

Department for Trade,
Tourism and Investment

Financial report
for the year ended
30 June 2019



Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
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 Chief Executive
Department for Trade, Tourism and Investment**

As required by section 31(1)(b) of the Public Finance and Audit Act 1987, I have audited the financial report of the Department for Trade, Tourism and Investment for the financial year ended 30 June 2019.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Department for Trade, Tourism and Investment as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with the 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 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chief Executive and the Director, Strategic Operations.

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 the Department for Trade, Tourism and Investment. 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 have been met.

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

Responsibilities of the Chief Executive 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 the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the 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 is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 Department for Trade, Tourism and Investment'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 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 "Richardson", with a long horizontal flourish extending to the right.

Andrew Richardson

Auditor-General

27 September 2019

Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Department for Trade, Tourism and Investment:

- 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 Department for Trade, Tourism and Investment
- present a true and fair view of the financial position of the Department for Trade, Tourism and Investment as at 30 June 2019 and the results of its operation and cash flows for the financial year.

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



Leonie Muldoon
Chief Executive

27 September 2019



Sophie Adlaf
Director, Strategic Operations

27 September 2019

Department for Trade, Tourism and Investment
Statement of Comprehensive Income
for the year ended 30 June 2019

| | Note | 2019 \$'000 |
|---|------|-----------------|
| <u>Expenses</u> | | |
| Employee benefits expenses | 2.3 | 21 339 |
| Supplies and services | 3.1 | 11 863 |
| Depreciation | 3.2 | 738 |
| Grants and subsidies | 3.3 | 17 635 |
| Other expenses | 3.4 | 8 |
| Total expenses | | 51 583 |
| <u>Income</u> | | |
| Fees and charges | 4.2 | 1 158 |
| Commonwealth grants and payments | 4.3 | 404 |
| Interest and investment | 4.4 | 100 |
| Resources received free of charge | 4.5 | 141 |
| Other income | 4.6 | 703 |
| Total income | | 2 506 |
| Net cost of providing services | | (49 077) |
| <u>Revenues from / (payments to) SA Government</u> | | |
| Revenues from SA Government | 4.1 | 59 520 |
| Payments to SA Government | 4.1 | (3 717) |
| Net result | | 6 726 |
| Total comprehensive result | | 6 726 |

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

Department for Trade, Tourism and Investment
Statement of Financial Position
as at 30 June 2019

| | Note | 2019 \$'000 |
|---------------------------------------|------|----------------|
| <u>Current assets</u> | | |
| Cash and cash equivalents | 6.1 | 33 438 |
| Receivables | 6.3 | 922 |
| Total current assets | | 34 360 |
| <u>Non-current assets</u> | | |
| Property, plant and equipment | 5.1 | 705 |
| Total non-current assets | | 705 |
| Total assets | | 35 065 |
| <u>Current liabilities</u> | | |
| Payables | 7.1 | 10 536 |
| Employee benefits | 2.4 | 2 261 |
| Provisions | 7.2 | 25 |
| Other current liabilities | 7.3 | 221 |
| Total current liabilities | | 13 043 |
| <u>Non-current liabilities</u> | | |
| Payables | 7.1 | 425 |
| Employee benefits | 2.4 | 4 654 |
| Provisions | 7.2 | 480 |
| Total non-current liabilities | | 5 559 |
| Total liabilities | | 18 602 |
| Net assets | | 16 463 |
| <u>Equity</u> | | |
| Retained earnings | | 16 463 |
| Total equity | | 16 463 |

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

Department for Trade, Tourism and Investment
Statement of Changes in Equity
for the year ended 30 June 2019

| | Note | Retained earnings \$'000 | Total equity \$'000 |
|---|------|--------------------------------|------------------------|
| Balance at 1 July 2018 | | - | - |
| Net result for 2018-19 | | 6 726 | 6 726 |
| Total comprehensive result 2018-19 | | 6 726 | 6 726 |
| <u>Transactions with SA Government as owner</u> | | | |
| Net assets received from an administrative restructure | 1.3 | 15 963 | 15 963 |
| Net assets transferred as a result of an administrative restructure | 1.3 | (6 226) | (6 226) |
| Balance at 30 June 2019 | | 16 463 | 16 463 |

