June 2019, grant monies totalling $26.6 million for these projects was recognised in revenue and $0.4 million recognised as unearned revenue and $15.1 million invoiced as receivable. The impact upon transition to the new standard will be nil. Revenue will be recognised using the input method which matches the expenditure under the current accounting treatment.

There are no changes to expenses previously recognised in the 2018/19 financial year. Expenses incurred in delivering these programs in 2019/20 will continue to be expensed as incurred. No costs incurred will give rise to the recognition of any asset.

All remaining grants of the department are expected to be recognised on receipt under AASB 1058.

Royalties

The department under the provisions of the *Forestry Act 1959* has issued sales permits regarding the supply of forest products (including native forest log timber and quarry material) from lands relevant to the *Forestry Act 1959.* The department recognises the revenue for forest products based on the returns provided by the permit holders. The department expects no change to revenue recognition as the delivery of the goods to the customer represents the sole performance obligation.

Licence and Permit Revenue

The department has revenue from the issue of licences and permits for agricultural, fishing and biosecurity activities. In accordance with Queensland Treasury's proposed policy directive following amendments to AASB 15 (arising from AASB 2018-4 Amendments to Australian Accounting Standards –Australian Implementation Guidance for Not-for-Profit Public Sector Licensors), the revenue will be recognised under AASB 15 when the performance obligations are fulfilled. As the sole performance obligation is the issue of the licence to the customer, revenue will be recognised when the licence is issued. As this has the same accounting consequence to the current accounting of recognising revenue on receipt of the licence fee, no change is expected to revenue recognition for licence revenue. The department has assessed that any refund liability under AASB 15 will not be material.

D6. Future impact of accounting standards not yet effective (continued)

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

Sale of Services

Information Technology Partners (ITP) –Service Level Agreements - The department provides information technology services to DNRME, DES and DITID on a cost recovery basis. Under AASB 15, revenue will be recognised in exchange for the services transferred to the customer. An accrual will be recognised for services rendered but unbilled at each reporting date. There will be no transitional adjustments at 1 July 2019 for ITP service revenue.

For the period ended 30 June 2019, service revenue totalling $46.1 million was recognised in revenue and $5.4 million recognised as receivable. The impact on transition to the new standard will be nil.

Research and Development Contract Services – The department performs research and development services under legally enforceable contracts with specific deliverables, milestones, terms and conditions and a financial acquittal processes. Revenue is recognised to match the expenditure incurred in the performance of obligations and delivery of milestones.

There will be no transitional adjustments at 1 July 2019 for service revenue as the department expects recognises, a contract asset receivable, an amount of unbilled revenue equal to the department’s right to receive consideration in exchange for the services transferred to customers and also recognised a liability for unearned revenue where funding provided is unspent. Revenue will be recognised using the input method, which matches the expenditure under the current accounting treatment.

For the period ended 30 June 2019, user charges totalling $40.6 million for these projects was recognised in revenue and $18.3 million recognised as unearned revenue and $3.4 million accrued as revenue but not invoiced. The impact on transition to the new standard will be nil.

Sale of Goods

The department expects no change to revenue recognition from the sale of goods including livestock, vaccines, publications and farming produce as the delivery of the goods to the customer represents the sole performance obligation. The amount of any right of return asset or refund liability has been determined to be negligible and immaterial to record on transition.

AASB *16 Leases*

This standard will first apply to the department from its financial statements for 2019-20. When applied, the standard supersedes AASB 117 *Leases* , AASB Interpretation 4 *Determining whether an Arrangement contains a Lease* , AASB Interpretation 115 *Operating Leases - Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*

Impact for lessees

Under AASB 16, the majority of operating leases will be (as defined by the current AASB 117 and shown at Note D4 (a)) will be reported on the Statement of Financial Position as right-of-use assets and lease liabilities.

The right-of-use asset will be initially recognised at cost, consisting of the initial amount of the associated lease liability, plus any lease payments made to the lessor at or before the effective date, less any lease incentive received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. The right-of-use asset will give rise to depreciation expense.

The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Current operating lease rental payments will no longer be expensed in the statement of comprehensive income. They will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost will also be recognised as an expense.

AASB 16 allows a 'cumulative approach' rather than full retrospective application to recognising existing operating leases. In accordance with Queensland Treasury's policy, the department will apply the 'cumulative approach', and will not need to restate comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of accumulated surplus (or other component of equity, as appropriate) at the date of initial application.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the financial statements
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D6. Future impact of accounting standards not yet effective (continued)

AASB *16 Leases (continued)*

Outcome of review as lessee

The department has completed its review of the impact of adoption of AASB 16 on the statement of financial position and statement of comprehensive income and has identified the following major impacts which are outlined below.

