

South Australian Tourism Commission

Financial report
for the year ended
30 June 2020



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

To the Chair South Australian Tourism Commission

Opinion

I have audited the financial report of South Australian Tourism Commission for the financial year ended 30 June 2020.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the South Australian Tourism Commission as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chair, the Chief Executive Officer and the Chief Financial Officer.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of South Australian Tourism Commission. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) have been met.

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

Responsibilities of the Chief Executive and the Board of Directors for the financial report

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

The Board of Directors are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 23(3) of the *South Australian Tourism Commission Act 1993*, I have audited the financial report of South Australian Tourism Commission for the financial year ended 30 June 2020.

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the South Australian Tourism Commission's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive and the Board of Directors about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

A handwritten signature in black ink, appearing to read 'Andrew Richardson', with a long horizontal line extending to the right.

Andrew Richardson

Auditor-General

23 September 2020

SOUTH AUSTRALIAN TOURISM COMMISSION

CERTIFICATION OF THE FINANCIAL STATEMENTS

We certify that the attached general purpose financial statements for the South Australian Tourism Commission (SATC):

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards
- are in accordance with the accounts and records of the SATC, and
- present a true and fair view of the financial position of the SATC as at 30 June 2020 and the results of its operation and cash flows for the financial year.

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

Signed in accordance with a resolution of the board members.



Andrew Bullock
Chair
South Australian Tourism
Commission Board

14/09/2020



Rodney Harrex
Chief Executive Officer
South Australian Tourism
Commission

14/09/2020

Stephanie Rozokos
Chief Financial Officer
South Australian Tourism
Commission

14/9/2020

SOUTH AUSTRALIAN TOURISM COMMISSION

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

| | Note | 2020 \$'000 | 2019 \$'000 |
|--|-------|----------------|----------------|
| INCOME | | | |
| Appropriation | 3.1 | 89 203 | 83 605 |
| Intra-government transfers | 3.2 | 1 185 | 5 479 |
| Sponsorship and participation | 3.3 | 11 038 | 10 509 |
| Entry fees, licence fees and sales | 3.4 | 11 987 | 16 697 |
| Interest | | 59 | 160 |
| Other income | 3.5 | 281 | 231 |
| TOTAL INCOME | | 113 753 | 116 681 |
| EXPENSES | | | |
| Employee benefits expenses | 2.3 | 13 972 | 14 550 |
| Advertising and promotion | 4.1 | 31 633 | 37 103 |
| Industry assistance | 4.2 | 16 893 | 15 524 |
| Administration and accommodation | 4.3 | 4 671 | 7 050 |
| Event operations | 4.4 | 39 748 | 40 736 |
| Depreciation expense | 4.5 | 3 835 | 2 410 |
| Borrowing costs | 4.6 | 162 | - |
| Net loss from the disposal of non-current assets | 4.7 | 392 | 39 |
| Loss (gain) on impairment of receivables | 5.2.1 | 32 | (4) |
| TOTAL EXPENSES | | 111 338 | 117 408 |
| NET RESULT | | 2 415 | (727) |
| TOTAL COMPREHENSIVE RESULT | | 2 415 | (727) |

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

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

| | Note | 2020 \$'000 | 2019 \$'000 |
|--------------------------------------|------|----------------|----------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 5.1 | 19 416 | 16 568 |
| Receivables | 5.2 | 3 858 | 2 550 |
| Other financial assets | 5.3 | 27 | - |
| TOTAL CURRENT ASSETS | | 23 301 | 19 118 |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | 6.1 | 21 473 | 15 810 |
| TOTAL NON-CURRENT ASSETS | | 21 473 | 15 810 |
| TOTAL ASSETS | | 44 774 | 34 928 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Payables | 7.1 | 6 505 | 5 382 |
| Financial liabilities | 7.2 | 1 426 | 72 |
| Employee benefits | 2.4 | 1 448 | 1 531 |
| Provisions | 7.3 | 25 | 26 |
| Other current liabilities | 7.4 | 154 | 1 426 |
| TOTAL CURRENT LIABILITIES | | 9 558 | 8 437 |
| NON-CURRENT LIABILITIES | | | |
| Payables | 7.1 | 133 | 165 |
| Financial liabilities | 7.2 | 7 030 | - |
| Employee benefits | 2.4 | 1 821 | 2 113 |
| Provisions | 7.3 | 52 | 40 |
| Other non-current liabilities | 7.4 | - | 408 |
| TOTAL NON-CURRENT LIABILITIES | | 9 036 | 2 726 |
| TOTAL LIABILITIES | | 18 594 | 11 163 |
| NET ASSETS | | 26 180 | 23 765 |
| EQUITY | | | |
| Contributed capital | | 64 | 64 |
| Asset revaluation surplus | 8.2 | 7 938 | 8 453 |
| Retained earnings | | 18 178 | 15 248 |
| TOTAL EQUITY | | 26 180 | 23 765 |

The total equity is attributable to the SA Government as owner.

Unrecognised contractual commitments 10

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

| | Note | Contributed Capital \$'000 | Asset Revaluation Surplus \$'000 | Retained Earnings \$'000 | Total Equity \$'000 |
|---|-------|----------------------------------|---|--------------------------------|---------------------------|
| BALANCE AT 30 JUNE 2018 | | 64 | 8 599 | 15 830 | 24 493 |
| Adjustments on initial adoption of AASB 9 | | - | - | (1) | (1) |
| ADJUSTED BALANCE AT 1 JULY 2018 | | 64 | 8 599 | 15 829 | 24 492 |
| Net result for 2018-19 | | - | - | (727) | (727) |
| Total comprehensive result for 2018-19 | | - | - | (727) | (727) |
| Transfer between equity components | 6.2.2 | - | (146) | 146 | - |
| BALANCE AT 30 JUNE 2019 | | 64 | 8 453 | 15 248 | 23 765 |
| Net result for 2019-20 | | - | - | 2 415 | 2 415 |
| Total comprehensive result for 2019-20 | | - | - | 2 415 | 2 415 |
| Transfer between equity components | 6.2.2 | - | (515) | 515 | - |
| BALANCE AT 30 JUNE 2020 | | 64 | 7 938 | 18 178 | 26 180 |

All changes in equity are attributed to the SA Government as owner.

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

| | | 2020 | 2019 |
|---|------|-----------------------|-----------------------|
| | | Inflows (Outflows) | Inflows (Outflows) |
| | | \$'000 | \$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | Note | | |
| CASH INFLOWS | | | |
| Receipts from SA Government | | 90 388 | 89 084 |
| Receipts from the sale of goods and services | | 19 095 | 28 076 |
| Interest received | | 59 | 160 |
| GST recovered from the ATO | 8.3 | 5 549 | 5 648 |
| Receipts for Paid Parental Leave scheme | | 39 | 97 |
| CASH GENERATED FROM OPERATIONS | | 115 130 | 123 065 |
| CASH OUTFLOWS | | | |
| Employee benefits payments | | (14 378) | (14 351) |
| Payments for supplies and services | | (95 867) | (104 571) |
| Payments for Paid Parental Leave scheme | | (40) | (91) |
| Interest paid | | (162) | - |
| CASH USED IN OPERATIONS | | (110 447) | (119 013) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 8.3 | 4 683 | 4 052 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| CASH INFLOWS | | | |
| Proceeds from the sale of plant and equipment | | 34 | 32 |
| CASH GENERATED FROM INVESTING ACTIVITIES | | 34 | 32 |
| CASH OUTFLOWS | | | |
| Purchase of plant and equipment | | (626) | (1 585) |
| CASH USED IN INVESTING ACTIVITIES | | (626) | (1 585) |
| NET CASH USED IN INVESTING ACTIVITIES | | (592) | (1 553) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| CASH OUTFLOWS | | | |
| Repayment of leases | | (1 243) | - |
| CASH USED IN FINANCING ACTIVITIES | | (1 243) | - |
| NET CASH USED IN FINANCING ACTIVITIES | | (1 243) | - |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 2 848 | 2 499 |
| CASH AND CASH EQUIVALENTS AT 1 JULY | | 16 568 | 14 069 |
| CASH AND CASH EQUIVALENTS AT 30 JUNE | 5.1 | 19 416 | 16 568 |

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ABOUT THE SOUTH AUSTRALIAN TOURISM COMMISSION

1.1 REPORTING ENTITY

The South Australian Tourism Commission (SATC) is a not-for-profit statutory corporation of the State of South Australia, established pursuant to the *South Australian Tourism Commission Act 1993*. The SATC is an instrumentality of the Crown and holds its property on behalf of the Crown.