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

Department for Trade, Tourism and Investment
Statement of Cash Flows
for the year ended 30 June 2019

| | 2019 |
|---|-----------------|
| | (Outflows) |
| | Inflows |
| | \$'000 |
| <u>Cash flows from operating activities</u> | |
| <i><u>Cash outflows</u></i> | |
| Employee benefits payments | (20 999) |
| Payments for supplies and services | (6 253) |
| Payments of grants and subsidies | (17 773) |
| Cash used in operations | (45 025) |
| <i><u>Cash inflows</u></i> | |
| Fees and charges | 1 117 |
| Receipts from Commonwealth | 399 |
| Interest and dividends received | 100 |
| GST recovered from ATO | 642 |
| Other receipts | 146 |
| Cash generated from operations | 2 404 |
| Cash flows from SA Government | |
| Receipts from SA Government | 59 520 |
| Payments to SA Government | (3 717) |
| Cash generated from SA Government | 55 803 |
| Net cash provided by operating activities | 13 182 |
| <u>Cash flows from investing activities</u> | |
| <i><u>Cash outflows</u></i> | |
| Purchase of property, plant and equipment | (232) |
| Cash used in investing activities | (232) |
| Net cash used in investing activities | (232) |
| <u>Cash flows from financing activities</u> | |
| <i><u>Cash inflows</u></i> | |
| Cash received from restructuring activities | 20 488 |
| Cash generated from financing activities | 20 488 |
| Net cash provided by financing activities | 20 488 |
| Net increase in cash | 33 438 |
| Cash and cash equivalents at the beginning of the period | - |
| Cash and cash equivalents at the end of the period | 33 438 |

Note

6.1

The accompanying notes form part of these financial statements.

Department for Trade, Tourism and Investment
Notes to and forming part of the financial statements
for the year ended 30 June 2019

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Department for Trade, Tourism and Investment
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Department for Trade, Tourism and Investment

Notes to and forming part of the financial statements

for the year ended 30 June 2019

1. About the Department for Trade, Tourism and Investment

The *Public Sector (Administrative Units) Proclamation 2018* (dated 17 May 2018) proclaimed a department is established and assigned the title Department for Trade, Tourism and Investment effective from 1 July 2018.

The Department for Trade, Tourism and Investment (the department) is a not-for-profit government department of the State of South Australia. The department is established pursuant to the *Public Sector Act 2009* as an administrative unit acting on behalf of the Crown.

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

Administered items are disclosed separately at the end of this report.

1.1. 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 2018-19 financial statements the department adopted *AASB 9 – Financial Instruments* and is required to comply with new *Treasurer's Instructions (Accounting Policy Statements)* issued on 22 March 2019. Further information is provided in note 9.

As the department was established on 1 July 2018, there are no prior period comparative figures in the financial statements.

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 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 department has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

Department for Trade, Tourism and Investment
Expenses and income by program
for the year ended 30 June 2019

1.2. Objectives and programs

Objectives

The objective of the department is to build the economic future of South Australia by transforming our state's economy and driving economic growth through trade, tourism and investment. The department also functions as a central agency supporting the state government's economic Growth Agenda, as well as promoting the state to the world.

The programs of the departments are:

- Trade and Investment
- Immigration SA

The functions of Immigration SA were transferred to the Department for Innovation and Skills effective from 1 April 2019 and no overheads have been allocated to this activity. The table below reflects financial data to 31 March 2019.

The tables on the following pages present expenses, income, assets and liabilities attributable to each activity.

Expenses and income by program

For the year ended 30 June 2019

| | Trade and Investment | Immigration SA | Total |
|--|-------------------------|----------------|-----------------|
| | 2019 | 2019 | 2019 |
| | \$'000 | \$'000 | \$'000 |
| Expenses | | | |
| Employee benefits expenses | 19 745 | 1 594 | 21 339 |
| Supplies and services | 11 475 | 388 | 11 863 |
| Depreciation | 738 | - | 738 |
| Grants and subsidies | 17 635 | - | 17 635 |
| Other expenses | 8 | - | 8 |
| Total expenses | 49 601 | 1 982 | 51 583 |
| Income | | | |
| Fees and charges | - | 1 158 | 1 158 |
| Commonwealth grants and payments | 404 | - | 404 |
| Interest and investment | 100 | - | 100 |
| Resources received free of charge | 141 | - | 141 |
| Other income | 698 | 5 | 703 |
| Total income | 1 343 | 1 163 | 2 506 |
| Net cost of providing services | (48 258) | (819) | (49 077) |
| Revenues from / (payments to) SA Government | | | |
| Revenues from SA Government | 59 520 | - | 59 520 |
| Payments to SA Government | (3 717) | - | (3 717) |
| Net result | 7 545 | (819) | 6 726 |