During the 2018/19 financial year, DAF held operating leases under AASB 117 from the Department of Housing and Public Works (DHPW) for non-specialised, commercial office accommodation through the Queensland Government Office (QGAO) and residential accommodation through the Government Employee Housing (GEH) program. Lease payments under these arrangements totalled $18.9 million annually. The department has been advised by Queensland Treasury and DHPW that effective 1 July 2019, amendments to the framework agreements that govern QGAO and GEH will result in the above arrangements being exempt from lease accounting under AASB16. This is due to DHPW having substantive substitution rights over the non-specialised, commercial office accommodation and residential premises assets used within these arrangements. From 2019-20 onwards, costs for these services will continue to be expensed as supplies and services expense when incurred.

Fit outs in QGAO accommodation recognised as leasehold improvements as at 30 June 2019 will continue to be recognised as assets under the control of the department and amortised over the life of the asset or the remaining term of the lease, whichever is the shorter term. From 1 July 2019, new fit outs in QGAO accommodation will be recognised by DHPW and not transferred to the department.

The department has also been advised by Queensland Treasury and DHPW that effective 1 July 2019, motor vehicles provided under DHPW's QFleet program will be exempt from lease accounting under AASB 16. This is due to DHPW holding substantive substitution rights for vehicles provided under the scheme. From 2019-20 onward, costs for these services will continue to be expensed as supplies and services expense when incurred. Existing QFleet leases were not previously included as part of non-cancellable operating lease commitments.

The department has quantified the transitional impact on the statement of financial position and statement of comprehensive income of all qualifying lease arrangements that will be recognised on-balance sheet under AASB 16, as follows.

- Statement of financial position impact on 1 July 2019:
  - $103 million increase in lease liabilities
  - $103 million increase in right-of-use assets

- Statement of comprehensive income impact expected for the 2019-20 financial year, as compared to 2018-19:
  - $5.6 million increase in depreciation and amortisation expense
  - $3.0 million increase in interest expense
  - $5.7 million decrease in supplies and services expense
  - This results in a net increase of $2.9 million in total expenses
  - $2.9 million increase in appropriation revenue in total revenue

The impact on the statement of position is mainly due to the recognition of the lease for office accommodation and laboratories with Queensland Health at the Health and Foods Sciences Precinct. The lease is internal to government arrangements due to the specialised nature of the laboratories being leased, is not exempted from applying AASB 16, as it is not solely office accommodation and substitution of tenants is not possible for the specialised laboratory space. The lease is currently recognised in 2018-19 as a cancellable operating lease under a memorandum of understanding between agencies.

Impact for lessors

Lessor accounting under AASB 16 remains largely unchanged from AASB 117. For finance leases, the lessor recognises a receivable equal to the net investment in the lease. Lease receipts from operating leases are recognised as income either on a straight-line basis or another systematic basis where appropriate.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the financial statements
For the year ended 30 June 2019

E1. Budgetary reporting disclosures

This section contains explanations of major variances between the department's actual 2018-19 financial results and the original budget presented to Parliament.

E1-1. Explanation of major variances - statement of comprehensive income

	Variance Notes	Original Budget 2019 $'000	Actual 2019 $'000	Budget Variance 2019 $'000
Income from continuing operations				
Appropriation revenue	1	313,808	316,077	2,269
User charges and fees	2	113,682	142,124	28,442
Grants and contributions	3	26,044	36,879	10,835
Royalties	4	27,675	30,546	2,871
Other revenue		403	1,020	617
Total revenue		**481,612**	**526,646**	**45,034**
Gains on disposal/revaluation of assets	5	95	1,424	1,329
Total income from operations		**481,707**	**528,070**	**46,363**
Expenses from continuing operations				
Employee expenses	6	226,008	214,688	(11,320)
Supplies and services	7	221,691	248,490	26,799
Grants and subsidies	8	10,164	29,012	18,848
Depreciation and amortisation	9	21,599	19,585	(2,014)
Impairment losses	10	-	239	239
Other expenses	11	2,245	16,057	13,812
Total Expenses from continuing operations		**481,707**	**528,070**	**46,363**
Operating result for the year		**-**	**-**	**-**

Explanation of major variances:

