

TAFE SA

Financial report
for the year ended
30 June 2020



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To the Chair TAFE SA Board

Opinion

I have audited the financial report of TAFE SA 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 TAFE SA 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, TAFE SA Board, the Chief Executive and the Chief Finance 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 TAFE SA. 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 TAFE SA Board 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 TAFE SA Board is 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 32 of the *Public Corporations Act 1993*, I have audited the financial report of TAFE SA 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 TAFE SA'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 Chair of the Board 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 'A Richardson', with a long horizontal stroke extending to the right.

Andrew Richardson

Auditor-General

23 September 2020

TAFE SA

Financial Statements

For the year ended 30 June 2020

Certification of the Financial Statements

We certify that the attached general purpose financial statements for TAFE SA:

- 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 Corporation; and
- present a true and fair view of the financial position of TAFE SA 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 TAFE SA for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.

Jacqui McGill
Chair, TAFE SA Board

17th September 2020

David Coltman
Chief Executive

17 September 2020

Beth McKenzie
Chief Finance Officer

17 September 2020

TAFE SA
Statement of Comprehensive Income
for the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Income			
Grants and subsidies from Department for Innovation and Skills	2.1	246 269	258 785
Student and other fees and charges	2.3	80 906	83 936
Commonwealth-sourced grants and funding	2.2	1 217	1 494
Other grants and contributions	2.4	3 260	3 190
Intra-government transfers	2.5	10 650	4 638
Resources received free of charge	2.6	2 629	2 196
Net gain from disposal of non-current assets	2.7	5	-
Other income	2.8	3 202	3 831
Total income		348 138	358 070
Expenses			
Employee benefits expenses	3.3	226 710	237 069
Supplies and services	4.1	80 513	122 702
Depreciation and amortisation	4.2	18 995	4 472
Grants and subsidies		485	75
Net loss from disposal of non-current assets	2.7	-	191
Borrowing costs	4.3	25	-
Other expenses	4.4	2 359	1 799
Total expenses		329 087	366 308
Net result		19 051	(8 238)
Total comprehensive result		19 051	(8 238)

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

TAFE SA
Statement of Financial Position
as at 30 June 2020

	Note	2020 \$'000	2019 \$'000
<u>Current assets</u>			
Cash and cash equivalents	6.1	80 752	58 492
Receivables	6.2	9 959	21 715
Contract assets	2.3	3 704	-
Inventories	5.5	744	819
Total current assets		95 159	81 026
<u>Non-current assets</u>			
Receivables	6.2	68	44
Property, plant and equipment	5.1	628 858	15 643
Intangible assets	5.4	7 390	9 053
Total non-current assets		636 316	24 740
Total assets		731 475	105 766
<u>Current liabilities</u>			
Payables	7.1	10 955	22 028
Employee benefits	3.4	22 023	21 503
Financial liabilities	7.2	595	-
Provisions	7.3	847	860
Contract liabilities	2.3	4 606	-
Unearned revenue	7.4	-	2 542
Other current liabilities		278	413
Total current liabilities		39 304	47 346
<u>Non-current liabilities</u>			
Payables	7.1	4 688	5 107
Employee benefits	3.4	39 872	44 976
Financial liabilities	7.2	465	-
Provisions	7.3	2 296	1 886
Total non-current liabilities		47 321	51 969
Total liabilities		86 625	99 315
Net assets		644 850	6 451
<u>Equity</u>			
Contributed capital		641 074	20 452
Retained earnings		2 424	(15 353)
Asset revaluation surplus		1 352	1 352
Total equity		644 850	6 451

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

TAFE SA
Statement of Changes in Equity
for the year ended 30 June 2020

	Note	Revaluation surplus \$'000	Retained earnings \$'000	Contributed capital \$'000	Total equity \$'000
Balance at 1 July 2018		1 352	(7 115)	20 452	14 689
Net result for 2018-19		-	(8 238)	-	(8 238)
Balance at 30 June 2019		1 352	(15 353)	20 452	6 451
Adjustments on initial adoption of AASB 15, 16 & 1058	9	-	(1 274)	-	(1 274)
Adjusted balance at 1 July 2019		1 352	(16 627)	20 452	5 177
Net result for 2019-20		-	19 051	-	19 051
Total comprehensive result for 2019-20		-	19 051	-	19 051
Contributed capital		-	-	620 622	620 622
Balance at 30 June 2020		1 352	2 424	641 074	644 850

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

TAFE SA
Statement of Cash Flows
for the year ended 30 June 2020

		2020	2019
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<u>Cash flows from operating activities</u>			
<i>Cash inflows</i>			
Grants and subsidies from Department for Innovation and Skills		246 515	259 401
Student and other fees and charges		86 480	86 803
Commonwealth grants		1 217	1 494
Other grants and contributions		4 188	3 419
Intra-government transfers		10 650	4 638
Interest received		1	2
GST recovered from the Australian Taxation Office		74 293	7 182
Other receipts		1 324	2 590
Cash generated from operations		424 668	365 529
<i>Cash outflows</i>			
Employee benefit payments		(231 062)	(231 660)
Payments for supplies and services		(96 654)	(126 955)
Payments of grants and subsidies		(485)	(75)
Other payments		(600)	(632)
Cash used in operations		(328 801)	(359 322)
Net cash provided by / (used in) operating activities	8.1	95 867	6 207
<u>Cash flows from investing activities</u>			
<i>Cash inflows</i>			
Proceeds from sale of property, plant and equipment		16	161
Cash generated from investing activities		16	161
<i>Cash outflows</i>			
Purchase of property, plant and equipment		(692 015)	(1 356)
Purchase of intangibles		(1 430)	(1 321)
Cash used in investing activities		(693 445)	(2 677)
Net cash used in investing activities		(693 429)	(2 516)
<u>Cash flows from financing activities</u>			
<i>Cash Inflows</i>			
Capital contributions from government		620 622	-
Cash generated from financing activities		620 622	-
<i>Cash outflows</i>			
Repayment of leases		(800)	-
Cash generated from financing activities		(800)	-
Net cash provided by / (used in) financing activities		619 822	-
Net increase / (decrease) in cash and cash equivalents		22 260	3 691
Cash and cash equivalents at the beginning of the period		58 492	54 801
Cash and cash equivalents at the end of the period	6.1	80 752	58 492

The accompanying notes form part of these financial statements.

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2020

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Notes to and forming part of the financial statements

for the year ended 30 June 2020

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TAFE SA

Notes to and forming part of the financial statements

for the year ended 30 June 2020

1.1. About TAFE SA

TAFE SA (the Corporation) is a statutory Corporation of the state of South Australia, established pursuant to the *TAFE SA Act 2012*.

The Corporation has a 20% interest in the South Australian Tertiary Admissions Centre SATAC.

TAFE SA is a member of South Australian Tertiary Admissions Centre (SATAC) who provides admission services to TAFE SA under a service agreement. SATAC became established as an incorporated association on 1 July 2017.

SATAC is an arrangement between the three South Australian universities, the Minister for Education and Charles Darwin University in the Northern Territory.

The interests in this associate are not considered material to the Corporation's core activities. Consequently, as per AASB 128 *Investments in Associates and Joint Ventures*, they have not been taken up in the accounts on an equity basis.

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.