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

1.2 BASIS OF PREPARATION

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*
- relevant Australian Accounting Standards, including AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income of Not-for-Profit Entities* first adopted in 2019-20.

The financial statements have been prepared on a twelve-month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

Income, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST) except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of an asset or part of an expense item as applicable
- trade receivables and creditors, which are stated with the amount of GST included.

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Significant accounting policies are set out in the notes. Changes in accounting policy are disclosed in note 9.

1.3 OBJECTIVES AND PROGRAMS

The purpose of the SATC is to assist in securing economic and social benefits for the people of South Australia through the promotion of South Australia as a tourism destination, including the promotion of events, festivals and other activities, and the further development and improvement of the State's tourism industry. The principal goals of the SATC are to:

- add value to the efforts of the tourism industry and other government agencies, by ensuring a coordinated approach to the promotion of South Australia which results in an increase in visitor numbers to all regions of the State, thereby increasing the value of tourism to the economy and generating employment for South Australians
- attract, develop, own and support major and strategic events that generate substantial economic and social benefits for South Australia and promote the image and profile of Adelaide and South Australia
- ensure the development of South Australia's tourism resources in a socially responsible way with emphasis on the continued maintenance and preservation of South Australia's environmental and cultural heritage and the profitability and effective utilisation of infrastructure
- achieve a strong corporate team and positive corporate culture that uses its resources in the most effective and efficient manner.

The functions and powers of the SATC in relation to motor sport are established under the *South Australian Motor Sport Act 1984* and include the promotion of motor sport events and the establishment of a motor racing circuit on a temporary basis.

In achieving its objectives, the SATC provides a range of services classified into the following programs:

- **Tourism Development**
To build tourism opportunities by improving visitor access into and around the state, building industry capability and providing advice to the industry in terms of research, policy and planning.
- **Tourism Events**
To strategically build and promote the state's event calendar by developing and attracting new events and managing and growing existing events.
- **Tourism Marketing**
To develop and implement marketing activities and campaigns to increase the number of international and national visitors to and within South Australia.

The following tables present information about expenses, income, assets and liabilities attributed to each program. Expenses and income attributed to the SATC as a whole have been proportionally allocated to each of the programs based on full time equivalent employees in each of the programs.

1.4 EXPENSES AND INCOME BY PROGRAM

for the year ended 30 June 2020

| | <i>Tourism Development</i> | | <i>Tourism Events</i> | | <i>Tourism Marketing</i> | | <i>Total</i> | |
|--|----------------------------|----------------|-----------------------|----------------|--------------------------|----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| INCOME | | | | | | | | |
| Appropriation | 12 473 | 11 249 | 45 981 | 40 096 | 30 749 | 32 260 | 89 203 | 83 605 |
| Intra-government transfers | 200 | 189 | 719 | 1 308 | 266 | 3 982 | 1 185 | 5 479 |
| Sponsorship and participation | 132 | 401 | 9 803 | 8 644 | 1 103 | 1 464 | 11 038 | 10 509 |
| Entry fees, sales and commission | 55 | 142 | 11 807 | 16 413 | 125 | 142 | 11 987 | 16 697 |
| Interest | - | - | 59 | 160 | - | - | 59 | 160 |
| Other income | 3 | 13 | 73 | 50 | 205 | 168 | 281 | 231 |
| TOTAL INCOME | 12 863 | 11 994 | 68 442 | 66 671 | 32 448 | 38 016 | 113 753 | 116 681 |
| EXPENSES | | | | | | | | |
| Employee benefits expenses | 2 625 | 3 483 | 6 171 | 6 036 | 5 176 | 5 031 | 13 972 | 14 550 |
| Advertising and promotion | 1 254 | 1 568 | 6 652 | 6 331 | 23 727 | 29 204 | 31 633 | 37 103 |
| Industry assistance | 6 243 | 5 495 | 10 014 | 9 748 | 636 | 281 | 16 893 | 15 524 |
| Administration and accommodation | 673 | 1 039 | 1 799 | 2 772 | 2 199 | 3 239 | 4 671 | 7 050 |
| Event operations | 1 905 | 650 | 37 843 | 40 086 | - | - | 39 748 | 40 736 |
| Depreciation expense | 231 | 50 | 2 906 | 2 217 | 698 | 143 | 3 835 | 2 410 |
| Borrowing costs | 21 | - | 77 | - | 64 | - | 162 | - |
| Net loss from the disposal of non-current assets | - | 3 | 392 | 27 | - | 9 | 392 | 39 |
| Loss (gain) on impairment of receivables | - | - | 30 | (4) | 2 | - | 32 | (4) |
| TOTAL EXPENSES | 12 952 | 12 288 | 65 884 | 67 213 | 32 502 | 37 907 | 111 338 | 117 408 |
| NET RESULT | (89) | (294) | 2 558 | (542) | (54) | 109 | 2 415 | (727) |

1.5 ASSETS AND LIABILITIES BY PROGRAM

as at 30 June 2020

| | <i>Tourism Development</i> | | <i>Tourism Events</i> | | <i>Tourism Marketing</i> | | <i>General or Not Attributable</i> | | <i>Total</i> | |
|--------------------------|----------------------------|----------------|-----------------------|----------------|--------------------------|----------------|------------------------------------|----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| ASSETS | | | | | | | | | | |
| Cash and equivalents | - | - | 5 618 | 4 493 | 1 991 | 1 854 | 11 807 | 10 221 | 19 416 | 16 568 |
| Receivables | 31 | 17 | 2 417 | 1 159 | 555 | 436 | 855 | 938 | 3 858 | 2 550 |
| Other assets | - | - | 1 | - | 26 | - | - | - | 27 | - |
| Plant and equipment | - | - | 16 832 | 14 780 | - | - | 4 641 | 1 030 | 21 473 | 15 810 |
| TOTAL ASSETS | 31 | 17 | 24 868 | 20 432 | 2 572 | 2 290 | 17 303 | 12 189 | 44 774 | 34 928 |
| LIABILITIES | | | | | | | | | | |
| Payables | 614 | 187 | 1 170 | 1 581 | 3 831 | 3 108 | 1 023 | 671 | 6 638 | 5 547 |
| Financial liabilities | - | - | 4 238 | 8 | 7 | 64 | 4 211 | - | 8 456 | 72 |
| Employee benefits | 479 | 473 | 959 | 1 098 | 797 | 1 115 | 1 034 | 958 | 3 269 | 3 644 |
| Provisions | - | - | - | - | - | - | 77 | 66 | 77 | 66 |
| Other liabilities | - | - | 154 | 1 433 | - | 45 | - | 356 | 154 | 1 834 |
| TOTAL LIABILITIES | 1 093 | 660 | 6 521 | 4 120 | 4 635 | 4 332 | 6 345 | 2 051 | 18 594 | 11 163 |

1.6 RELATED PARTY TRANSACTIONS

Related parties of the SATC include all key management personnel and their close family members, all Cabinet Ministers and their close family members, any entities controlled or jointly controlled by a related party, all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government. See note 2.1 for transactions with key management personnel.

1.6.1 Significant Transactions with Government Related Entities

Other than as disclosed elsewhere in the financial statements, the SATC had the following significant transactions with government:

- payments to the Department for Planning, Transport and Infrastructure totalling \$1.3 million for tourism signage and event operations (included in notes 4.2 and 4.4)
- rent, outgoings and services of \$1.1 million paid to the South Australian Water Corporation for an office lease (refer to notes 4.3 and 8.3.1)

- events and convention facilities with the Adelaide Venue Management Corporation of \$586 000 (included in note 4.4)
- grants, sponsorships and contributions received from the Department of the Premier and Cabinet totalling \$575 000 (included in notes 3.2 and 3.3).

1.7 CHANGES TO THE SATC

On 13 January 2020 the Governor made the following proclamations:

- *Administrative Arrangements (Reference to Department for Trade, Tourism and Investment) Proclamation 2020*
- *Administrative Arrangements (Committal of Acts) Proclamation 2020*

in which references to the Minister for Trade, Tourism and Investment in the *South Australian Tourism Commission Act 1993*, the *South Australian Motor Sport Act 1984* and the *Major Events Act 2013*, and administration of those Acts transferred to the Premier. None of the assets, rights or liabilities of the SATC were transferred as a result of the proclamations.