1. The increase is largely due to additional funding released in 2018-19 from the funds held centrally by government for the continuation of the Drought Assistance Package, additional funding received in 2018-19 for the On-Farm Emergency Water Infrastructure rebate scheme and a realignment of existing Queensland Government funding for the ten-year National Red Imported Fire Ant Eradication Program (NRIFAEP) from 2021-22 to 2026-27 to accelerate treatments in 2018-19 to 2020-21. This is partly offset by the deferral of funding from 2018-19 to the outer years to realign the budget with anticipated cash flows for various departmental programs.
2. The increase is largely due to additional revenue ($4.8 million) for National Cost Sharing (NCS) arrangements from other states and territories for pest and disease emergency responses following the finalisation of funding arrangements during 2018-19 and higher than expected ICT project revenue ($10.1 million) through the Business and Corporate Partnership (BCP) arrangements.
3. The increase is due to additional revenue ($5.9 million) from the Australian Government for NCS arrangements for pest and disease emergency responses following the finalisation of funding arrangements during 2018-19. There were additional funds ($3.5 million) received from DES for the Yurol/Ringtail protected area that has been paid to HQ Plantations in accordance with the deed.
4. The increase is mainly due to higher than expected royalties from the sale of quarry materials in 2018-19.
5. Higher than expected cattle prices at the end of the year has led to an increase in the livestock valuation.
6. The variance is largely due to vacant budgeted positions across the department with the use of contractors in place of employees for seasonal work, short term demand and biosecurity pest and disease emergency responses.
7. The variance is largely due to additional expenses ($14.5 million) associated with biosecurity pest and disease emergency responses including the NRIFAEP for the acceleration of treatments in 2018-19, the Four Tropical Weeds, Exotic Fruit Fly Strategy in the Torres Strait, Red Witch Weed and the National Electric Ants eradication programs. An increase in ICT contractor expenses ($13.2 million) to meet the increased BCP project demand.
8. The increase is largely due to expenses ($16.4 million) incurred in 2018-19 for the continuation of the Drought Assistance Package where the 2018-19 allocation was held centrally by Queensland Treasury. Also contributing to the increase is the On-Farm Emergency Water Infrastructure rebate scheme ($2.2 million) and grant payments ($0.8 million) to Queensland Strawberry Growers Association (QSGA) and GrowCom under the Strawberry Industry Recovery Package. These programs were approved during 2018-19.
9. The decrease is largely caused by a reduction in plant and equipment depreciation due to the timing of the replacement program for information technology assets.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the financial statements
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E1-1. Explanation of major variances - statement of comprehensive income (continued)

10. The increased expense relates to the write off of bad debts that the department has deemed unrecoverable.

11. The increase is largely due to the end of year adjustments ($9.7 million) for unexpended appropriation that is to be returned to Queensland Treasury which will either be lapsed or deferred to 2019-20 and the payment to HQ Plantations ($3.5 million) for the Yurol/Ringtail protected area in accordance with the deed.

DEPARTMENT OF AGRICULTURE AND FISHERIES
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E1-2. Explanation of major variances - statement of financial position

	Variance Notes	Original Budget 2019 $'000	Actual 2019 $'000	Budget Variance 2019 $'000
Current assets				
Cash and cash equivalents	12	39,305	48,506	9,201
Receivables	13	34,670	42,689	8,019
Inventories		1,000	942	(58)
Other current assets	14	6,117	7,796	1,679
		81,092	99,934	18,842
Non-current assets classified as held for sale	15	-	1,010	1,010
Total current assets		**81,092**	**100,944**	**19,852**
Non-current assets				
Intangible assets	16	1,917	1,073	(844)
Property, plant and equipment	17	354,819	353,462	(1,357)
Other non-current assets		11,409	11,719	310
Total non-current assets		**368,145**	**366,254**	**(1,891)**
Biological assets				
Biological assets	18	3,285	4,335	1,050
Total biological assets		**3,285**	**4,335**	**1,050**
Total assets		**452,522**	**471,532**	**19,009**
Current liabilities				
Payables	19	11,400	27,136	15,736
Accrued employee benefits	20	8,013	9,474	1,461
Unearned revenue	21	21,420	24,470	3,050
Security deposits		-	228	228
Total current liabilities		**40,833**	**61,308**	**20,475**
Non-current liabilities				
Unearned revenue		15,191	15,192	1
Total non-current liabilities		**15,191**	**15,192**	**1**
Total liabilities		**56,024**	**76,500**	**20,476**
Net assets		**396,498**	**395,032**	**(1,467)**

Explanation of major variances:

12. The higher than expected closing cash balance is mainly attributed to the unexpended appropriation revenue ($9.7 million) at the end of the financial year that is to be returned to Queensland Treasury and revenue received in advance for multi year Reef Water Quality Science projects and contractual agreements for Research and Development (R&D) projects.
13. The increase is largely due to higher than expected contributions not yet received under NCS partners for biosecurity pest and emergency disease responses (including outstanding contributions from the Australian Government for NRIFAEP, Electric Ants and Four Tropical Weeds).
14. The variance is due to higher than originally planned as software licences were prepaid at the end of the financial year.
15. The closing balance reflects land held for sale at Roma.
16. The decrease is largely due to lower than anticipated software acquisitions during 2018-19.
17. The decrease largely represents the transfer of land from non current assets to current assets held for land held for sale in 2018-19.
18. Higher than expected cattle prices at the end of the year has led to an increase in the livestock valuation.
19. The closing balance of payables is higher than expected due to the unexpended appropriation revenue ($9.7 million) at the end of the financial year that is to be returned to Queensland Treasury. This includes increased IT contractor accrual associated with BCP projects, capital works accrual for the Toowoomba facilities upgrade, AMP accrual and an accrual for a milestone payment to Sugar Research Australia.
20. The closing balance of accrued employee benefits is based on the timing of the last pay period at the end of the month with an accrual actioned for the number of unpaid days after this pay period.
21. The closing balance reflects higher than expected revenue received in advance that will be carried forward to 2019-20 for contractual agreements for Research and Development projects and multi year Reef Water Quality Science projects.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the financial statements
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E1-3. Explanation of major variances - statement of cash flows