For the 2019-20 financial statements the Corporation adopted AASB 16 – *Leases*, AASB 15 – *Revenue from Contracts with Customers* and AASB 1058 – *Income of Not-for-Profit Entities*. Further information is provided in note 9.1, 9.2 and 9.3 respectively.

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

Income, expenses and assets are recognised net of the amount of GST except:

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

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

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Corporation has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

TAFE SA

Notes to and forming part of the financial statements

for the year ended 30 June 2020

1.3. Objectives and functions

TAFE SA was established as a Public Corporation on 1 November 2012 by the *TAFE SA Act 2012* (the Act). TAFE SA is responsible to the Minister for Education.

The primary objectives of the Corporation are to:

- provide technical and further education in a manner that is efficient, effective and responsive to the needs of industry, students and the general community
- undertake or facilitate research that relates to technical and further education
- provide consultancy or other services, for a fee or otherwise, in any area in which staff of TAFE SA have particular expertise developed (whether wholly or partly) in the course of, or incidental to, the provision of technical and further education
- undertake or provide for the development or use, for commercial, community or other purposes, of any intellectual property, product or process created or developed (whether wholly or partly) in the course of, or incidentally to, the provision of technical and further education
- perform any other function assigned to it by the Minister.

The *Public Corporations Act 1993* applies to TAFE SA and requires a Charter and Performance Statement to be prepared for TAFE SA by the Minister and Treasurer after consultation with TAFE SA.

Functions of TAFE SA

In reference to the functions set out in the *TAFE SA Act 2012* and the *TAFE SA Charter*, the Corporation's functions include:

- delivering government-funded VET services that meet the economic and social needs of South Australia
- supporting the Purchasing Minister to achieve policy objectives in the development of a competitive market for VET services characterised by access and choice.
- strengthening VET in schools activity in support of the government's policy objectives
- delivering higher education programs
- delivering educational programs and services to international students residing in South Australia
- developing VET Commercial ventures to ensure viability and delivering a balanced budget as expressly identified in the Minister-approved Business and Strategic Plans.

Funding

The Corporation is predominantly funded by the Department for Innovation and Skills (DIS).

In addition, income is generated from sales and fee for service. These include:

- student fees and charges
- fee for service – industry and enterprises
- global engagement and export
- international student recruitment.

The financial activities of the Corporation are primarily conducted through a Special Deposit Account with the Department of Treasury and Finance (DTF) pursuant to section 8 of the *Public Finance and Audit Act 1987*. The Special Deposit Account is used for funds provided by the *Subsidised Training* program from DIS, Commonwealth grants and revenues from fees and charges.

TAFE SA is not required to pay a dividend or make an Income Tax Equivalent payment for the 2019-20 financial year.

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2020

1.4. Impact of COVID-19 pandemic on TAFE SA

The COVID-19 pandemic has impacted on the operations of the Corporation and the impacts are included under the relevant disclosure notes. The key impacts in 2019-20 were:

The COVID-19 pandemic has adversely impacted TAFE SA's training activity and revenue.

The TAFE SA Executive established the COVID-19 Response Program which comprised of four transformational projects to support the rapid transition to non-face-to-face training delivery, and related COVID-19 pandemic responses including:

- Alternate Education Delivery
- Student Access
- Work from Home
- Business Continuity

The containment measures implemented by the Government and the public response to COVID-19, resulted in a reduction in the rate of new registrations, an increase in withdrawals and an interruption to planned delivery, assessment and resulting processes.

Extraordinary expenses related to COVID-19 have been incurred including the purchasing of IT equipment to facilitate staff working from home, costs associated with implementing social distancing measures and ensuring appropriate levels of hygiene. There was also an increase in the doubtful debts provision recognising the potential impact on the ability of students facing financial hardship to meet student fee payments.

Expenses

- A total of \$1.9 million of expenditure was recorded as being directly related to the COVID-19 pandemic
- These extraordinary expenses included the following main items:
 - \$0.45 million in purchasing of 300 laptops, monitors, VPN licenses, headsets to facilitate staff working from home
 - \$0.17 million for sanitation and cleaning to ensure a safe environment for students and staff
 - \$1.1 million increased provision for doubtful debt expenses relating to student fee payments

Revenue

- External income has reduced comparing the June 2020 quarter and June 2019 quarter which is reasonably attributable, at least in part, to the pandemic interruptions.

Doubtful Debt Provision

- The provision for doubtful debts was revised in April 2020 and increased from \$1.4 million to \$2.7 million. Of that increase, \$1.1 million was attributed to the estimated impacts of the COVID-19 pandemic to address the uncertainty around TAFE SA's ability to collect student debts.

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2020

Delivery

- Measures implemented in response to COVID-19 resulted in a reduction in the rate of new registrations, an increase in withdrawals and an interruption to planned delivery, assessment and resulting processes.
- TAFE SA suspended the delivery of training to students from 30 March 2020 (via an extension of the mid-semester break) to prepare for training to be delivered non-face-to-face from 27 April 2020. Digital enabled delivery was introduced across 94% of courses and where distance learning was not possible the training was deferred.
- With strict hygiene practices and social distancing measures in place, students were able to return to campus by late May for training where digital delivery was not effective.
- By the end of May, more than half of qualifications resumed some level of face to face on-campus training where effective digital delivery was not achievable.

1.5. Changes to the Corporation

As announced in the 2019-20 State Budget, the ownership of key TAFE SA properties were transferred from the Department for Innovation and Skills (\$20 million) and Renewal SA (\$601 million) to TAFE SA. The effective date of the transfers was 31 October 2019 and 1 November 2019 respectively.

The transfer of these key properties provides TAFE SA with greater control over the strategic direction of its educational infrastructure and enabled the cessation of leasing arrangements with the Department for Innovation and Skills. The responsibility for property management and investment activities transferred to TAFE SA.

Five employees transferred from the Department for Innovation and Skills to TAFE SA to undertake the property management function effective from 14 October 2019.

Transferred in

On transfer of five employees from the Department for Innovation and Skills
TAFE SA recognised the following liabilities:

	\$'000
Payables	19
Employee benefits	123
Total liabilities	142

Net liabilities assumed by the Corporation as a result of the CE to CE agreement are the carrying amount of those liabilities in the transferor's Statement of Financial Position immediately prior to transfer.

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2020

1.6. Budget performance

The budget performance table compares the Corporation's outcomes against budget information presented to Parliament (2019-20 Budget Paper 4). The budget amounts have not been adjusted to reflect revised budgets or administrative restructures. The budget process is not subject to audit.

Statement of Comprehensive Income	Note	Original Budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000
Income				
Grants and subsidies from Department for Innovation and Skills	(a)	188 160	246 269	58 109
Student and other fees and charges		95 203	80 906	(14 297)
Commonwealth-sourced grants and funding		1 525	1 217	(308)
Other grants and contributions		2 494	3 260	766
Intra-government transfers		-	10 650	10 650
Resources received free of charge		-	2 629	2 629
Net gain from disposal of non-current assets		-	5	5
Other income		3 579	3 202	(377)
Total income		290 961	348 138	57 177
Expenses				
Employee benefits expenses		213 981	226 710	(12 729)
Supplies and Services	(b)	56 771	80 513	(23 742)
Depreciation and amortisation		17 146	18 995	(1 849)
Borrowing costs		-	25	(25)
Grants and subsidies		75	485	(410)
Other expenses		3 812	2 359	1 453
Total expenses		291 785	329 087	(37 302)
Net result		(824)	19 051	19 875
Other comprehensive income				
<i>Items that will not be reclassified to net result</i>				
Changes in revaluation surplus		-	-	-
Total other comprehensive income		-	-	-
Total comprehensive result		(824)	19 051	19 875

Investing expenditure summary	Original Budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000
Total existing projects	619 293	620 723	(1 430)
Total annual programs	9 654	9 264	390
Total investing expenditure	628 947	629 987	(1 040)

Explanations are provided for variances where the variance exceeds 10% of the original budgeted amount and 5% of original budgeted total expenses.