1.8 IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic has significantly impacted the South Australian visitor economy and the SATC's ability to achieve its objectives. The pandemic has severely damaged the tourism industry, with many sectors of the visitor economy having been under enforced closure and trading under substantially limited conditions.

The COVID-19 pandemic has impacted on the operations of the SATC. The key impacts in 2019-20 were:

- cancellation of the 2020 Tasting Australia event, originally scheduled for March-April 2020, as well as the cancellation or postponement of numerous regional and sporting events supported by the SATC including the rescheduling of the NRL State of Origin match
- redirection of tourism marketing activities in line with travel restrictions and border closures, including the reallocation of international marketing funding to activities targeted at intrastate visitation to the regions
- reallocation of resources to provide support programs to South Australian tourism businesses deeply affected by the pandemic, including financial support packages, online resources, digital training and a COVID awareness training program.

The COVID-19 pandemic will continue to impact the operations of the SATC in 2020-21. The key impacts are unquantifiable and largely dependent on the severity and duration of the pandemic. The SATC:

- has considered the impact of COVID-19 on the visitor economy, including a range of factors such as aviation, visitor origin, visitation purpose, economic factors and changes in consumer behaviour post-recovery
- has launched intrastate and interstate marketing activities to drive visitation to the regions, with plans to expand campaigns out with each stage of recovery, addressing new markets as they become available
- will continue to drive consumer engagement, with numerous digital programs showcasing products, experiences, and South Australia's food and wine heroes and to provide the industry with platforms to promote and sell products to consumers
- will monitor developments and activate contingency plans for future managed events, following health advice, current recovery stages and restrictions around large gatherings.

2. BOARD, COMMITTEES AND EMPLOYEES

2.1 KEY MANAGEMENT PERSONNEL

The key management personnel of the SATC during 2019-20 were the Premier, the Minister for Trade, Tourism and Investment, Board directors, the Chief Executive Officer and the members of the Executive Team who have responsibility for the strategic direction and management of the SATC. Total compensation for key management personnel detailed in this note excludes salaries and other benefits received by the Premier and the Minister for Trade, Tourism and Investment. The Premier's and Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

2.1.1 Compensation

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Salaries and other short-term employee benefits | 1 490 | 1 517 |
| Post-employment benefits | 178 | 186 |
| Other long-term employment benefits | 115 | - |
| Termination benefits | 70 | - |
| Total compensation | <u>1 853</u> | <u>1 703</u> |

2.1.2 Significant Transactions with Key Management Personnel

The SATC had no individually significant transactions with key management personnel, their close family members or any entities controlled or jointly controlled by key management personnel or their close family members.

2.2 BOARD DIRECTORS

Members of the South Australian Tourism Commission Board during the 2020 financial year were:

| | | |
|--|--|--------------------------------------|
| Jayne Bates OAM (to 30 September 2019) | Donna Gauci (from 2 July 2019) | John Irving |
| Andrew Bullock (from 2 July 2019) | Judith Griggs (to 30 September 2019) | Annie Mitchell (from 1 October 2019) |
| Joanne Collins ¹ (to 30 September 2019) | Rodney Harrex ¹ (<i>ex officio</i>) | Grant Wilckens (from 2 July 2019) |
| Helen Edwards (from 19 March 2020) | Ian Horne | Mark Young (to 24 June 2020) |
| Jayne Flaherty (from 1 October 2019) | | |

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

| | 2020 Number | 2019 Number |
|---------------------------|----------------|----------------|
| \$0 - \$19 999 | 12 | 9 |
| \$20 000 - \$39 999 | 1 | 1 |
| Total number of directors | 13 | 10 |

The total remuneration received or receivable by directors was \$170 000 (\$150 000). Remuneration of directors includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

2.3 EMPLOYEE BENEFITS EXPENSES

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Salaries and wages | 10 820 | 10 914 |
| Targeted voluntary separation packages | 207 | 198 |
| Long service leave | 79 | 498 |
| Annual leave | 907 | 919 |
| Skills and experience retention leave | 21 | 26 |
| Employment on-costs – superannuation | 1 093 | 1 148 |
| Employment on-costs – other | 648 | 668 |
| Board and committee fees | 155 | 137 |
| Other employment related expenses | 42 | 42 |
| Total employee benefits expenses | 13 972 | 14 550 |

Superannuation employment on-costs represent contributions to superannuation plans for the current services of current employees.

2.3.1 Targeted Voluntary Separation Packages (TVSPs)

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Amount paid to separated employees: | | |
| TVSPs | 207 | 198 |
| Leave paid to separated employees | 87 | 162 |
| Recovery from the Department of Treasury and Finance | (207) | (198) |
| Net cost to the SATC | 87 | 162 |

The number of employees who received a TVSP during the reporting period was 3 (2).

2.3.2 Remuneration of Employees

| | 2020 Number | 2019 Number |
|---|----------------|----------------|
| The number of employees whose remuneration received or receivable falls within the following bands: | | |
| \$151 001 - \$154 000 ² | n/a | 1 |
| \$174 001 - \$194 000 | 1 | - |
| \$194 001 - \$214 000 | 1 | 2 |
| \$214 001 - \$234 000 | 1 | - |
| \$234 001 - \$254 000 | 1 | 2 |
| \$254 001 - \$274 000 | - | 1 |
| \$274 000 - \$294 000 | 1 | - |
| \$394 001 - \$414 000 | - | 1 |
| \$414 000 - \$434 000 | 1 | - |
| | 6 | 7 |

The table includes all employees whose normal remuneration was equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, termination payments, payments in lieu of leave, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax. The total remuneration received by these employees for the year was \$1 579 000 (\$1 705 000).

¹ In accordance with Premier and Cabinet Circular PC016, government employees received no remuneration for board duties during the financial year

² This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2018-19

2.4 EMPLOYEE BENEFITS LIABILITY

| | 2020 | 2019 |
|---------------------------------------|---------------------|---------------------|
| | \$'000 | \$'000 |
| Current: | | |
| Annual leave | 841 | 895 |
| Long service leave | 292 | 284 |
| Skills and experience retention leave | 26 | 36 |
| Accrued salaries and wages | 289 | 316 |
| Total current employee benefits | <u>1 448</u> | <u>1 531</u> |
| Non-Current: | | |
| Long service leave | <u>1 821</u> | 2 113 |
| Total non-current employee benefits | <u>1 821</u> | 2 113 |
| Total employee benefits | <u><u>3 269</u></u> | <u><u>3 644</u></u> |

Employee benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

2.4.1 Salaries and Wages, Annual Leave, Skills and Experience Retention Leave and Sick Leave Liabilities

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

The annual leave liability and the skills and experience retention leave liability are expected to be payable within twelve months and are measured at the undiscounted amounts expected to be paid. The actuarial assessment performed by the Department of Treasury and Finance reduced the salary inflation rate to 2.0% (2020) from 2.2% (2019) for annual leave and skills and experience retention leave. The net financial effect in the 2020 financial year is a decrease in the annual leave liability and skills and experience retention leave liability of \$2 000 and employee benefits expenses of \$2 000. The estimated impact in 2021 is \$3 000 and \$2 000 respectively. The estimated impact in 2022 is \$5 000 and \$2 000 respectively.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

2.4.2 Long Service Leave Liability

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Current long service leave reflects the portion of leave expected to be settled within the next twelve months based on previous experience. All other long service leave is classified as non-current.

AASB 119 *Employee Benefits* determines the calculation methodology for long service leave liability. An actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

The actuarial assessment of the salary inflation rate for long service leave decreased to 2.5% (2020) from 4.0% (2019) resulting in a decrease in the reported long service leave liability.

AASB 119 *Employee Benefits* requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has decreased to 0.75% (2020) from 1.25% (2019), resulting in an increase in the reported long service leave liability.

The net financial effect in the current financial year of the changes to actuarial assumptions and the bond yield rate is a decrease in the long service leave liability of \$197 000 and employee benefits expenses of \$211 000. The impact on future periods is not possible to estimate as the long service leave liability is calculated using several demographic and financial assumptions, including the long-term discount rate.

3. INCOME

3.1 APPROPRIATION

| | 2020 | 2019 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i> | 86 193 | 87 381 |
| Appropriations received under other Acts | 3 010 | - |
| Transfer to Department for Trade, Tourism and Investment for the Convention Bid Fund | - | (3 759) |
| Transfer to Department of Treasury and Finance for Shared Services SA pricing increase | - | (17) |
| Total appropriation | <u>89 203</u> | <u>83 605</u> |

Appropriation is recognised as income on receipt.