Department for Trade, Tourism and Investment
Assets and liabilities by program
for the year ended 30 June 2019

| | Trade and Investment | Immigration SA | Total |
|-------------------------------|-------------------------|----------------|----------------|
| | 2019 \$'000 | 2019 \$'000 | 2019 \$'000 |
| Assets | | | |
| Cash and cash equivalents | 33 438 | - | 33 438 |
| Receivables | 761 | 161 | 922 |
| Property, plant and equipment | 705 | - | 705 |
| Total assets | 34 904 | 161 | 35 065 |
| Liabilities | | | |
| Payables | 10 961 | - | 10 961 |
| Employee benefits | 6 915 | - | 6 915 |
| Provisions | 505 | - | 505 |
| Other liabilities | 221 | - | 221 |
| Total liabilities | 18 602 | - | 18 602 |

Department for Trade, Tourism and Investment
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.3. Changes to the department

The department was established effective from 1 July 2018 and the income, expenses and net assets relating to functions transferred into the department are reflected in the transferring departments financial statements up to the date of the transfer, including comparatives for 2018. For functions that transferred out of the department during 2018-19, the income, expenses and net assets for 2018 are reflected in the Department for Industry and Skills financial statements.

The *Public Sector (Administrative Units of Public Service) Proclamation 2018* (dated 21 June 2018) proclaimed Investment Attraction South Australia is abolished effective from 1 July 2018. The *Public Sector (Reorganisation of Public Sector Operations No. 2) Notice 2018* (dated 21 June 2018) proclaimed that effective from 1 July 2018 employees of Investment Attraction South Australia will be transferred into the Department for Trade, Tourism and Investment.

Transferred in

On transfer of Investment Attraction South Australia, the Department for Trade, Tourism and Investment recognised the following assets and liabilities:

| | \$'000 |
|-------------------------------------|---------------|
| Cash | 17 878 |
| Receivables | 85 |
| Total assets | 17 963 |
| Payables | 3 663 |
| Employee benefits | 1 589 |
| Provisions | 13 |
| Total liabilities | 5 265 |
| Total net assets transferred | 12 698 |

Net assets assumed by the department as a result of the administrative restructure are the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to transfer.

Department for Trade, Tourism and Investment
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.3. Changes to the department (continued)

The *Public Sector (Reorganisation of Public Sector Operations No.2) Notice 2018* (dated 21 June 2018) proclaimed that effective from 1 July 2018 employees of International Engagement, Trade and Immigration, Health Industries SA and one employee in Strategic Economics within the Department for Innovation and Skills (formerly the Department of State Development) will be transferred into the Department for Trade, Tourism and Investment.

The *Public Sector (Reorganisation of Public Sector Operations No.3) Notice 2018* (dated 28 June 2018) proclaimed that effective from 1 July 2018 identified corporate employees will be transferred into the Department for Trade, Tourism and Investment. In addition, the responsibility for the Minister for Trade, Tourism and Investment's office was transferred from the Department for Innovation and Skills to the Department for Trade, Tourism and Investment.

Transferred in

On transfer of International Engagement, Trade and Immigration, Health Industries SA, office for the Minister for Trade, Tourism and Investment and corporate staff, the Department for Trade, Tourism and Investment recognised the following assets and liabilities:

\$'000

| | |
|-------------------------------------|--------------|
| Cash | 1 955 |
| Receivables | 45 |
| Property, plant and equipment | 394 |
| Investment | 6 901 |
| Total assets | 9 295 |
| Payables | 320 |
| Employee benefits | 2 874 |
| Provisions | 67 |
| Other liabilities | 410 |
| Total liabilities | 3 671 |
| Total net assets transferred | 5 624 |

Net assets assumed by the department as a result of the administrative restructure are the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to transfer.

Department for Trade, Tourism and Investment
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.3. Changes to the department (continued)

The *Public Sector (Reorganisation of Public Sector Operations No.2) Notice 2018* (dated 21 June 2018) proclaimed six employees relating to the government's trade, investment and export functions of the Department of Primary Industries and Regions were transferred to the Department for Trade, Tourism and Investment effective from 1 July 2018.