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2020

1.6. Budget performance (continued)

(a) Grants and Subsidies from Department for Innovation and Skills is higher than the original budget as additional funding was provided to offset delays in achieving the proposed savings and the impact from the reduced student and other fees and charges due to COVID-19.

(b) Supplies and Services is higher than the original budget mainly from additional rental charges incurred for the delay in the campus transfer date of 4 months to 1 November 2019.

1.7. Significant transactions with government related entities

Significant transactions with the SA Government are identifiable throughout this financial report. In addition:

- The Corporation had significant transactions with the Department for Innovation and Skills – refer Note 2.1.
- The Corporation purchased land and building relating to TAFE SA campuses and office accommodation from the Department for Innovation and Skills and Renewal SA on 31 October 2019 and 1 November 2019 respectively.
- The Corporation leased TAFE SA campuses and office accommodation from Department for Innovation and Skills prior to the transfer of the land and building to TAFE SA referred to above. Refer to Note 4.1.

2. Income

2.1. Grants and subsidies from the Department for Innovation and Skills

	2020	2019
	\$'000	\$'000
Funding for direct delivery of VET training	128 403	146 127
VET capital	14 842	4 975
Other funding	103 024	107 683
Total grants and subsidies from the Department for Innovation and Skills	246 269	258 785

Other funding includes additional funds of \$10.3 million received from the Department of Treasury and Finance via the Department for Innovation and Skills to offset the anticipated deterioration of revenue due to the impact from COVID-19.

Grants and subsidies from the Department for Innovation and Skills are recognised on receipt as the Memorandum of Administrative Arrangement provides for the allocation of funding without the withholding associated with non-achievement of performance criteria. In the comparative period the revenue was recognised on the same basis.

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2020

2.2. Commonwealth-sourced grants and funding

	2020	2019
	\$'000	\$'000
Aboriginal projects	434	550
Other specific commonwealth revenue	783	944
Total Commonwealth grants	1 217	1 494

Aboriginal projects including the Aboriginal Torres Strait Islander Rural and Remote Aged Care Training Project contributed \$434 000 in grants revenue during 2020 (2019: \$550 000).

Commonwealth sourced grants and funding are recognised on completion of agreed deliverables and in compliance with all obligations under the agreement. In the comparative period the revenue was recognised on the same basis.

2.3. Student and other fees and charges

	2020	2019
	\$'000	\$'000
Sales/fee for service revenue	44 334	46 314
Student enrolment fees and charges	31 783	32 979
Other user fees and charges	4 789	4 643
Total student and other fees and charges	80 906	83 936

Contract balances

	2020	2019
	\$'000	\$'000
Receivables from contracts with customers		
Contract assets	3 704	-
Total contract assets	3 704	-
	2020	2019
	\$'000	\$'000
Liabilities from contracts with customers		
Contract liabilities	4 606	-
Total contract liabilities	4 606	-

Contract assets primarily relate to the Corporation's rights to consideration for work completed but not billed at the reporting date in relation to Adult Migrant English Program and Skills for Education and Employment. Amounts are billed in accordance with agreed upon contractual terms (i.e. periodic intervals). Contract assets are transferred to receivables when the rights become unconditional. In prior year the balance was disclosed as Accrued Revenue. Refer note 6.2.

Contract liabilities primarily relate to student and fee charges where student courses have not commenced at reporting date and the proportion of fees relating to courses commenced but not completed at reporting date.

On transition to AASB15, revenue totalling \$1 274 000 was recognised in 2019-20 that was included in contract liabilities at 1 July 2019. Refer note 9.2. No revenue related to adjustments to prices for performance obligations satisfied or partially satisfied in prior periods.

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2020

2.3 Student and other fees and charges (continued)

Student and other fees and charges are recognised when performance obligations have been satisfied.

Performance obligations for student enrolment and charges for domestic and international students as well as short courses, are provided over time and inputs are expended evenly over the performance period. Revenue proportionate to the inputs are recognised. In the comparative period student enrolment fees and charges were recognised on commencement of the semester.

In respect to the \$23 million included in sales / fee for service revenue, relating to Adult Migrant English Program and Skills for Education and Employment, the performance obligations are satisfied with the recognition of attendance. In the comparative period, the funding was recognised on the same basis.

2.4. Other grants and contributions

	2020	2019
	\$'000	\$'000
Grants and subsidies revenue	2 673	3 000
Grants from other entities within the SA Government	534	135
Miscellaneous contributions	45	24
Donations	8	31
Total other grants and contributions	3 260	3 190

\$4.6 million recovery from Department of Treasury and Finance for Targeted Voluntary Separation Packages has been reported under Intra government transfers in 2019-20. Refer Note 2.5. This was reported under Grants and subsidies in 2018-19.

The majority of other grants and contributions is the Childcare Rebate entitlement from the Commonwealth. Revenue is recognised when TAFE SA is entitled to the rebate which is based on attendance.

2.5. Intra-government transfers

	2020	2019
	\$'000	\$'000
Intra-government transfers	10 650	4 638
Total Intra-government transfers	10 650	4 638

Intra-government transfers is the recovery from Department of Treasury and Finance for Targeted Voluntary Separation Packages. Revenue is recognised when the reimbursement has been received.

2.6. Resources received free of charge

	2020	2019
	\$'000	\$'000
Services received free of charge - Shared Services SA	2 629	2 196
Total resources received free of charge	2 629	2 196

Financial reporting services were provided free of charge by Shared Services SA as TAFE SA is a non-billable client.

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2.7. Net gain / (loss) from disposal of property, plant and equipment

	2020	2019
	\$'000	\$'000
<u>Plant and equipment</u>		
Proceeds from disposal	16	161
Less carrying amount of assets disposed	(11)	(352)
Net gain / (loss) from disposal of plant and equipment	5	(191)
<u>Total property, plant and equipment</u>		
Total proceeds from disposal	16	161
Less total carrying amount of assets disposed	(11)	(352)
Net gain / (loss) from disposal of plant and equipment	5	(191)

2.8. Other income

	2020	2019
	\$'000	\$'000
Sundry income	3 195	3 782
Recoup of salaries	6	47
Interest	1	2
Total other income	3 202	3 831

Other income is recognised when received which is typically after any performance obligations have been satisfied.

3. Board, committees and employees

3.1. Key management personnel

Key management personnel of TAFE SA include the Minister for Education, the Chief Executive Officer and the ten former and current members of the Executive Team and eight current non-executive board members who have, or during the year have had, responsibility for the strategic direction and management of TAFE SA. Total compensation for key management personnel was \$2.6 million in 2019-20 and \$2.3 million in 2018-19.