Total appropriation consists of \$88 554 000 (\$82 955 000) of operational funding and \$649 000 (\$650 000) for capital purposes. For details on the expenditure associated with the operational and capital funding received refer to notes 2.3, 4 and 6.1.

The original amount appropriated to the SATC under the annual *Appropriation Act* was not varied. An additional \$3 010 000 was appropriated to the SATC from the Governor's Appropriation Fund.

3.2 INTRA-GOVERNMENT TRANSFERS

| | 2020 | 2019 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| State Government grants | 715 | 4 029 |
| Recovery from the Department of Treasury and Finance for TVSPs | 212 | 200 |
| Other revenues from SA Government | 258 | 1 250 |
| Total revenues from SA Government | <u>1 185</u> | <u>5 479</u> |

State Government grants mainly consist of funding from the Economic and Business Growth Fund. As the grants are non-recourse grants, they have been recognised as income on receipt.

3.3 SPONSORSHIP AND PARTICIPATION

| | 2020 | 2019 |
|-------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Sponsorship income | 9 712 | 8 644 |
| Industry contributions | 1 173 | 1 363 |
| Cooperative marketing/advertising | 67 | 395 |
| Industry participation fees | 86 | 107 |
| Total sponsorship and participation | <u>11 038</u> | <u>10 509</u> |

Sponsorship and participation is recognised as income from contracts with customers. Revenue is recognised in the period in which the services are provided.

3.4 ENTRY FEES, LICENCE FEES AND SALES

| | 2020 | 2019 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Event entry fees | 8 385 | 12 548 |
| Licence fees | 2 199 | 2 743 |
| Sale of merchandise | 79 | 62 |
| Service fees | 971 | 973 |
| Rental income | 272 | 343 |
| Sundry sales | 81 | 28 |
| Total entry fees, licence fees and sales | <u>11 987</u> | <u>16 697</u> |

Income from event entry fees, licence fees and sales is recognised as income from contracts with customers. Revenue is recognised in the period in which the services are provided. Where payment is received for event entry fees and licence fees in an earlier period, it is disclosed in note 7.4 as unearned revenue.

3.5 OTHER INCOME

| | 2020 | 2019 |
|--------------------------|------------|------------|
| | \$'000 | \$'000 |
| Gain on foreign exchange | 281 | 231 |
| Total other income | <u>281</u> | <u>231</u> |

Foreign currency transactions are translated using exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using exchange rates at the reporting date. Gains and losses on foreign exchange arise when items are translated at rates different from those at which they were translated when initially recognised or in previous financial statements.

4. EXPENSES

Employee benefits expenses are disclosed in note 2.3.

| 4.1 ADVERTISING AND PROMOTION | 2020 \$'000 | 2019 \$'000 |
|---------------------------------|----------------|----------------|
| Consumer advertising | 12 522 | 13 673 |
| Cooperative consumer marketing | 4 689 | 7 121 |
| Familiarisations | 1 089 | 1 545 |
| Other consumer marketing | 86 | 152 |
| Production | 6 103 | 6 214 |
| Representation and contractors | 3 202 | 3 177 |
| Marketing research | 1 003 | 975 |
| Trade marketing | 858 | 2 046 |
| Other advertising and promotion | 2 081 | 2 200 |
| Total advertising and promotion | 31 633 | 37 103 |

| 4.2 INDUSTRY ASSISTANCE | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Sponsorship of events | 10 278 | 8 763 |
| Marketing/industry support | 4 919 | 4 871 |
| Tourism infrastructure | 1 049 | 1 191 |
| Tourism marketing boards/information centre grants | 541 | 578 |
| Trade show subsidies/membership of tourism industry bodies | 106 | 121 |
| Total industry assistance | 16 893 | 15 524 |

Industry assistance is recognised as a liability and expense when the SATC has a contractual obligation to pay and the expense recognition criteria are met.

| 4.3 ADMINISTRATION AND ACCOMMODATION | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Accommodation and service costs | 1 376 | 3 332 |
| Communication and computing | 1 734 | 1 973 |
| Stationery, postage, couriers and freight | 95 | 94 |
| Contractors and consultants | 170 | 186 |
| Motor vehicles, taxis and car parking | 93 | 171 |
| Domestic and international travel | 261 | 346 |
| Seminars, courses and training | 71 | 127 |
| Insurance | 309 | 309 |
| Audit, legal and other fees | 292 | 237 |
| Loss on foreign exchange | 30 | 74 |
| Other | 240 | 201 |
| Total administration and accommodation | 4 671 | 7 050 |

4.3.1 Consultants

The number and dollar amount of consultancies included in Administration and Accommodation that fell within the following bands:

| | 2020 | | 2019 | |
|---|------|--------|------|--------|
| | No. | \$'000 | No. | \$'000 |
| Below \$10 000 | 1 | 3 | 1 | 2 |
| \$10 000 and above | 1 | 16 | 2 | 69 |
| Total paid/payable to the consultants engaged | 2 | 19 | 3 | 71 |

4.3.2 Audit Fees

Audit fees paid/payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were \$72 000 (\$90 000). No other services were provided by the Auditor-General's Department.

4.4 EVENT OPERATIONS

| | 2020 \$'000 | 2019 \$'000 |
|------------------------------|----------------|----------------|
| Event facilities | 11 173 | 10 477 |
| Construction | 4 726 | 4 796 |
| Catering and entertainment | 4 003 | 5 137 |
| Communications | 1 170 | 1 223 |
| Transport | 1 345 | 1 157 |
| Participants and contractors | 10 586 | 10 531 |
| Television and media | 3 205 | 3 185 |
| Event management | 3 540 | 4 230 |
| Total event operations | <u>39 748</u> | <u>40 736</u> |

4.5 DEPRECIATION EXPENSE

| | 2020 \$'000 | 2019 \$'000 |
|-----------------------------|----------------|----------------|
| General plant and equipment | 31 | 67 |
| Pageant plant and equipment | 179 | 147 |
| Motor sport infrastructure | 1 861 | 1 839 |
| Fitouts | 305 | 357 |
| Right-of-use assets | 1 459 | - |
| Total depreciation expense | <u>3 835</u> | <u>2 410</u> |

All non-current assets, having limited useful lives, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential.

4.5.1 Review of Accounting Estimates

Assets' residual values, useful lives and amortisation methods are reviewed annually and adjusted if appropriate. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate. The value of fitouts is amortised over the estimated remaining useful life of each fitout, or the unexpired period of the relevant lease, whichever is shorter.

4.5.2 Useful Life

Depreciation is calculated on a straight-line basis over the estimated useful life of the following classes of assets as follows:

| Class of Asset | Useful Life |
|-----------------------------|-------------|
| General plant and equipment | 4-10 |
| Pageant plant and equipment | 3-35 |
| Motor sport infrastructure | 2-20 |
| Fitouts | 5-10 |
| Right-of-use assets | 3-20 |

4.6 BORROWING COSTS

| | 2020 \$'000 | 2019 \$'000 |
|---------------------------------------|----------------|----------------|
| Interest expense on lease liabilities | 162 | - |
| Total borrowing costs | <u>162</u> | <u>-</u> |

4.7 NET LOSS FROM THE DISPOSAL OF NON-CURRENT ASSETS

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Plant and equipment | | |
| Net book value of assets disposed | 426 | 71 |
| Proceeds from disposal | (34) | (32) |
| Total net loss from the disposal of non-current assets | <u>392</u> | <u>39</u> |

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

5. FINANCIAL ASSETS

| 5.1 CASH AND CASH EQUIVALENTS | 2020 \$'000 | 2019 \$'000 |
|---------------------------------|----------------|----------------|
| Deposits with the Treasurer | 11 801 | 10 207 |
| Cash at bank | 7 609 | 6 347 |
| Cash on hand | 6 | 14 |
| Total cash and cash equivalents | <u>19 416</u> | <u>16 568</u> |

Cash is measured as nominal amounts.

5.1.1 Deposits with the Treasurer

The SATC has three deposit accounts with the Treasurer, consisting of two general operating accounts and the Accrual Appropriation Excess Funds Account (AAEFA). The balance of the AAEFA was \$9 138 000 (\$7 682 000). The SATC controls the money in the AAEFA but its use must be approved by the Treasurer. The SATC does not earn interest on its deposits with the Treasurer.

| 5.2 RECEIVABLES | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Current: | | |
| Trade receivables | 2 188 | 1 226 |
| Less allowance for impairment loss on receivables | (39) | (7) |
| | <u>2 149</u> | <u>1 219</u> |
| GST input tax recoverable | 621 | 780 |
| Contract assets | 428 | 279 |
| Prepayments | 660 | 272 |
| Total receivables | <u>3 858</u> | <u>2 550</u> |

Trade receivables arise in the normal course of selling goods and services to the public and to other government agencies. Trade receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing. Trade receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost. The net amount of GST payable to the ATO is included as part of trade receivables.