	Variance Notes	Original Budget 2019 $'000	Actual 2019 $'000	Budget Variance 2019 $'000
Cash flows from operating activities				
Inflows:				
Service appropriation receipts	22	313,808	316,198	2,390
User charges and fees	23	111,482	135,093	23,611
Grants and other contributions	24	26,044	44,699	18,655
Royalties	25	27,675	30,546	2,871
GST input tax credits received from ATO		13,181	12,433	(748)
GST collected from customers		-	14,368	14,368
Other inflows		1,003	1,218	215
Outflows:				
Employee expenses	26	(226,008)	(214,373)	11,635
Supplies and services	27	(222,304)	(248,101)	(25,797)
Grants and subsidies	28	(10,164)	(29,012)	(18,848)
GST paid to suppliers		(13,131)	(26,868)	(13,737)
Other outflows		(2,845)	(5,639)	(2,794)
Net cash provided operating activities		**18,741**	**30,560**	**11,819**
Cash flows from investing activities				
Inflows:				
Sales of property, plant and equipment		525	346	(179)
Sales of biological assets		-	(392)	(392)
Outflows:				
Payments for property, plant and equipment		(20,377)	(19,855)	522
Payments for intangibles		-	(497)	(497)
Payments for biological assets		-	1,049	1,049
Net cash used in investing activities		**(19,852)**	**(19,350)**	**502**
Cash flows from financing activities				
Inflows:				
Equity injections	29	1,000	-	(1,000)
Outflows:				
Equity withdrawals		(3,503)	(3,503)	-
Net cash provided by financing activities		**(2,503)**	**(3,503)**	**(1,000)**
Net increase/(decrease) in cash and cash equivalents		(3,614)	7,708	11,322
Cash and cash equivalents - opening balance		42,919	40,798	(2,121)
Cash and cash equivalents - closing balance	C1	**39,305**	**48,506**	**9,201**

Explanation of major variances:

22. The increase is largely due to additional funding released in 2018-19 from the funds held centrally by government for the continuation of the Drought Assistance Package, additional funding received in 2018-19 for the On-Farm Emergency Water Infrastructure rebate scheme and a realignment of existing Queensland Government funding for the ten-year NRIFAEP from 2021-22 to 2026-27 to accelerate treatments in 2018-19 to 2020-21. This is partly offset by the deferral of funding from 2018-19 to the outer years to realign the budget with anticipated cashflows for various departmental programs.

23. The variance is largely due to additional revenue for National Cost Sharing (NCS) arrangements from other states and territories for pest and disease emergency responses following the finalisation of funding arrangements during 2018-19 and higher than expected ITP project revenue through the BCP.

DEPARTMENT OF AGRICULTURE AND FISHERIES
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E1-3. Explanation of major variances - statement of cash flows (continued)

Explanation of major variances (continued):

24. Grants revenue has exceeded the original budget due to additional revenue from the Australian Government for NCS arrangements for pest and disease emergency responses following the finalisation of funding arrangements during 2018-19. Additional funds were also received from DES for the Yurol/Ringtail protected area that has been paid to HQ Plantations in accordance with the deed.

25. The increase is mainly due to higher than expected royalties from the sale of quarry materials in 2018-19.

26. The variance is largely due to vacant budgeted positions across the department with the use of contractors in place of employees for seasonal work, short term demand and biosecurity pest and disease emergency responses.

27. The variance is largely due to additional expenses associated with biosecurity pest and disease emergency responses including the NRIFAEP for the acceleration of treatments in 2018-19, the Four Tropical Weeds, Exotic Fruit Fly Strategy in the Torres Strait, Red Witchweed and the National Electric Ants eradication programs and increased ICT contractors to meet the increased BCP project demand.

28. The increase is largely due to expenses incurred in 2018-19 for the continuation of the Drought Assistance Package whereby the 2018-19 allocation was held centrally by Queensland Treasury. Also contributing to the increase is the On-Farm Emergency Water Infrastructure rebate scheme and grant payments to QSGA and GrowCom under the Strawberry Industry Recovery Package. These programs were approved during 2018-19.

29. The original budget included an equity injection for the restoration works for the Jimna Fire Tower which was transferred after the finalisation of the 2018-19 budget from Controlled to Administered and swapped to output funding.

DEPARTMENT OF AGRICULTURE AND FISHERIES
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F1. Administered activities

The department administers, but does not control, certain resources on behalf of the Government. In doing so, it has responsibility and is accountable for administering related transactions and items, but does not have the discretion to deploy the resources for the achievement of the department's objectives.

These transactions and balances are not significant in comparison to the department's overall financial performance/financial position.

Accounting policies applicable to administered items are consistent with the equivalent policies for controlled items, unless stated otherwise.