The compensation disclosed in this note excludes salaries and other benefits the Minister for Education receives. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

	2020	2019
	\$'000	\$'000
Compensation		
Salaries and other short term employee benefits	2 234	1 871
Post-employment benefits	235	296
Other long-term employment benefits	14	77
Termination benefits	112	97
Total compensation	2 595	2 341

Transactions with key management personnel and other related parties

There were no transactions with key management personnel and other related parties.

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3.2. Board and committee members

Members during the 2020 financial year were:

TAFE SA Board

Jacqueline McGill (Chair)
Jennifer Cleary
Judith Curran
Joanne Denley
David Hughes
Craig Fowler
Andrew Marshall
Sam Scammell

Academic & Quality Committee

Craig Fowler (Chair)
Judith Curran
Joanne Denley

Audit & Risk Committee

Joanne Denley (Chair)
Judith Curran
Andrew Marshall
Sam Scammell

Finance Committee

David Hughes (Chair)
Jennifer Cleary
Craig Fowler
Jacqueline McGill
Andrew Marshall

Human Resources Committee

Jacqueline McGill (Chair)
Joanne Denley
Sam Scammell

Higher Education Academic Board

Craig Fowler (Chair)

TAFE SA
Notes to and forming part of the financial statements
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3.2 Board and committee members (continued)

Board and committee remuneration

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

	2020	2019
\$20 000 - \$39 999	1	5
\$40 000 - \$59 999	6	2
\$80 000 - \$99 999	1	-
Total number of members	8	7

The total remuneration received or receivable by members was \$404 000 (2019: \$243 000). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

Board members remuneration is in accordance with the requirements set out in Department of Premier and Cabinet's PC016 – Remuneration for Government Appointed Part-Time Boards and Committees.

The current reporting period includes a higher proportion of non-Government representation for the full financial year on the Board who are remunerated in line with PC016, increasing the overall Board remuneration cost.

3.3. Employee benefits expenses

	2020	2019
	\$'000	\$'000
Salaries and wages (including annual leave)	182 517	188 403
Employment on-costs - superannuation	17 039	18 855
Employment on-costs - other	10 093	10 515
Long service leave	2 631	8 862
Targeted voluntary separation payments	10 522	7 507
Workers compensation	1 936	1 098
Skills and experience retention leave	1 099	1 094
Board and committee fees	367	227
Other employee related costs	506	508
Total employee benefits expenses	226 710	237 069

Employment on-costs – superannuation

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

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3.3. Employee benefits expenses (continued)

Executive remuneration

	2020 Number	2019 Number
The number of employees whose remuneration received or receivable falls within the following bands:		
\$151 000 to \$154 000*	N/A	7
\$154 001 to \$174 000	11	6
\$174 001 to \$194 000	6	6
\$194 001 to \$214 000	1	5
\$214 001 to \$234 000	1	1
\$234 001 to \$254 000 ^A	3	2
\$254 001 to \$274 000 ^{AO}	2	3
\$274 001 to \$294 000 ^{AO}	5	4
\$294 001 to \$314 000 ^{AO}	7	2
\$314 001 to \$334 000 ^{AO}	3	1
\$354 001 to \$374 000 ^A	4	-
\$374 001 to \$394 000 ^O	1	1
\$394 001 to \$414 000 ^O	-	1
\$414 001 to \$434 000 ^A	1	1
\$434 001 to \$454 000	1	-
Total	46	40

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

^A This bandwidth includes employees that have received Targeted Voluntary Separation Package termination payments in 2019-20.

^O This bandwidth includes employees that have received Targeted Voluntary Separation Package termination payments in 2018-19.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$11.9 million (2019: \$8.9 million)

The table includes 21 non-executive employees who received / accepted Targeted Voluntary Separation Package termination payments (2019: 10).

Targeted voluntary separation packages

The number of employees who accepted a Targeted Voluntary Separation Package during the reporting period was 112 (2019: 99).

	2020 \$'000	2019 \$'000
Amount paid to separated employees:		
Targeted Voluntary Separation Packages	10 522	7 507
Leave paid to separated employees	3 727	2 117
Recovery from the Department of Treasury and Finance	(10 650)	(4 638)
Net cost to TAFE SA	3 599	4 986

TAFE SA
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3.4. Employee benefits liability

	2020	2019
	\$'000	\$'000
<u>Current</u>		
Annual leave	7 695	7 688
Accrued salaries and wages	5 569	4 859
Non-attendance days	4 311	4 552
Long service leave	2 616	2 571
Skills and experience retention leave	1 832	1 833
Total current employee benefits	<u>22 023</u>	<u>21 503</u>
<u>Non-current</u>		
Long service leave	39 872	44 976
Total non-current employee benefits	<u>39 872</u>	<u>44 976</u>
Total employee benefits	<u>61 895</u>	<u>66 479</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.

Salaries, wages, annual leave, skills and experience retention leave (SERL), non-attendance days and sick leave.

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

The annual leave liability and the SERL liability in full is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. Non-attendance days are accrued annually for employees engaged under the TAFE SA Act but are non-cumulative.

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

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Details about the measurement of long service leave liability is provided as note 11.1.

TAFE SA
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4. Expenses

Employee benefits expenses are disclosed in note 3.3.

4.1. Supplies and services

	2020	2019
	\$'000	\$'000
Operating lease payments	-	53 985
General administration and consumables	22 630	24 740
Fees - contracted services	13 312	12 553
Books, materials and copyright	8 485	9 975
Minor works, maintenance and equipment	7 976	8 605
Information technology and communication	8 377	8 253
Accommodation	1 453	1 426
Vehicle and travelling expenses	733	1 698
Short term leases	13 851	-
Funding to external vocational education and training providers	323	349
Consultants	284	192
Legal costs	143	168
Other	2 946	758
Total supplies and services	80 513	122 702

Vehicle and travelling expenses \$733 000 (\$1 698 000) were previously reported under operating lease payments

Other is currently \$2 946 000. Of this amount, \$2 299 000 relates to the land tax and local government rate equivalent paid to Renewal SA as part of the transfer of land and buildings on 1 November 2019.

Short term leases and operating lease payments

Prior to the transfer of land and buildings relating to the TAFE SA campuses and office accommodation from the Department for Innovation and Skills and Renewal SA to TAFE SA on 31 October 2019 and 1 November 2019 respectively, the Corporation leased TAFE SA campuses and office accommodation on a short-term basis. The related expense is disclosed in the note above as a new category, Short term leases.

The comparative operating lease payments expenses related to the lease of TAFE SA campuses and office accommodation leased from Department for Innovation and Skills under a Memorandum of Administrative Arrangement (MoAA) which are now owned by the Corporation effective 1 November 2019.

Consultants

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

	2020	2020	2019	2019
	Number	\$'000	Number	\$'000
Below \$10 000	2	13	2	8
\$10 000 or above	8	271	5	184
Total	10	284	7	192

TAFE SA
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4.2. Depreciation and amortisation

	2020	2019
	\$'000	\$'000
Depreciation		
Buildings	13 965	-
Right-of-use buildings	20	-
Plant and equipment	1 628	1 700
Right-of-use plant and equipment	788	-
Leasehold improvements	-	380
Library collection	84	87
Total depreciation	<u>16 485</u>	<u>2 167</u>
Amortisation		
Intangible assets	<u>2 510</u>	<u>2 305</u>
Total depreciation and amortisation	<u><u>18 995</u></u>	<u><u>4 472</u></u>

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

Leasehold improvements are capitalised as an asset and depreciated over the remaining term of the lease or estimated useful life of the improvement, whichever is shorter.