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

Refer to note 11.1 for information on risk management.

| 5.2.1 Allowance for Impairment Loss on Receivables | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Movement in the allowance for doubtful debts | | |
| Carrying amount at 1 July | 7 | 36 |
| Increase in the allowance | 38 | 6 |
| Amounts recovered during the year | (6) | (10) |
| Increase (decrease) in allowance recognised in profit or loss | <u>32</u> | <u>(4)</u> |
| Amounts written off | - | (25) |
| Carrying amount at 30 June | <u>39</u> | <u>7</u> |

Refer to note 11.3 for information on credit risk and the methodology for determining impairment.

| 5.2.2 Contract Assets | 2020 \$'000 |
|--|----------------|
| Opening balance from 30 June 2019 adjusted for AASB 15 | 279 |
| Add additional costs incurred that are recoverable from the customer | 428 |
| Less transfer to receivables | (279) |
| Total contract assets | <u>428</u> |

Contract assets relate to the SATC's right to consideration in exchange for goods and services transferred to customers for works completed, but not yet billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the SATC issues an invoice to the customer.

5.3 OTHER FINANCIAL ASSETS

| | 2020 | 2019 |
|------------------------------------|-----------|----------|
| | \$'000 | \$'000 |
| Current: | | |
| Foreign exchange forward contracts | 27 | - |
| Total other assets | <u>27</u> | <u>-</u> |

Refer to note 11.4 for information on market risk.

6. NON-FINANCIAL ASSETS**6.1 PLANT AND EQUIPMENT**

| | 2020 | 2019 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| General plant and equipment | | |
| At cost (deemed fair value) | 248 | 248 |
| Accumulated depreciation at the end of the period | <u>(216)</u> | <u>(185)</u> |
| Total general plant and equipment | <u>32</u> | <u>63</u> |
| Pageant plant and equipment | | |
| At cost (deemed fair value) | 2 060 | 2 040 |
| Accumulated depreciation at the end of the period | <u>(1 146)</u> | <u>(1 099)</u> |
| Total Pageant plant and equipment | <u>914</u> | <u>941</u> |
| Motor sport infrastructure | | |
| At cost (deemed fair value) | 690 | 336 |
| Accumulated depreciation at the end of the period | <u>(60)</u> | <u>(10)</u> |
| At fair value | 14 411 | 14 808 |
| Accumulated depreciation at the end of the period | <u>(3 549)</u> | <u>(1 829)</u> |
| Total motor sport infrastructure | <u>11 492</u> | <u>13 305</u> |
| Fitouts | | |
| At cost (deemed fair value) | 2 128 | 2 128 |
| Accumulated depreciation at the end of the period | <u>(932)</u> | <u>(627)</u> |
| Total fitouts | <u>1 196</u> | <u>1 501</u> |
| Right-of-use assets | | |
| At cost | 9 295 | - |
| Accumulated depreciation at the end of the period | <u>(1 456)</u> | <u>-</u> |
| Total right-of-use assets | <u>7 839</u> | <u>-</u> |
| Total plant and equipment | <u>21 473</u> | <u>15 810</u> |

6.1.1 Owned Plant and Equipment

Plant and equipment owned by the SATC is valued at fair value or deemed fair value. Refer to note 6.2 for information about fair value.

All Pageant floats, regardless of their value, are recognised as non-current assets. Pageant floats are recorded at historic cost less accumulated depreciation. All other non-current tangible assets with a value equal to or in excess of \$15 000 are capitalised.

Plant and equipment includes \$161 000 (\$225 000) of fully depreciated plant and equipment still in use.

6.1.2 Impairment of Owned Plant and Equipment

The SATC holds its plant and equipment assets for their service potential (value in use). Specialised assets would rarely be sold and typically any costs of disposal would be negligible. Accordingly, the recoverable amount will be close to or greater than fair value.

There were no indications of impairment of plant and equipment at 30 June 2020.

6.1.3 Leased Plant and Equipment

On 1 July 2019 the SATC adopted AASB 16 *Leases*, resulting in the recognition of right-of-use assets representing leased accommodation and motor vehicles. Refer to note 9.1 for information on the change in accounting policy.

Plant and equipment leased by the SATC is recorded at cost. Short term leases of 12 months or less and low value leases where the underlying asset value is less than \$15 000 are not recognised as right-of-use assets. The associated rent payments are recognised as expenses and disclosed in note 4.3.

The SATC had the following leases during 2019-20:

- 10 motor vehicle leases with the South Australian Government Financing Authority (SAFA). Motor vehicle leases are non-cancellable with rental payments monthly in arrears. Motor vehicle lease terms can range from 3 years or 60,000 km, up to 5 years or 100,000 km. The lease agreements contain no contingent rental provisions and no options to renew the leases at the end of their term.

- A lease of office accommodation under a Memorandum of Administrative Agreement (MOAA) with SA Water. The term of the lease is 5 years 9 months with rent payable monthly in advance. The MOAA contains an option to extend up to a further 10 years, subject to the head lease being extended. The option to extend has not been included in the term because the head lessee does not intend to exercise its option to extend.
- A commercial lease of warehouse, workshop and office space for the term of 10 years, with the option to extend for up to a further 10 years. The option to extend has been included in the term because management is reasonably certain to exercise the option. Rent is payable monthly in advance.
- A commercial lease of office accommodation for the term of 9 years, with the option to extend for 5 years. The option to extend has not been included in the term because management has determined that it will not exercise the option. Rent is payable monthly in advance.

The lease liabilities related to the right-of-use assets are disclosed in note 7.2. Refer to note 11.5 for maturity analysis of lease liabilities. Expenses related to leases, including depreciation and interest, are disclosed in notes 4.5 and 4.6. Cash outflows related to leases are disclosed in note 8.3.

6.1.4 Impairment of Leased Plant and Equipment

Plant and equipment leased by the SATC has been assessed for impairment. There was no indication of impairment at 30 June 2020.

6.1.5 Reconciliation of Movements in Plant and Equipment during 2019-20

| | General Plant & Equipment \$'000 | Pageant Plant & Equipment \$'000 | Motor Sport Infrastructure \$'000 | Fitouts \$'000 | Right-of-Use Assets \$'000 | Total \$'000 |
|----------------------------|--|--|---|-------------------|----------------------------------|-----------------|
| Carrying amount at 1 July | 63 | 941 | 13 305 | 1 501 | - | 15 810 |
| Adoption of AASB 16 Leases | - | - | - | - | 9 281 | 9 281 |
| Additions | - | 154 | 472 | - | 17 | 643 |
| Disposals | - | (2) | (424) | - | - | (426) |
| Depreciation | (31) | (179) | (1 861) | (305) | (1 459) | (3 835) |
| Carrying amount at 30 June | 32 | 914 | 11 492 | 1 196 | 7 839 | 21 473 |

6.1.6 Reconciliation of Movements in Plant and Equipment during 2018-19

| | General Plant & Equipment \$'000 | Pageant Plant & Equipment \$'000 | Motor Sport Infrastructure \$'000 | Fitouts \$'000 | Right-of-Use Assets \$'000 | Total \$'000 |
|----------------------------|--|--|---|-------------------|----------------------------------|-----------------|
| Carrying amount at 1 July | 130 | 927 | 14 816 | 1 803 | - | 17 676 |
| Additions | - | 169 | 336 | 110 | - | 615 |
| Disposals | - | (8) | (8) | (55) | - | (71) |
| Depreciation | (67) | (147) | (1 839) | (357) | - | (2 410) |
| Carrying amount at 30 June | 63 | 941 | 13 305 | 1 501 | - | 15 810 |

6.2 FAIR VALUE MEASUREMENT

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

6.2.1 Acquisition and Recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental costs involved with the acquisition. Non-current assets are subsequently measured at fair value.

6.2.2 Revaluation

The valuation processes and fair value changes are reviewed by the Chief Financial Officer at each reporting date.

All non-current tangible assets are valued at fair value and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1.5 million and estimated useful life is greater than three years. A valuation appraisal by a Certified Practising Valuer is performed at least every six years.