F1-1. Schedule of administered income and expenditure

	Variance Notes	2019 Actual $,000	2019 Original Budget $'000	Budget Variance $'000	2018 Actual $'000
Administered income					
Appropriation revenue	1	92,080	40,370	51,710	26,737
User charges and fees		1,807	1,907	(100)	1,803
Grants and other contributions		15,597	16,531	(934)	15,191
Other revenue	2	9,930	1,750	8,180	960
Total administered income		**119,415**	**60,558**	**58,856**	**44,691**
Administered expenses					
Grants to Queensland Rural and Industry Development Authority (QRIDA)	3	63,486	13,481	50,005	14,010
Grants to Queensland Racing Integrity Commission (QRIC)		27,060	26,870	190	11,958
Supplies and services		223	-	223	-
Loss on disposal		91	-	91	-
Other expenses		57	-	57	-
Depreciation and amortisation		20	19	1	20
Decrements on revaluation		-	-	-	29
Transfers of Administered appropriation to Government		1,235	-	1,235	750
Transfers of Administered income to Government	4	27,332	20,188	7,144	17,954
Total administered expenses		**119,504**	**60,558**	**58,946**	**44,721**
Operating surplus/(deficit)	5	**(89)**	**-**	**(90)**	**(30)**

DEPARTMENT OF AGRICULTURE AND FISHERIES
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F1-2. Schedule of administered assets, liabilities and equity

	Variance Notes	2019 Actual $,000	2019 Original Budget $'000	Budget Variance $'000	2018 Actual $'000
Administered assets					
Current					
Cash	6	16,294	7	16,287	760
Receivables	7	7,095	61	7,034	16,457
Total current assets		**23,389**	**68**	**23,321**	**17,218**
Non-current					
Property, plant and equipment		757	923	(166)	912
Total non-current assets		**757**	**923**	**(166)**	**912**
Total assets		**24,146**	**991**	**23,155**	**18,130**
Administered liabilities					
Current					
Administered income refundable to Government	8	1,235	-	1,235	1,730
Payables to Government	9	22,069	49	22,020	15,469
Other payables		66	49	17	-
Total current liabilities		**23,370**	**49**	**23,255**	**17,199**
Net administered assets/liabilities		**775**	**942**	**(100)**	**931**
Equity					
Contributed equity		3,670	-	3,670	3,754
Accumulated deficit		41	-	41	23
Asset revaluation reserve surplus		(2,935)	-	(2,935)	(2,846)
Total equity		**775**	**-**	**775**	**931**

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F1-3. Administered activities - budget to actual comparison and variance analysis

1. The increase is largely due to the additional funding approved in April 2019 for QRIDA to administer the Federal Government Restocking, Replanting and On-Farm infrastructure grants program over three years commencing in late 2018-19.

2. The increase reflects the revenue received from compensation in relation to a foregone obligation relating to a timber resource.

3. The increase is largely due to the additional funding approved in April 2019 for QRIDA to administer the Federal Government Restocking, Replanting and On-Farm infrastructure grants program over three years commencing in late 2018-19.

4. The increase reflects the transfer of additional revenue received from compensation in relation to a foregone obligation relating to a timber resource, which was not included in the original budget.

5. The operating deficit reflects the loss on disposal of the former Yarraman and Ingham workshops during 2018-19.

6. The closing balance mainly reflects a timing difference in the transfer of the 2018-19 contribution from Racing Queensland to the Consolidated fund. This is to be transferred in July.

7. The closing balance includes a receivable for the second compensation instalment in relation to a foregone obligation relating to a timber resource.

8. The closing balance reflects the unexpended administered appropriation revenue associated with QRIDA administration fees and the restoration of the Jimna Fire Tower that is to be returned to Queensland Treasury and deferred to 2019-20.

9. The closing balance reflects a payable to recognise the transfer of revenue for the second compensation instalment in relation to a foregone obligation relating to a timber resource and the 2018-19 contribution from Racing Queensland to the Consolidated Fund.

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F1-4. Reconciliation of payments from consolidated fund to administered income

	2019 $'000	2018 $'000
Budgeted appropriation	40,351	14,028
Transfers from other departments	-	12,688
Transfers from other headings	1,000	-
Equity adjustment	84	12
Equity adjustment (to reverse deferred appropriation)	(1,540)	-
Unforeseen expenditure [1]	50,455	982
Total administered receipts	**90,350**	**27,710**
Add: opening balance of deferred appropriation payable to Consolidated Fund	1,730	7
Less: closing balance of deferred appropriation payable to Consolidated Fund	(1,235)	(1,730)
Net appropriation revenue	**90,845**	**25,987**
Plus deferred appropriation payable to Consolidated Fund (expense)	1,235	750
Appropriation revenue recognised in statement of comprehensive income	**92,080**	**26,737**

[1] The amount for 2018-19 relates to funding from Commonwealth government for North and Far North Queensland Monsoon.