Useful life

Depreciation and amortisation is calculated on a straight-line basis. Property, plant and equipment and intangible assets depreciation and amortisation are calculated over the estimated useful life of the following classes of assets as follows:

Class of asset	Useful life (years)
Buildings	11 - 43
Plant and equipment	1 - 40
Library collections	3 - 15
Right-of-use assets	Lease term
Intangibles	5 - 10

The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

Review of accounting estimates

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, on an annual basis. Changes in the expected life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

TAFE SA
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4.3. Borrowing costs

	2020	2019
	\$'000	\$'000
Interest paid/payable on borrowing costs:		
Interest expense on lease liabilities	25	-
Total borrowing Costs	<u>25</u>	<u>-</u>

4.4. Other expenses

	Note	2020	2019
		\$'000	\$'000
Other*		482	560
Allowance for doubtful debts and debt write-offs	6.2	1 877	1 239
Total other expenses		<u>2 359</u>	<u>1 799</u>

*Audit fees paid / payable to the Auditor-General's Department relating to work performed under the Public Finance and Audit Act were \$254 200 (2019: \$249 100). No other services were provided by the Auditor-General's Department.

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5. Non-financial assets

5.1. Property, plant and equipment by asset class

Property, plant and equipment comprises owned and right-of-use (leased) tangible assets that do not meet the definition of investment property.

	2020	2019
	\$'000	\$'000
<u>Land and Buildings</u>		
Land at fair value	136 060	-
Buildings at fair value	495 160	-
Accumulated depreciation at the end of the period	(14 763)	-
Total land and buildings	616 457	-
<u>Right-of-use buildings</u>		
Right-of-use buildings at cost	75	-
Accumulated depreciation at the end of the period	(20)	-
Total right-of-use buildings	55	-
<u>Accommodation and Leasehold improvements</u>		
Accommodation and leasehold improvements at fair value	-	4 574
Accumulated depreciation at the end of the period	-	(799)
Total leasehold improvements	-	3 775
<u>Plant and equipment</u>		
Plant and equipment at cost (deemed fair value)	29 848	28 945
Accumulated depreciation at the end of the period	(19 490)	(18 089)
Total plant and equipment	10 358	10 856
<u>Right-of-use plant and equipment</u>		
Right-of-use plant and equipment at cost	1 604	-
Accumulated depreciation at the end of the period	(607)	-
Total right-of-use plant and equipment	997	-
<u>Library collection</u>		
Library collection at fair value	16 493	16 429
Accumulated depreciation	(15 755)	(15 671)
Total library collection	738	758
<u>Work in progress</u>		
Capital work in progress at cost	253	254
Total work in progress	253	254
Total property, plant and equipment	628 858	15 643

TAFE SA
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5.2. Property, plant and equipment owned by TAFE SA

Property, plant and equipment owned by TAFE SA with a value equal to or in excess of \$10 000 is capitalised, otherwise it is expensed. Property plant and equipment owned by TAFE SA is recorded at fair value. Detail about the Corporation's approach to fair value is set out in note 11.2.

Plant and equipment includes \$8.1 million of fully depreciated plant and equipment still in use.

Reconciliation 2019-20

	Land	Buildings	Leasehold improvements	Plant and equipment	Library collection	Work in progress	Total
2020	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2019	-	-	3 775	10 856	758	254	15 643
Additions	136 060	478 531	-	1 141	64	12 055	627 851
Disposals	-	-	-	(11)	-	-	(11)
Transfers between asset classes	-	3 775	(3 775)	-	-	-	-
Capitalisation	-	12 056	-	-	-	(12 056)	-
Depreciation	-	(13 965)	-	(1 628)	(84)	-	(15 677)
Carrying amount at 30 June 2020	136 060	480 397	-	10 358	738	253	627 806

Reconciliation 2018-19

	Land	Buildings	Leasehold improvements	Plant and equipment	Library collection	Work in progress	Total
2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2018	-	-	2 964	11 948	757	799	16 468
Additions	-	-	95	947	88	288	1 418
Disposals	-	-	-	(352)	-	-	(352)
Transfers between asset classes	-	-	-	-	-	276	276
Capitalisation	-	-	1 096	13	-	(1 109)	-
Depreciation	-	-	(380)	(1 700)	(87)	-	(2 167)
Carrying amount at 30 June 2019	-	-	3 775	10 856	758	254	15 643

TAFE SA
Notes to and forming part of the financial statements
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5.3. Property, plant and equipment leased by TAFE SA

Property, plant and equipment leased by the Corporation is recorded at cost. Additions to leased property, plant and equipment during 2019-20 were \$705 000.

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 lease payments are recognised as an expense and are disclosed in note 4.1.

TAFE SA has a limited number of leases:

- 231 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 (60,000km) up to 5 years (100,000km). No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their term.
- the Corporation has a five year building lease agreement for office accommodation at Naracoorte. No contingent rental provisions exist within the lease agreements, and there are four rights of renewal of twelve months each beyond initial term. The lease is currently in the third term.

Impairment

Property, plant and equipment leased by the Corporation has been assessed for impairment. There was no indication of impairment. No impairment loss or reversal of impairment loss was recognised.

5.4. Intangible assets

	2020	2019
	\$'000	\$'000
<u>Computer software</u>		
Internally developed computer software	7 474	7 218
Accumulated amortisation	(3 931)	(3 142)
Purchased computer software	15 480	14 218
Accumulated amortisation	(12 677)	(10 957)
Computer software - work in progress	1 044	1 716
Total computer software	7 390	9 053

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The acquisition of internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$10 000.

The internally developed computer software predominantly relates to the Corporation's Student Information System (SIS) with a remaining useful life of (5-10 years) and carrying amount of \$5.1 million.

TAFE SA
Notes to and forming part of the financial statements
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5.4. Intangible assets (continued)

Reconciliation 2019-20

	Intangibles work		Total
	Intangibles	in progress	
	\$'000	\$'000	\$'000
Carrying amount at 1 July 2019	7 337	1 716	9 053
Additions	-	1 430	1 430
Capitalisations	1 519	(1 519)	-
Write off	-	(583)	(583)
Amortisation	(2 510)	-	(2 510)
Carrying amount at 30 June 2020	6 346	1 044	7 390

Reconciliation 2018-19

	Intangibles work		Total
	Intangibles	in progress	
	\$'000	\$'000	\$'000
Carrying amount at 1 July 2018	9 377	1 187	10 564
Additions	-	1 070	1 070
Capitalisations	265	(265)	-
Transfers between asset classes	-	(276)	(276)
Amortisation	(2 305)	-	(2 305)
Carrying amount at 30 June 2019	7 337	1 716	9 053

5.5. Inventories

	2020	2019
	\$'000	\$'000
<u>Current - held for sale</u>		
Materials at cost	92	114
<u>Current - held for distribution at no or nominal amount</u>		
Materials at cost	652	705
Total current inventories	744	819
Total inventories	744	819

Inventories held for distribution at no or nominal consideration are measured at cost and adjusted when applicable for any loss of service potential. Inventories held for sale are measured at the lower of cost or their net realisable value.

Cost is assigned to low volume inventory items on a specific identification of cost basis.