An independent valuation of motor sport infrastructure last was performed in March 2018 by Certified Practising Valuers from Jones Lang LaSalle as at 30 June 2018. The valuers used the cost approach for the measurement of fair value, as observable market inputs were lacking, limited or unreliable. The cost approach considered the current replacement costs of the assets valued, with replacement costs being based on modern equivalent assets including all costs directly attributable to bringing the asset to working condition for its intended use, as well as improvements in asset designs, materials and technology, less allowances for physical depreciation based on the current condition and use of the assets valued. With physical depreciation and obsolescence having a significant effect on an asset's fair value, as well as the use of the cost approach in the valuation of these assets, all assets revalued have been categorised as level 3 in the fair value hierarchy.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets. Upon disposal or derecognition, any revaluation surplus relating to that asset is transferred to retained earnings.

6.2.3 Fair Value Hierarchy

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

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

Fair value measurements recognised in the Statement of Financial Position are categorised into level 3 at 30 June. The SATC had no valuations categorised into level 1 or level 2. There were no transfers of assets between fair value hierarchy levels and there were no changes in valuation techniques during 2019-20.

6.2.4 Fair Value Measurements

All items of general plant and equipment, Pageant plant and equipment and fitouts had a fair value at the time of acquisition less than \$1.5 million or had an estimated useful life less than three years. In accordance with *Treasurer's Instructions (Accounting Policy Statements) 2019 APS 116.D* these assets have not been revalued. The carrying value of assets not revalued is deemed to approximate fair value.

Motor sport infrastructure is classified in level 3 as observable market inputs are lacking, limited or unreliable. Fair value is determined using the cost approach which considers current replacement costs based on modern equivalent assets including all costs directly attributable to bringing the assets to working condition for their intended use, as well as improvements in asset designs, material and technology, less allowances for physical depreciation based on the current condition and use of the assets.

7. LIABILITIES

Employee benefits liabilities are disclosed in note 2.4.

7.1 PAYABLES

| | 2020 | 2019 |
|------------------------------------|--------------|--------------|
| | \$'000 | \$'000 |
| Current: | | |
| Creditors | 1 431 | 2 153 |
| Accrued expenses | 4 816 | 2 971 |
| Employment on-costs | 250 | 249 |
| Paid Parental Leave scheme payable | 8 | 9 |
| Total current payables | <u>6 505</u> | <u>5 382</u> |
| Non-Current: | | |
| Employment on-costs | 133 | 165 |
| Total non-current payables | <u>133</u> | <u>165</u> |
| Total payables | <u>6 638</u> | <u>5 547</u> |

All payables are non-interest bearing. The net amount of GST recoverable from the ATO is included as part of creditors. The carrying amount of payables represents fair value due to their short-term nature. Refer to note 11.1 for information on risk management.

7.1.1 Creditors

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of the SATC.

7.1.2 Accrued Expenses

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice had not been received.

7.1.3 Employment On-Costs

Employment on-costs include payroll tax, workers compensation levies and superannuation contributions. The SATC makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as expenses when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The liabilities outstanding at the reporting date are for contributions due but not yet paid to superannuation

schemes, payroll tax payable to Revenue SA and the estimated on-costs on liabilities for accrued salaries and wages, long service leave, annual leave and skills and experience retention leave.

An actuarial assessment performed by the Department of Treasury and Finance determined that the average factor for the calculation of employer superannuation contribution on-cost on long service leave was 9.8%, unchanged from 2019. The percentage of long service leave taken as leave is 22.8% (27.9%), calculated as the actual percentage of leave taken during the last five years. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is a decrease in the employment on-cost of \$16 000 and the estimated future impact is a decrease of \$17 000 in both 2021 and 2022.

7.1.4 Paid Parental Leave Scheme

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

| 7.2 FINANCIAL LIABILITIES | 2020 | 2019 |
|---|---------------------|-----------|
| | \$'000 | \$'000 |
| Current: | | |
| Lease liabilities | 1 419 | - |
| Foreign exchange forward contracts | 7 | 72 |
| Total current financial liabilities | <u>1 426</u> | <u>72</u> |
| Non-Current: | | |
| Lease liabilities | 7 030 | - |
| Total non-current financial liabilities | <u>7 030</u> | <u>-</u> |
| Total financial liabilities | <u><u>8 456</u></u> | <u>72</u> |

Financial liabilities are measured at amortised cost. All material cash outflows are reflected in the lease liabilities disclosed above.

| 7.3 PROVISIONS | 2020 | 2019 |
|------------------------------------|------------------|-----------|
| | \$'000 | \$'000 |
| Current: | | |
| Provision for workers compensation | 25 | 26 |
| Total current provisions | <u>25</u> | <u>26</u> |
| Non-Current: | | |
| Provision for workers compensation | 52 | 40 |
| Total non-current provisions | <u>52</u> | <u>40</u> |
| Total provisions | <u><u>77</u></u> | <u>66</u> |

| 7.3.1 Movement in Provisions | 2020 | 2019 |
|--|---------------|-----------|
| | \$'000 | \$'000 |
| Carrying amount at 1 July | 66 | 68 |
| Additional provisions recognised | 26 | 23 |
| Reductions resulting from payments/other sacrifice of future economic benefits | (5) | (3) |
| Reduction resulting from re-measurement or settlement without cost | (10) | (22) |
| Carrying amount at 30 June | <u>77</u> | <u>66</u> |

The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2020 provided by a consulting actuary engaged through the Office of the Commission for Public Sector. The provision reflects unsettled workers compensation claims and is for the estimated cost of ongoing payments to employees as required under current legislation.

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

| 7.4 OTHER LIABILITIES | 2020 | 2019 |
|-------------------------------------|-------------------|--------------|
| | \$'000 | \$'000 |
| Current: | | |
| Accommodation incentive | - | 108 |
| Unearned revenue | - | 25 |
| Contract liabilities | 154 | 1 293 |
| Total current other liabilities | <u>154</u> | <u>1 426</u> |
| Non-Current: | | |
| Accommodation incentive | - | 408 |
| Total non-current other liabilities | <u>-</u> | <u>408</u> |
| Total other liabilities | <u><u>154</u></u> | <u>1 834</u> |

7.4.1 Contract Liabilities

| | 2020 |
|---|----------------|
| | \$'000 |
| Opening balance from 30 June 2019 adjusted for AASB 15 | 1 293 |
| Add payments received for performance obligations yet to be completed | 154 |
| Less revenue recognised for completion of performance obligation | (1 293) |
| Total contract liabilities | 154 |

Contract liabilities include consideration received in advance from customers in respect of events run by SATC and are recognised in the reporting period when the performance obligation is complete.

8. OTHER DISCLOSURES**8.1 BUDGET PERFORMANCE**

The budget performance tables compare the SATC's outcome against budget information presented to Parliament (2019-20 Budget Paper 4). The original budget amounts have been presented and classified on a basis that is consistent with line items in the financial statements, and have not been adjusted to reflect revised budgets or administrative restructures. The budget process is not subject to audit.

In accordance with *Treasurer's Instructions (Accounting Policy Statements)* APS 1055.B, explanations are only provided for variances where the variance is more than 10% of the original budgeted amount and more than 5% of total expenses.

8.1.1 Statement of Comprehensive Income

| | Original Budget | Actual | Variance |
|--|-----------------|----------------|----------------|
| | 2020 | 2020 | |
| | \$'000 | \$'000 | \$'000 |
| Income | | | |
| Appropriation | 86 193 | 89 203 | 3 010 |
| Intra-government transfers | - | 1 185 | 1 185 |
| Sponsorship and participation | 11 139 | 11 038 | (101) |
| Entry fees, licence fees and sales | 17 772 | 11 987 | (5 785) |
| Interest | 106 | 59 | (47) |
| Other income | - | 281 | 281 |
| Total income | 115 210 | 113 753 | (1 457) |
| Expenses | | | |
| Employee benefits expenses | 14 387 | 13 972 | (415) |
| Advertising and promotion | 31 794 | 31 633 | (161) |
| Industry assistance | 20 417 | 16 893 | (3 524) |
| Administration and accommodation | 5 559 | 4 671 | (888) |
| Event operations | 40 743 | 39 748 | (995) |
| Depreciation expense | 2 310 | 3 835 | 1 525 |
| Borrowing costs | - | 162 | 162 |
| Net loss from the disposal of non-current assets | - | 392 | 392 |
| Loss on impairment of receivables | - | 32 | 32 |
| Total expenses | 115 210 | 111 338 | (3 872) |
| Net result | - | 2 415 | 2 415 |
| Total comprehensive result | - | 2 415 | 2 415 |