F1-5. Reconciliation of payments from consolidated fund to equity adjustment recognised in contributed equity

	2019 $'000	2018 $'000
Budgeted equity adjustment appropriation	2,123	1,142
Equity adjustment	(84)	(12)
Equity adjustment(to reverse deferred appropriation)	1,540	-
Equity adjustment receipts (payments)	**3,579**	**1,130**
Less: opening balance of equity adjustment receivable	(980)	-
Plus: closing balance of equity adjustment receivable	-	980
Plus: opening balance of equity adjustment payable	-	(7)
Equity adjustment recognised in contributed equity	**2,599**	**2,103**

DEPARTMENT OF AGRICULTURE AND FISHERIES
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G1. Key management personnel (KMP) disclosures

Details of key management personnel

The department's responsible Minister is identified as part of the department's KMP, consistent with additional guidance included in AASB 124 *Related Party Disclosures*. That Minister is the Minister for Agricultural Industry Development and Fisheries.

The following details for non-Ministerial KMP reflect those departmental positions that had authority and responsibility for planning, directing and controlling the activities of the department during 2018-19 and 2017-18. Further information about these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Position Responsibility
Director-General	The Director-General is responsible for the efficient, effective and economic administration of the department overseeing Agriculture, Fisheries and Forestry and Biosecurity Queensland.
Deputy Director-General, Corporate	The Deputy Director-General is responsible for the efficient, effective and economic administration of the Human Resource, ICT, Strategy, Performance, Business Services, Finance, Media, Communications and Corporate Partnership functions of the department.
Deputy Director-General, Agriculture Queensland	The Deputy Director-General is responsible for the efficient, effective and economic administration of Queensland Agriculture and Fisheries, Food, Forestry and Regional Services and functions of the department.
Deputy Director-General, Fisheries and Forestry	The Deputy Director-General is responsible for the efficient, effective and economic administration of Queensland Fisheries and Forestry activities and responsibilities.
Chief Biosecurity Officer, Biosecurity Queensland	The Chief Biosecurity Officer is responsible for the efficient, effective and economic administration of Queensland's Biosecurity functions and responsibilities of the department.

KMP remuneration policies

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members Remuneration Handbook. The department does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlement being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government Consolidated Financial Statements which are published as part of Queensland Treasury's Report on State Finances.

Remuneration policy for the department's other KMP is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*. Individual remuneration and other terms of employment (including motor vehicle entitlements and performance payments if applicable) are specified in employment contracts.

Remuneration expenses for those KMP comprise the following components:

- Short term employee expenses, including:
  - salaries, allowances and leave entitlements earned and expensed for the entire year or for that part of the year during which the employee was a key management person.
  - non-monetary benefits - consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.
- Long term employee expenses include amounts expensed in respect of long service leave entitlements earned.
- Post-employment expenses include amounts expensed in respect of employer superannuation obligations.
- Termination benefits include payments in lieu of notice on termination and other lump sum separation entitlements (excluding annual and long service entitlements) payable on termination of employments or acceptance of an offer of termination of employment.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the financial statements
For the year ended 30 June 2019

G1. Key management personnel (KMP) disclosures (continued)

Remuneration Expenses

The following disclosure focus on the expenses incurred by the department attributable to non-Ministerial KMP during respective reporting periods. The amounts disclosed are determined on the same basis as expenses recognised in the Statement of Comprehensive Income.

1 July 2018 – 30 June 2019

Position	Short Term Employee Expenses		Long Term Employee Expenses	Post Employment Expenses	Total Expenses[1]
	Monetary Benefits $ '000	Non-Monetary Benefits $ '000	$ '000	$ '000	$ '000
Director-General	324	-	7	37	**368**
Director-General (Acting) 30/8/2018 - 15/9/2018 and 5/5/2019 - 2/6/2019	27	-	1	3	**31**
Deputy Director-General, Corporate 20/5/2019 - 30/6/2019	10	-	-	2	**12**
Deputy Director-General, Corporate (Acting) 1/7/2018 - 10/5/2019	192	-	4	21	**217**
Deputy Director-General, Agriculture Queensland 20/5/2019 - 30/6/2019	21	-	-	2	**23**
Deputy Director-General, Agriculture Queensland (Acting) 1/7/2018 - 17/5/2019	229	-	4	20	**254**
Deputy Director-General, Fisheries and Forestry	198	-	4	21	**222**
Deputy Director-General, Fisheries and Forestry (Acting) 22/10/2018 - 31/12/2018 and 6/5/2019 - 28/5/2019	64	-	1	6	**71**
Chief Biosecurity Officer 1/1/2019 - 30/6/2019	118	-	2	13	**133**
Chief Biosecurity Officer (Acting) 1/7/2018 - 31/12/2018 and 25/3/2019 - 2/6/2019	173	-	3	18	**194**
Total	**1,355**	**-**	**26**	**144**	**1,525**

[1] The key management personnel and remuneration expenses above for the year ended 30 June 2019 does not include any termination benefits.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the financial statements
For the year ended 30 June 2019