Cost of all other inventory is measured on the basis of the first-in, first-out method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

TAFE SA
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6. Financial assets

6.1. Cash and cash equivalents

	2020	2019
	\$'000	\$'000
Deposits with the Treasurer	80 746	58 481
Imprest account / cash on hand	6	11
Total cash and cash equivalents	80 752	58 492

Deposits with the Treasurer

The Corporation has a general operating account with the Treasurer.

6.2. Receivables

	2020	2019
	\$'000	\$'000
<u>Current</u>		
Trade receivables		
From government entities	294	875
From non-government entities	9 638	12 661
Less impairment loss on receivables	(2 721)	(1 366)
Total trade receivables	7 211	12 170
GST input tax recoverable	925	6 646
Accrued revenues	-	1 394
Prepayments	1 809	1 487
Workers' compensation recoveries	14	18
Total current receivables	9 959	21 715
<u>Non-Current</u>		
Workers compensation recoveries	66	44
Other receivables	2	-
Total non-current receivables	68	44
Total Receivables	10 027	21 759

Trade receivables arise in the normal course of selling goods and services to other government agencies and to the public. Trade receivables are normally settled within 30 days after the issue of an invoice or the goods / services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

The net amount of GST payable to the ATO is included as part of receivables.

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

Refer to note 11.3 for further information on risk management.

TAFE SA
Notes to and forming part of the financial statements
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6.2. Receivables (continued)

Impairment loss on receivables

	2020	2019
	\$'000	\$'000
Carrying amount at the beginning of the period	1 366	1 074
Increase / (decrease) in the allowance recognised in Profit or loss	1 877	1 239
Amounts written off	(522)	(947)
Carrying amount at the end of the period	2 721	1 366

All of the above impairment losses are from receivables arising from contracts with customers.

TAFE SA
Notes to and forming part of the financial statements
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7. Liabilities

Employee benefits liabilities are disclosed in note 3.4.

7.1. Payables

	2020	2019
	\$'000	\$'000
<u>Current</u>		
Accrued expenses	6 013	13 602
Employment on-costs	3 988	4 001
Trade payables	917	4 388
Paid parental leave scheme payable	22	25
Other	15	12
Total current payables	10 955	22 028
<u>Non-current</u>		
Employment on-costs	4 608	5 038
Creditors	80	69
Total non-current payables	4 688	5 107
Total payables	15 643	27 135

Payables and accruals are raised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

Employment on-costs

Employment on-costs include payroll tax, Return to Work SA levies and superannuation contributions and are settled when the respective employee benefits they relate to is discharged.

The Corporation contributes to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board and externally managed superannuation schemes.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has changed from the 2019 rate (62%) to 64% and the average factor for the calculation of employer superannuation on-costs did not change from the 2019 rate of 9.8%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in current financial year is immaterial.

Paid parental leave scheme

Paid parental leave scheme payable represents amounts which the Corporation has received from the Commonwealth Government to forward onto eligible employees via the Corporation's standard payroll processes. That is, the Corporation is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

TAFE SA
Notes to and forming part of the financial statements
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7.2. Financial liabilities

	2020	2019
	\$'000	\$'000
<u>Current</u>		
Lease liabilities current	595	-
Total current financial liabilities	595	-
<u>Non-current</u>		
Lease liabilities non-current	465	-
Total non-current financial liabilities	465	-
Total financial liabilities	1 060	-

The Corporation measures financial liabilities at amortised cost. Refer to Note 11.3.

All material cash outflows are reflected in the lease liabilities disclosed above.

7.3. Provisions

	2020	2019
	\$'000	\$'000
<u>Current</u>		
Provision for workers compensation	847	860
Total current provisions	847	860
<u>Non-current</u>		
Provision for workers compensation	2 296	1 886
Total non-current provisions	2 296	1 886
Total provisions	3 143	2 746
Carrying amount at the beginning of the period	2 746	2 942
Increase / (Decrease) in provisions recognised	397	(196)
Carrying amount at the end of the period	3 143	2 746

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

The Corporation is responsible for the payment of workers' compensation claims.

7.4. Unearned Revenue

	2020	2019
	\$'000	\$'000
<u>Current</u>		
Unearned Revenue - SA Government entities	-	19
Unearned revenue non-SA Government entities	-	2 523
Total other liabilities	-	2 542

Bond deposits \$158 000 and unclaimed monies \$63 000 reported as unearned revenue in 2018-19 have now been reclassified to other liabilities in 2019-20.

Unearned revenue amount as at 30 June 2020 is shown in contract liabilities. Refer Note 2.3

TAFE SA
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8. Other disclosures

8.1. Cash flow

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

	2020	2019
	\$'000	\$'000
Leases		
Buildings	19	-
Vehicles	1 198	-
Total cash outflow for leases	<u>1 217</u>	<u>-</u>

Reconciliation of net result to cash flows from operating activities

	2020	2019
	\$'000	\$'000
Reconciliation of cash and cash equivalents at the end of the reporting period		
Cash and cash equivalents disclosed in the Statement of Financial Position	80 752	58 492
Balance as per the Statement of Cash Flows	80 752	58 492
Reconciliation of net cash provided by / (used in) operating activities to net result		
Net cash provided by / (used in) operating activities	95 867	6 207
GST paid on the purchase of property, plant and equipment	(62 306)	-
Add / (less) non-cash items		
Depreciation and amortisation	(18 995)	(4 472)
Net gain/(loss) from disposal of non-current and other assets	5	(191)
Resources received free of charge	2 629	2 196
Adjustments on initial adoption of AASB 9	-	(1 070)
Other expenses	2	-
Supplies and services	(3 212)	(2 196)
Decrease in employee benefits	4 584	(4 993)
Movement in assets and liabilities		
(Decrease) / increase in receivables	(11 732)	1 821
(Decrease) in inventories	(75)	(19)
Increase in contract asset	3 704	-
Decrease / (increase) in payables	10 906	(5 890)
Decrease in unearned revenue	2 542	106
Decrease in other liabilities	135	67
(Increase) / decrease in provisions	(397)	196
(Increase) in contract liabilities	(4 606)	-
Net result	<u>19 051</u>	<u>(8 238)</u>

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9. Changes in accounting policy

9.1. AASB 16 Leases

AASB 16 sets out a comprehensive model for lessee accounting that addresses recognition, measurement, presentation and disclosure of leases. Lessor accounting is largely unchanged. AASB 16 *Leases* replaces AASB 117 *Leases* and related interpretations.

The adoption of AASB 16 *Leases* from 1 July 2019 resulted adjustments to the amounts recognised from a lessee perspective in the financial statements:

- AASB 117 *Leases* only required the recognition of an asset and lease liability in relation to finance leases. AASB 16 *Leases* applies a comprehensive model to all leases. Applying AASB 16 will result in leases previously classified as operating leases having right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position.
- AASB 117 *Leases* resulted in operating lease payments being recognised as an expense under Supplies and Services. AASB 16 *Leases* largely replaces this with depreciation expenses that represents the use of the right-of-use asset and borrowing costs that represent the cost associated with financing the right-of-use asset.

Impact on retained earnings

There was no retained earnings impact as at 1 July 2019 as the taken on right of use assets was the same as the taken lease liability.

The Corporation disclosed in its 2018-19 financial report total undiscounted operating lease commitments of \$10.94 million under AASB 117.