8.1.2 Investing Expenditure Summary

| | Original Budget | Actual | Variance |
|-----------------------------|-----------------|------------|-------------|
| | 2020 | 2020 | |
| | \$'000 | \$'000 | \$'000 |
| Investing expenditure | | | |
| Total annual programs | 649 | 626 | (23) |
| Total new projects | - | 17 | 17 |
| Total investing expenditure | 649 | 643 | (6) |

8.2 EQUITY

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

8.3 CASH FLOWS

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

| 8.3.1 Leases | 2020 | 2019 |
|--|----------------|---------|
| | \$'000 | \$'000 |
| Right-of-use assets | 1 405 | - |
| Total cash outflow for leases | 1 405 | - |
| | | |
| 8.3.2 Cash Flow Reconciliation | 2020 | 2019 |
| | \$'000 | \$'000 |
| Reconciliation of cash and cash equivalents at 30 June: | | |
| Cash and cash equivalents disclosed in the Statement of Financial Position | 19 416 | 16 568 |
| Balance as per the Statement of Cash Flows | 19 416 | 16 568 |
| | | |
| Reconciliation of net cash provided by operating activities to net result: | | |
| Net cash provided by operating activities | 4 683 | 4 052 |
| Non-cash items | | |
| Depreciation expense | (3 835) | (2 410) |
| Net loss from disposal of non-current assets | (392) | (39) |
| Movement in assets and liabilities | | |
| Receivables | 1 308 | (185) |
| Other assets | 27 | (143) |
| Payables | (1 091) | (1 025) |
| Financial liabilities | (8 384) | (71) |
| Employee benefits | 375 | (194) |
| Provisions | (11) | 2 |
| Other liabilities | 1 680 | (714) |
| Net movement on adoption of AASB 16 | 8 055 | - |
| Net result | 2 415 | (727) |

9. CHANGES IN ACCOUNTING POLICY

9.1 AASB 16 LEASES

AASB 16 *Leases* sets out a comprehensive model for lessee accounting that addresses recognition, measurement, presentation and disclosure of leases. Lessor accounting is largely unchanged. AASB 16 replaces AASB 117 *Leases* and related interpretations. The adoption of AASB 16 from 1 July 2019 resulted in adjustments to the amounts recognised from a lessee perspective in the financial statements:

- AASB 117 only required the recognition of an asset and lease liability for finance leases. AASB 16 applies a comprehensive model to all leases, and results in the recognition of right-of-use assets and related lease liabilities in the Statement of Financial Position for leases previously classified as operating leases.
- Operating lease payments under AASB 117 were recognised as Administration and Accommodation expenses. AASB 16 substantially replaces these with Depreciation Expenses representing the use of the right-of-use asset and Borrowing Costs representing the cost associated with financing the right-of-use asset.

| 9.1.1 Impact on Retained Earnings | \$'000 |
|--|----------------|
| Closing retained earnings 30 June 2019 – AASB 17 | 15 248 |
| Assets | |
| Receivables | (122) |
| Plant and equipment | 9 281 |
| Liabilities | |
| Financial liabilities | (9 675) |
| Other liabilities | 516 |
| Opening retained earnings 1 July 2019 – AASB 16 | 15 248 |

Undiscounted operating lease commitments under AASB 117 totalling \$7 396 000 were disclosed in the 2018-19 financial report. The difference between this amount and the lease liability recognised on 1 July 2019 is largely because the options to extend in two of the lease agreements were not included in the calculation of the undiscounted operating lease commitments.

9.1.2 Accounting Policies on Transition

AASB 16 sets out accounting policies on initial application in its transitional provisions. The *Treasurer's Instructions (Accounting Policy Statements)* mandates the adoption of certain alternatives in those transitional provisions. The SATC has adopted the following accounting policies:

- Retrospective application of AASB 16. The cumulative effect of initially applying the standard was recognised at 1 July 2019. Comparatives have not been restated.
- Application of AASB 16 at 1 July 2019 only to contracts that were previously identified as containing a lease under AASB 117 and related interpretations.
- Initial measurement of lease liabilities as the present value of remaining lease payments discounted using the relevant incremental borrowing rate published by the Department of Treasury and Finance as at 1 July 2019, based on the SA Government's cost of borrowing. The average weighted incremental borrowing rate for this purpose is 1.81%.
- Calculation of the initial measurement of right-of-use assets as an amount equal to the lease liability on transition adjusted for prepaid and accrued lease payments and lease incentive liabilities. Lease incentive liabilities totalling \$516 000 were written off against the relevant right-of-use assets, as these incentives were received before 1 July 2019 and accordingly do not represent future consumption of the right-of-use asset.
- Exclusion of all leases that ended by 30 June 2020 from the initial measurement of lease liabilities and right-of-use assets, except for vehicles leased from SAFA.

9.1.3 Ongoing Accounting Policies

The *Treasurer's Instructions (Accounting Policy Statements)* mandate accounting policies for public authorities in applying AASB 16. These requirements are reflected in the SATC's accounting policies as follows:

- Right-of-use assets and lease liabilities are not recognised for leases of low value assets with a value of \$15 000 or less.
- Right-of-use assets and lease liabilities are not recognised for short-term leases with terms of 12 months or less.
- The SATC as lessee does not include non-lease components in lease amounts.
- Right-of-use assets are subsequently measured applying a cost model.

Significant accounting policies relating to the application of AASB 16 are disclosed under relevant notes and are referenced at note 6.1.3.

9.2 AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

AASB 15 *Revenue from Contracts with Customers* establishes a revenue recognition model for revenue arising from contracts with customers. It requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations and applies to all revenue arising from contracts with customers.

On transition there was no impact on retained earnings.

9.2.1 Accounting Policies on Transition

The SATC adopted AASB 15 on 1 July 2019. The *Treasurer's Instructions (Accounting Policy Statements)* require certain choices in those transitional provisions to be taken. The SATC has adopted the following accounting policies:

- Any cumulative effect of initially applying AASB 15 would be recognised as an adjustment to the opening balance of retained earnings as at 1 July 2019. Therefore, the comparative information is not restated.
- The completed contract expedient has not been adopted. Revenue which was fully recognised in previous years in accordance with the former revenue and income accounting standards has not been excluded.

On transition there was no material impact on the financial statements.

9.2.2 Ongoing Accounting Policies

The *Treasurer's Instructions (Accounting Policy Statements)* mandate accounting policies for public authorities in applying AASB 15. These requirements are reflected in the SATC's accounting policies as follows:

- For non-intellectual property licences, low value licences (assets which have a value of \$15 000 or less) and short-term licences (licence terms of 12 months or less) are exempt from AASB 15 revenue recognition requirements. The SATC has elected to recognise revenue at the point in time the licence is issued.
- There is no adjustment to the promised amount of consideration for the effects of a significant financing component if the period between the transfer of goods/services and the payment date is one year or less.
- The incremental costs of obtaining a contract are expensed when incurred when the amortisation period of the asset that the SATC would have recognised is one year or less.
- For measuring progress towards satisfaction of performance obligations when the output method is applied, revenue is recognised in the amount to which there is a right to invoice corresponding directly to the value to the customers of the SATC's performance completed to date.

- There are no disclosures of certain information relating to remaining performance obligations if the original contract is expected to end within one year or when revenue is recognised in accordance with AASB 15 para B16.

Significant accounting policies relating to the application of AASB 15 are disclosed under relevant notes.

9.3 AASB 1058 INCOME OF NOT-FOR-PROFIT ENTITIES

AASB 1058 *Income of Not-for-Profit Entities* establishes new income recognition requirements for not-for-profit entities. The standard applies when an entity receives volunteer services or enters into other transactions where the consideration to acquire an asset is significantly less than the fair value of the asset, principally to enable the entity to further its objectives. AASB 1058 supersedes income recognition requirements in AASB 1004 *Contributions*, AASB 118 *Revenue* and AASB 111 *Construction Contracts*. However, elements of AASB 1004 remain in place, primarily in relation to restructures of administrative arrangements and other contributions and distributions by owners.

On transition there was no impact on retained earnings.

9.4 PRESENTATION OF FINANCIAL STATEMENTS

Treasurer's Instructions (Accounting Policy Statements) effective from 1 June 2020 remove the previous requirement for financial statements to be prepared using the net cost of services format. Net cost of services is the total cost of services less any revenue retained by public authorities involved in the provision of services, but does not include items classified as revenues from and payments to the South Australian Government. Presentation of the Statement of Comprehensive Income on an income and expenses basis allows information to be presented in such a way that eliminates potential confusion about the source of funding for the SATC.