G1. Key management personnel (KMP) disclosures (continued)

Remuneration Expenses (continued)

1 July 2017 – 30 June 2018

Position	Short Term Employee Expenses		Long Term Employee Expenses	Post Employment Expenses	Total Expenses[1]
	Monetary Benefits $ '000	Non-Monetary Benefits $ '000	$ '000	$ '000	$ '000
Director-General	326	-	7	26	**359**
Director-General (Acting) 19/09/2017 - 15/10/2017, 10/11/2017 -16/11/2017 and 23/06/2018 - 30/06/2018	44	-	1	3	**48**
Deputy Director-General, Corporate [2] 01/07/2017 - 09/01/2018	110	-	2	14	**126**
Deputy Director-General, Corporate [2] (Acting)05/02/2018 - 09/01/2018	78	-	2	9	**89**
Deputy Director-General, Agriculture Queensland 01/07/2017 - 13/10/2017	57	-	1	6	**64**
Deputy Director-General, Agriculture Queensland (Acting) 16/10/2017 - 22/6/2018	166	-	3	18	**187**
Deputy Director-General, Fisheries and Forestry	216	-	4	25	**245**
Chief Biosecurity Officer 01/07/2017 - 01/09/2017	65	-	1	7	**73**
Chief Biosecurity Officer (Acting) 16/10/2017 - 30/06/2018	171	-	4	19	**194**
Total	**1,233**	**-**	**25**	**127**	**1,385**

[1] The key management personnel and remuneration expenses above for the year ended 30 June 2018 does not include any termination benefits.

'[2] This position was previously shared with the former Department of Innovation, Tourism Industry Development and the Commonwealth Games (DITID) until the MoG changes in December 2017. The new DITID has established a standalone corporate function.

Performance payments

No KMP remuneration packages provide for performance or bonus payments.

DEPARTMENT OF AGRICULTURE AND FISHERIES
Notes to the financial statements
For the year ended 30 June 2019

G2. Related party transactions

Transactions with people/entities related to KMP

A review has been undertaken for the 2018-19 financial year, to 30 June 2019, of the department's KMP related party transactions (RPT) disclosures and no transactions have been identified between the department and it's KMPs' related parties.

Transactions with other Queensland Government-controlled entities
The department's primary ongoing sources of funding from Government for its services are appropriation revenue (Note B1-1) and equity injections (Note C7-2), both of which are provided in cash via Queensland Treasury.

The department received defined services from the following agencies:

- DNRME: Accommodation Services and Legal Services.
- DES: Privacy and Ethics, Internal Audit, Procurement, Right to Information.

As the host agency, DAF provided defined services to the following agencies for the period 1 July 2018 to 30 June 2019:

- DNRME: Information Management, Fleet Management, Telecommunications.
- DES: Information Management, Fleet Management, Telecommunications.
- DITID: Finance, Information Management, Fleet Management, Telecommunications.

User Charges and Fees (Note B1-2) includes the fee for service revenue received from the above agencies for information management services and this represents approximately 33% of the total User Charges and Fees.

Operating lease rentals disclosed in (Note B3-2) includes: property lease rentals across the State with the Department of Housing and Public Works and accommodation at the Health Food Sciences Precinct Coopers Plains with Queensland Health; and motor vehicle lease arrangements are provided by QFleet.

Building and Asset Services within DHPW are the provider of building repair and maintenance disclosed within (Note B3-2) under Repairs and maintenance.

G3. First year application of new accounting standards or change in policy

Changes in accounting policies - AASB 9 *Financial Instruments*

The department applied AASB 9 *Financial Instruments* for the first time in 2018-19. Comparative information for 2017-18 has not been restated and continue to be reported under AASB 139 *Financial Instruments: Recognition and Measurement.* The nature and effect of the changes as a result of adoption of this new accounting standard are described below:

Classification and measurement

Under AASB 9, debt instruments are categorised into one of three measurement bases - amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification is based on two criteria:
- whether the financial asset's contractual cash flows represent 'solely payments of principal and interest', and
- the department's business model for managing the assets.

The department's debt instrument's comprise of receivables disclosed in Note C2 and as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of their fair value.

The department assessed the potential impact of AASB 9 for calculating impairment losses for the department's receivables and did not find a material difference in impairment when compared to the current individually assessed receivables. The impairment losses will be determined according to the amount of lifetime expected credit losses. The department will continue to assess the expected credit losses for receivables by comparing the credit risk at that time to the credit risk that existed when those receivables were initially recognised.

Impairment losses are historically low value and low risk, as trade receivables can include Commonwealth, State and Local government agencies. Other trade receivables are managed with bank guarantees, security deposits and credit management that minimise impairment losses.

G4. Taxation

The department is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by the department. GST credits receivable from, and GST payable to the Australian Taxation Office are recognised (refer to Note C2).