Lease liability as at 1 July 2019	\$'000
Operating lease commitments disclosed as at June 30, 2019	10 940
SAFA adjustments	700
Adjusted operating lease commitments	11 640
Less: short-term leases for which no lease liability is recognised	(10 423)
Less: Discounting at the weighted average interest rate	(45)
Lease liability as at 1 July 2019	1 172

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9.1. AASB 16 Leases (continued)

Accounting policies on transition

AASB 16 sets out accounting policies on transition in its transitional provisions. The *Treasurer's Instructions (Accounting Policy Statements)* requires certain choices in those transitional provisions to be taken. The Corporation has adopted the following accounting policies:

- to apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard was recognised at 1 July 2019. Comparatives have not been restated.
- at 1 July 2019 AASB 16 was applied only to contracts that were previously identified as containing a lease under AASB 117 and related interpretations.
- the initial measurement of lease liability was the present value of the remaining lease payments discounted using the relevant incremental borrowing published by the Department of Treasury and Finance rate as at 1 July 2019 based on the SA Government's cost of borrowing. The average weighted incremental borrowing rate for this purpose was 1.68%.
- the initial measurement of right-of-use assets has been calculated as an amount equal to the lease liability on transition adjusted for prepaid or accrued lease payments and lease incentive liabilities.
- the initial measurement of lease liabilities and right-of-use vehicles excludes all leases that ended by 30 June 2020, except for vehicles leased from SAFA.
- the initial measurement of lease liabilities and right-of-use buildings excludes all leases that ended by 30 June 2020

Ongoing accounting policies

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

- AASB 16 is not applied to leases of intangible assets.
- right-of-use assets and lease liabilities are not recognised for leases of low value assets, being assets which have a value of \$15 000 or less, nor short-term leases, being those with a lease term of 12 months or less.
- the Corporation, in the capacity of a lessee, does not include non-lease components in lease amounts.
- right-of-use assets are not measured at fair value on initial recognition for leases that have significantly below-market terms and conditions principally to enable the public authority to further its objectives.
- right-of-use assets are subsequently measured applying a cost model.

Significant accounting policies relate to the application of AASB 16 are disclosed under relevant notes and are referenced at note 5.3.

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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.

Impact on retained earnings

The total impact on the Corporation's retained earnings as at 1 July 2019 is as follows:

	<u>\$'000</u>
Closing retained earnings 30 June 2019 – AASB 118	<u>(15 353)</u>
Liabilities	
Contract liabilities	<u>(1 274)</u>
Opening retained earnings 1 July 2019 – AASB 15	<u>(16 627)</u>

Accounting policies on transition

The Corporation has 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 Corporation has on transition:

- Recognised the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of retained earnings as at 1 July 2019. Therefore, the comparative information has not been restated.
- Not adopted the completed contract expedient, and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former revenue and income accounting standards
- Elected not to restate retrospectively contracts for modifications that occurred before 1 July 2019. Such contract modifications were minor so this is expected to have little impact on the financial statements.

Impacts on the financial statements are explained below together with impacts from adoption of AASB 1058 *Income of Not-for-Profit Entities*.

Ongoing accounting policies

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

- For non-intellectual property licences, low value licences (i.e. assets which have a value of \$10 000 or less) and short-term licences (i.e. being those with a licence term of 12 months or less) are exempt from AASB 15 revenue recognition requirements. The Corporation has elected to recognise revenue at the point in time the licence is issued.
- AASB 15 is applied to a portfolio of contracts with similar characteristics.
- 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 Corporation 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 Corporation'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 para. B16.

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

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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. Its requirements apply where the consideration to acquire an asset, including cash, is significantly less than fair value principally to the entity to further its objectives. AASB 1058 also contains requirements for the receipt of volunteer services. 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.

Accounting policies on transition

On transition, there was no impact on retained earnings.

9.4. Effects on financial statements from AASB 15 and AASB 1058

The following tables show the effect of adopting AASB 15 and AASB 1058 on the Corporation's financial statements for the year ending 30 June 2020.

Statement of Comprehensive Income

	As reported	Adjustments AASB 15	Adjustments AASB 1058	Balances without adoption of AASB 15 & 1058
	\$'000	\$'000	\$'000	\$'000
Income				
Fees and charges	80 906	(3)	-	80 903
Commonwealth-sourced grants and payments	1 217	-	-	1 217
Total income	82 123	(3)	-	82 120
Net result	82 123	(3)	-	82 120

Statement of Financial Position

	As reported	Adjustments AASB 15	Adjustments AASB 1058	Balances without adoption of AASB 15 & 1058
	\$'000	\$'000	\$'000	\$'000
Contract assets	3 704	-	-	3 704
Total assets	3 704	-	-	3 704
Contract liabilities	(4 606)	1 271	-	(3 335)
Total liabilities	(4 606)	1 271	-	(3 335)

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9.5. Presentation of Financial Statements

Treasurer's Instructions (Accounting Policy Statements) effective 1 June 2020 removed the previous requirement for financial statements to be prepared using the net cost of services format. The 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 expense' basis allows information to be presented in such a way that eliminates potential confusion as to the source of funding for the Corporation. As well as changes to the format of the Statement of Comprehensive Income, there are presentational changes to remove the net cost of services format from the Statement of Cash Flows. These statements now show income before expenses, and cash receipts before cash payments. Related disclosures also reflect this changed format.

10. Outlook

10.1. Unrecognised contractual commitments

Commitments include operating and outsourcing commitments 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.

Capital commitments

	2020	2019
	\$'000	\$'000
Within one year	406	-
Later than one year and not later than five years	18	-
Total capital commitments	424	-

Other commitments

	2020	2019
	\$'000	\$'000
Within one year	9 202	9 380
Later than one year and not later than five years	9 895	13 845
Total other commitments	19 097	23 225

TAFE SA's other commitments relate to cleaning contracts, security contracts and other procurement commitments.

Operating leases commitments

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

	2020	2019
	\$'000	\$'000
Within one year	-	10 761
Later than one year and not later than five years	-	179
Total operating lease commitments	-	10 940

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10.2. Expected realisation of contract liabilities as revenue

The remaining performance obligations in relation to contract liabilities are expected to be recognised within the next 12 months.

10.3. Contingent assets and liabilities

The estimated cost of rectification / remediation training of Aviation Engineering Maintenance students who have been impacted by the Civil Aviation Safety Authority audit assessed in 2018-19 is \$1.0 million. The claims continue to be settled directly between TAFE SA, SAicorp as the insurer and the respective claimants.

10.4. Impact of standards and statements not yet effective

The Corporation has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations from 2020-21. The Corporation has considered the impact of upcoming new standards and interpretations in respect of AASB1059 *Service Concessions* and amendments to Australian accounting standards COVID-19-Related Rent Concessions. The Corporation has assessed that there will be no impact from these changes.

10.5. COVID-19 pandemic outlook for the corporation

The COVID-19 pandemic will continue to impact the operations of TAFE SA in 2020-21. The impact is predominantly related to the economic impact of COVID-19 locally and globally, as well as the continued border controls.

Expenses

TAFE SA anticipate a continued extraordinary cost associated with maintenance of social distancing measures and appropriate levels of hygiene and sanitation. However, these costs may be more than offset by the reduced travel and other related costs as a consequence of increased digitised delivery.