The presentation of the Statement of Cash Flows has also changed to remove the net cost of services format, and now shows income before expenses and cash receipts before cash payments. Related disclosures also reflect this changed format.

9.5 IMPACT OF STANDARDS NOT YET EFFECTIVE

The SATC has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not effective at 30 June 2020.

9.5.1 AASB 1059 Service Concession Arrangements: Grantors

AASB 1059 proscribes the accounting for certain arrangements in which an operator provides public services on behalf of a public sector grantor involving a service concession arrangement. This standard applies to reporting periods beginning on or after 1 January 2020. The SATC has assessed its arrangements where operators provide services and has concluded that none of these arrangements will be within the scope of AASB 1059.

10. UNRECOGNISED CONTRACTUAL COMMITMENTS

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

Unrecognised contractual commitments are disclosed net of the amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO). If GST is not payable to, or recoverable from, the ATO the commitments are disclosed on a gross basis.

10.1 EXPENDITURE COMMITMENTS

| | | |
|---|---------------|--------|
| Expenditure commitments at the reporting date not recognised as liabilities are payable as follows: | 2020 | 2019 |
| | \$'000 | \$'000 |
| Within one year | 39 570 | 47 508 |
| Later than one year but not longer than five years | 10 653 | 29 635 |
| Total expenditure commitments | 50 223 | 77 143 |

The SATC's commitments arise from agreements for marketing services, circuit construction, event operations, event sponsorship and other cooperative and service contracts. There are no purchase options available to the SATC.

10.2 OPERATING LEASE COMMITMENTS

| | | |
|---|---------------|--------|
| Operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows: | 2020 | 2019 |
| | \$'000 | \$'000 |
| Within one year | - | 1 490 |
| Later than one year but not longer than five years | - | 5 436 |
| Later than five years | - | 470 |
| Total operating lease commitments | - | 7 396 |

Operating lease commitments are provided for the comparative year only as AASB 16 *Leases* does not distinguish between operating and finance leases for the lessee.

11. FINANCIAL INSTRUMENTS

11.1 FINANCIAL RISK MANAGEMENT

Risk management is managed by the SATC's Finance and Business Services group. Risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*. The SATC's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held. There have been no changes in risk exposure since the last reporting period.

11.2 LIQUIDITY RISK

The SATC is funded principally from appropriation by the SA Government. The SATC works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. Refer to note 8.1 and note 8.3 for further information.

11.3 CREDIT RISK

The SATC has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. No collateral is held as security and no credit enhancements relate to financial assets held by the SATC.

11.3.1 Impairment of Financial Assets

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. The SATC uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors. Receivables are grouped based on shared risks characteristics and days past due, taking into account reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the SATC's historical experience and informed credit assessment, including any relevant forward-looking information. Loss rates are calculated based on the probability of a receivable progressing through stages to write-off based on the common risk characteristics of the transaction and debtor.

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

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

| | Gross Carrying Amount | Loss | Lifetime Expected Losses |
|--|--------------------------|-------|--------------------------------|
| | \$'000 | % | \$'000 |
| Non-government debtors at 30 June 2020 | | | |
| Current (not past due) | 554 | 0.04 | <1 |
| 1 – 30 days past due | 127 | 0.06 | <1 |
| 31 – 60 days past due | 110 | 0.16 | <1 |
| 61 – 90 days past due | 1 004 | 0.29 | 3 |
| 91 – 120 days past due | 19 | 19.15 | 3 |
| More than 120 days past due | 117 | 30.80 | 33 |
| Loss allowance | | | 39 |

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

Impairment losses are recognised on a net basis in profit and loss. Subsequent recoveries of amounts previously written off credited against the same line item. Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with the SATC and a failure to make contractual payments for a period of greater than 120 days past due.

Cash and cash equivalents have low credit risk due to the external credit ratings of the counterparties and therefore the expected credit loss is nil.

All impairment losses on receivables arise from contracts with customers. No impairment losses were recognised in relation to contract assets during the year.

11.4 MARKET RISK

The SATC does not trade in foreign currency, enter into transactions for speculative purposes nor engage in high risk hedging for its financial assets. To manage its exchange risk the SATC implements forward foreign exchange cover through SAFA in accordance with Treasurer's Instruction 23 *Management of Foreign Currency Exposures*. Due to their short-term nature, the SATC does not designate its foreign currency forward contracts as hedging instruments

On behalf of the SATC, at 30 June 2020 SAFA had in place 8 (9) foreign exchange forward contracts totalling \$5 210 000 (\$8 107 000). In 2019-20 the SATC had 11 (11) foreign exchange forward contracts mature totalling \$8 637 000 (\$9 195 000). The forward contracts are to cover commitments denominated in foreign currencies, including for the payment of representation fees, event participation fees and global marketing activity.

The fair value of a forward contract is affected by changes in the spot rate and changes in the forward points, which arise from the interest rate differential between currencies specified in a forward contract. On commitment date, the net fair value of the forward contract is nil, as their fair value of the rights and obligations are equal.

As with all forward foreign exchange contracts there are financial risks. Cashflows from foreign exchange forward contracts in 2019-20 are included in the Statement of Comprehensive Income, and where material are shown separately as losses in note 4.3 and as gains in note 3.5. Refer to note 5.3 and note 7.2 for further information.

The SATC does not undertake any hedging of interest rate risk. There is no exposure to other price risks.

A sensitivity analysis has not been undertaken for the interest rate risk and exchange risk of the SATC as it has been determined that the possible impact on total comprehensive result or total equity from fluctuations in interest rates and exchange rates is immaterial.

11.5 CATEGORISATION OF FINANCIAL INSTRUMENTS

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

The SATC measures all financial instruments at amortised cost.

11.5.1 Category of financial asset and financial liability

| | Note | 2020 Carrying Amount \$'000 | 2020 Contractual Maturities | | |
|------------------------------|----------|--------------------------------------|-----------------------------|---------------------|--------------------------------|
| | | | Within 1 year \$'000 | 1-5 years \$'000 | More than 5 years \$'000 |
| Financial assets | | | | | |
| Cash and equivalents | | | | | |
| Cash and cash equivalents | 5.1, 8.3 | 19 416 | 19 416 | - | - |
| Amortised cost | | | | | |
| Receivables | 5.2 | 2 363 | 2 363 | - | - |
| Other financial assets | 5.3 | 27 | 27 | - | - |
| Total financial assets | | 21 806 | 21 806 | - | - |
| Financial liabilities | | | | | |
| Amortised cost | | | | | |
| Payables | 7.1 | 5 990 | 5 990 | - | - |
| Lease liabilities | 7.2 | 8 449 | 1 419 | 3 802 | 3 228 |
| Other financial liabilities | 7.2, 7.4 | 161 | 161 | - | - |
| Total financial liabilities | | 14 600 | 7 570 | 3 802 | 3 228 |
| 2019 | | | | | |
| | Note | 2019 Carrying Amount \$'000 | 2019 Contractual Maturities | | |
| | | | Within 1 year \$'000 | 1-5 years \$'000 | More than 5 years \$'000 |
| Financial assets | | | | | |
| Cash and equivalents | | | | | |
| Cash and cash equivalents | 5.1, 8.3 | 16 568 | 16 568 | - | - |
| Amortised cost | | | | | |
| Receivables | 5.2 | 1 506 | 1 506 | - | - |
| Other financial assets | 5.3 | - | - | - | - |
| Total financial assets | | 18 074 | 18 074 | - | - |
| Financial liabilities | | | | | |
| Amortised cost | | | | | |
| Payables | 7.1 | 4 847 | 4 847 | - | - |
| Lease liabilities | 7.2 | - | - | - | - |
| Other financial liabilities | 7.2, 7.4 | 1 390 | 1 390 | - | - |
| Total financial liabilities | | 6 237 | 6 237 | - | - |

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

Receivables amounts disclosed here excludes prepayments. Prepayments are presented in note 5.2 as receivables but are not financial assets as the future economic benefit is the receipt of goods and services rather than the right to receive cash or another financial asset.

11.6 CREDIT STANDBY ARRANGEMENTS

The SATC has a \$250 000 (\$250 000) purchasing card facility with the ANZ Bank. The unused portion of this facility as at 30 June 2020 was \$186 000 (\$120 000).