DEPARTMENT OF AGRICULTURE AND FISHERIES
Management Certificate
for the year ended 30 June 2019

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 42 of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with Section 62(1)(b) of the Act we certify that in our opinion:

a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects

b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Department of Agriculture and Fisheries for the year ended 30 June 2019 and of the financial position of the department at the end of that year

The Director-General, as the Accountable Officer of the Department, acknowledges responsibility under s.8 and s.15 of the *Financial and Performance Management Standard 2009* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting report.

Elizabeth Woods

Mike Richards B.Com., MIPA
Chief Finance Officer
Date 30 August 2019

Dr. Elizabeth Woods
Director-General
Date 20 August 2019

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INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of the Department of Agriculture and Fisheries

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of the Department of Agriculture and Fisheries.

In my opinion, the financial report:

a) gives a true and fair view of the department's financial position as at 30 June 2019, and its financial performance and cash flows for the year then ended

b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and Australian Accounting Standards.

The financial report comprises the statement of financial position and statement of assets and liabilities by major departmental service as at 30 June 2019, the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comprehensive income by major departmental service for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the department in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. I addressed these matters in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

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Valuation of Land $109.721 million

Refer to note C3 in the financial report.

Key audit matter	How my audit addressed the key audit matter
The Department of Agriculture and Fisheries' Land was measured at fair value using the market approach which involves physical inspection and reference to publicly available data on recent sales of similar land in nearby localities. The Department engaged a registered valuer to undertake a specific appraisal of all land holdings at 30 June 2016. Significant judgement was used in arriving at suitable discount rates for the restrictions on reserve land. The fair value of reserve land was derived by discounting the market value of similar land that had no restrictions, and then estimating the discount a willing market participant would make taking into account the restrictions on use. The Department has subsequently performed annual indexations of these valuations. Significant judgement was required in determining the appropriate index.	My procedures for the valuation of Land included, but were not limited to: In 2015-16: • Assessing the competence, capability and objectivity of the experts used to develop the valuations. • Obtaining an understanding of the valuers methodology used with reference to common industry practices. For the periods subsequent to the specific appraisal performed as at 30 June 2016: • Evaluating the reasonableness of the index used against other publicly available information about movements in values for unrestricted land that is otherwise similar. • On a sample basis, testing the accuracy of the application of indices to the valuation of land assets.

Buildings valuation $113.588 million and depreciation expense $5.154 million

Refer to note C3 in the financial report.

Key audit matter	How my audit addressed the key audit matter
The Department of Agriculture and Fisheries' specialised buildings were measured at fair value at balance date using current replacement cost method that comprises: • Gross replacement cost, less • Accumulated depreciation.	My procedures included, but were not limited to: In 2015-16: • Assessing management's controls over the valuation process • Assessing the appropriateness of the process used for measuring gross replacement cost with reference to the department's asset management plans, the unit costs of its recent projects, and common industry practices.

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<table>
<tr><th>Key audit matter</th><th>How my audit addressed the key audit matter</th></tr>
<tr><td>
The Department's Buildings were specifically appraised as at 30 June 2016 and indexed in subsequent years.

The Department derived the gross replacement cost of its buildings at balance date using unit prices that required significant judgements for:

identifying whether the existing building contains obsolescence or less utility compared to the modern substitute, and if so, estimating the adjustment to the unit rate required to reflect this difference.
buildings not specific appraised in the current year, indexing unit rates for increases in input costs

The measurement of accumulated depreciation involves significant judgements for estimating the remaining useful lives of assets.

The significant judgements required for gross replacement cost and useful lives are also significant for calculating annual depreciation expense.
</td><td>

For unit rates:

Assessing the competence, capability and objectivity of the experts used by the department to develop the unit rate models.
Obtaining an understanding of the methodology used and assessing its appropriateness with reference to common industry practices.
Evaluating on a sample basis the relevance, completeness and accuracy of source data used to derive the unit rate of the:

modern substitute (including locality factors and on costs)
adjustment for excess quality or obsolescence.

For the periods subsequent to the specific appraisal performed as at 30 June 2016:

Evaluating the reasonableness of the index used against publicly available information about movements in values for buildings that is otherwise similar.
Evaluating useful life estimates for reasonableness by:

Reviewing management's annual assessment of useful lives.
Assessing whether assets still in use have reached or exceeded their useful life.

Where changes in useful lives were identified, evaluating whether the effective dates of the changes applied for depreciation expense were supported by appropriate evidence.

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Responsibilities of the department for the financial report

The Accountable Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and Australian Accounting Standards, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Accountable Officer is also responsible for assessing the department's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the department or to otherwise cease operations.

Queensland Audit Office
Better public services

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the department.
- Conclude on the appropriateness of the department's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the department's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the department to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the Accountable Officer, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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In accordance with s.40 of the *Auditor-General Act 2009*, for the year 30 June 2019:

a) I received all the information and explanations I required.

b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

23 August 2019

Melissa Fletcher
as delegate of the Auditor-General

Queensland Audit Office
Brisbane