Doubtful debt provisioning, and bad debt write-offs may be higher over the following financial years due to the inability for students to quickly recover from the individual financial impacts of COVID-19. The bad debt write-offs may also be higher should there be an increase in the closure of businesses that support TAFE SA industry partnerships and apprenticeship programs.

Revenue

TAFE SA recognise a continued risk associated across revenue sources due to continued restrictions including:

- closed borders both at state and international level
- reduced demand for trained staff, meaning that training is valued less in some industry sectors (hospitality and tourism)
- reduced availability of placements in industry restricting enrolment numbers.
- resulting economic downturn reducing capacity for industry partnerships and apprenticeship support, mitigated by a great potential for community to engage in retraining during periods of high unemployment.

TAFE SA continue to focus on alternate delivery methods to increase access and choice for students and industry and ensure the capacity to continue to deliver quality training with adherence to COVID-19 restrictions.

10.6. Events after the reporting period

There are no identified events after the reporting period.

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11. Measurement and risk

11.1. Long service leave liability - measurement

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

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

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 reduced to 0.50% from 1.25% in 2019.

The actuarial assessment performed by the Department of Treasury and Finance decreased the salary inflation rate to 2.5% (2019: 4%) for long service leave liability and 2% (2019: 2.2%) for annual leave, non-attendance days, and skills, experience and retention leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$2.1 million and employee benefits expense of \$2.1 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographic and financial assumptions – including the long-term discount rate.

Long service leave entitlements for hourly paid instructors (HPIs) have been excluded from these statements due to the complexities and impracticability of retrieving accurate information in a timely manner from CHRIS21 payroll system. Long service leave entitlement data for HPIs is only updated in CHRIS21 once actual leave requests have been manually verified against Human Resource records on a case by case basis. HPI long service leave is immaterial.

Current long service leave reflects the portion of leave expected to be settled within the next 12 months based on the average long service leave taken annually over the previous 2 years.

11.2. Fair value

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

Initial recognition

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

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements, then the assets are recognised at book value (that is the amount recorded by the transferor public authority immediately prior to the restructure).

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11.2. Fair value (continued)

Revaluation

Property, plant and equipment are subsequently measured at fair value after allowing for accumulated depreciation.

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.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Fair value hierarchy

TAFE SA 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.

TAFE SA's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

During 2020 and 2019, the Corporation had no valuations categorised into level 1; there were no transfers of assets between level 1 and 2 fair value hierarchy levels and there were no changes in valuation technique.

Fair value classification - non-financial assets at 30 June 2020

	Note	Level 3 \$'000	Total \$'000
<u>Recurring fair value measurements</u>			
Land	5.1	136 060	136 060
Buildings	5.1	480 397	480 397
Plant and Equipment	5.1	10 358	10 358
Library Collection	5.1	738	738
Total recurring fair value measurements		627 553	627 553
Total		627 553	627 553

Plant and equipment

All items of plant and equipment had a fair value at the time of acquisition less than \$1.5 million and had an estimated useful life less than three years. Plant and equipment has not been revalued in accordance with APS 116.D. The carrying value of these items is deemed to approximate fair value.

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11.3. Financial instruments

Financial risk management

Risk management is managed by TAFE SA's corporate services. TAFE SA's 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*.

TAFE SA's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Liquidity risk

TAFE SA is funded principally from Department for Innovation and Skills. TAFE SA 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 7.1 and 7.2 for further information.

Credit risk

TAFE SA 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 TAFE SA.

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. TAFE SA uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors which comprise a large number of small balances.

The loss allowance matrix has factored in the potential impact of COVID-19 in receivables with a forward looking adjustment which has increased the impairment of receivables.

To measure the expected credit losses, receivables are grouped based on shared risks characteristics and the days past due. When estimating expected credit loss, the Corporation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Corporation's historical experience and informed credit assessment, including forward-looking information.

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

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

Loss rates are calculated based on the probability of receivables progressing through stages to write off based on the common risk characteristics of the transactions and debtors.

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11.3. Financial instruments (continued)

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

	Debtor gross carrying amount*	Loss	Lifetime expected losses
	\$'000	%	\$'000
Current (not past due)	4 945	10.90%	539
1 – 30 days past due	3 509	11.50%	404
31 – 60 days past due	1 879	16.20%	304
61 – 90 days past due	1 213	20.60%	250
More than 90 days past due	4 878	25.10%	1 224
Loss allowance	16 424		2 721

*Four year average to 30 June 2020.

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

Impairment losses are presented as net impairment losses within net result, subsequent recoveries of amounts previously written off are credited against the same line item.

Receivables are written off when there is no reasonable expectation of recovery. All non-corporate clients with outstanding debts receive three overdue reminders (corporate two overdue reminders) prior to being transferred to the debt collection agency. All debts returned by the debt collection agency as either 'uneconomical to collect' or where no activity has occurred after 180 days, are written off by TAFE SA.

In May 2020 TAFE SA offered a 6 month grace period up to 30 October 2020 to non-corporate clients with outstanding debts. During the 6 month period no reminders will be sent and debts are not transferred to the debt collection agency. If a non-corporate client contacts TAFE SA and is in financial hardship, the debt is put on hold for 1 month. Students are unable to enrol in new courses until they have settled any outstanding debts.

Receivables with a contractual amount of \$522 000 written off during the year are still subject to enforcement activity.

TAFE SA considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and therefore the expected credit loss is nil.

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

Market risk

TAFE SA does not trade in foreign currency, nor enter into transactions for speculative purposes, nor for hedging. TAFE SA does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the government's risk management strategy articulated in TI 23 *Management of Foreign Currency Exposures*.

There is no exposure to interest rate risk as TAFE SA does not have interest bearing liabilities.

Categorisation of financial instruments

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

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11.3. Financial instruments (continued)

Classification of financial instruments

The Corporation measures all financial instruments at amortised cost.

Category of financial asset and financial liability	Note	2020 Carrying	2020 Contractual
		amount / fair value \$'000	maturities Within 1 year \$'000
Financial assets			
Cash and cash equivalent			
Cash and cash equivalent	6.1	80 752	80 752
Financial assets at amortised cost			
Receivables ⁽¹⁾⁽²⁾	6.2	10 931	10 931
Total financial assets		91 683	91 683

Financial liabilities

Financial liabilities at amortised cost

Payables ⁽¹⁾	7.1	11 567	11 567
Lease Liabilities	7.2	1 060	1 060
Total financial liabilities		12 627	12 627

Category of financial asset and financial liability	Note	2019 Carrying	2019 Contractual
		amount / fair value \$'000	maturities Within 1 year \$'000
Financial assets			
Cash and cash equivalent			
Cash and cash equivalent	6.1	58 492	58 492
Financial assets at amortised cost			
Receivables ⁽¹⁾⁽²⁾	6.2	13 564	13 564
Total financial assets		72 056	72 056

Financial liabilities

Financial liabilities at amortised cost

Payables ⁽¹⁾	7.1	17 797	17 797
Total financial liabilities		17 797	17 797

Receivables and Payables

⁽¹⁾ The receivables and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (for example Commonwealth, State and Local Government taxes, fees and charges; Auditor- General's Department audit fees). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights and obligations have their source legislation such as levies, tax and equivalents, they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at amortised cost. Receivables and payables amounts disclosed here include contract assets and contract liabilities presented in Note 2.3.

⁽²⁾ The receivables amount disclosed here excludes prepayments as they are not financial assets. Prepayments are presented in note 6.2.