Transferred in

On transfer of six employees from the trade, investment and export functions of the Department of Primary Industries and Regions, the Department for Trade, Tourism and Investment recognised the following liabilities:

\$'000

| | |
|-------------------------------------|--------------|
| Payables | 17 |
| Employee benefits | 159 |
| Total liabilities | 176 |
| | |
| Total net assets transferred | (176) |

Net assets assumed by the department as a result of the administrative restructure are the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to transfer.

Department for Trade, Tourism and Investment
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.3. Changes to the department (continued)

The Chief Executive of the Department for Innovation and Skills (dated 29 November 2018) approved the transfer of three employees from the corporate finance function to the new Department for Trade, Tourism and Investment effective from 1 January 2019.

Transferred in

| <u>Total income and expenses attributable to three employees for 2018-19 were:</u> | Department for Innovation and Skills July 2018 to December 2018 \$'000 | Department for Trade, Tourism and Investment January 2019 to June 2019 \$'000 | TOTAL \$'000 |
|--|---|--|-----------------|
| Employee benefits expenses | 182 | 172 | 354 |
| Total expenses | 182 | 172 | 354 |
| Net result | (182) | (172) | (354) |

On transfer of three employees from the corporate finance function, the Department for Trade, Tourism and Investment recognised the following liabilities:

| | \$'000 |
|-------------------------------------|--------------|
| Payables | 16 |
| Employee benefits | 143 |
| Total liabilities | 159 |
| Total net assets transferred | (159) |

Net assets assumed by the department as a result of the administrative restructure are the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to transfer.

Department for Trade, Tourism and Investment
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.3. Changes to the department (continued)

The *Public Sector (Reorganisation of Public Sector Operations - External Engagement) Notice 2019* (dated 28 March 2019) proclaimed the employees for China Strategy and the Office of the State Coordinator-General from the Department of the Premier and Cabinet will be transferred into the Department for Trade, Tourism and Investment effective from 1 April 2019.

The Chief Executive of the Department of the Premier and Cabinet (dated 29 March 2019) approved the transfer of the Office of the Agent-General and responsibility for the state brand to the Department for Trade, Tourism and Investment effective from 1 April 2019. There are no net assets transferred in relation to state brand.

Transferred in

| <u>Total income and expenses attributable to China Strategy for 2018-19 were:</u> | Department of the Premier and Cabinet July 2018 to March 2019 \$'000 | Department for Trade, Tourism and Investment April 2019 to June 2019 \$'000 | TOTAL \$'000 |
|---|---|--|---------------------|
| Employee benefits expenses | 283 | 140 | 423 |
| Total expenses | 283 | 140 | 423 |
| Net result | (283) | (140) | (423) |

| <u>Total income and expenses attributable to the Office of the State Coordinator-General for 2018-19 were:</u> | Department of the Premier and Cabinet July 2018 to March 2019 \$'000 | Department for Trade, Tourism and Investment April 2019 to June 2019 \$'000 | TOTAL \$'000 |
|--|---|--|---------------------|
| Employee benefits expenses | 547 | 195 | 742 |
| Supplies and services | 73 | 27 | 100 |
| Total expenses | 620 | 222 | 842 |
| Net result | (620) | (222) | (842) |

Department for Trade, Tourism and Investment
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.3. Changes to the department (continued)

| <u>Total income and expenses attributable to the Office of the Agent-General for 2018-19 were:</u> | Department for Trade, | | TOTAL |
|--|---|--|----------------|
| | Department of the Premier and Cabinet July 2018 to March 2019 \$'000 | Tourism and Investment April 2019 to June 2019 \$'000 | |
| Other income | 130 | 46 | 176 |
| Total income | 130 | 46 | 176 |
| Employee benefits expenses | 776 | 241 | 1 017 |
| Supplies and services | 565 | 217 | 782 |
| Depreciation | 43 | 14 | 57 |
| Total expenses | 1 384 | 472 | 1 856 |
| Net result | (1 254) | (426) | (1 680) |

On transfer of the employees for China Strategy, the Office of the State Coordinator-General and the Office of the Agent-General, the Department for Trade, Tourism and Investment recognised the following assets and liabilities:

| | China | Office of the State | Office of | TOTAL |
|-------------------------------------|--------------|---------------------|-------------------|--------------|
| | Strategy | Coordinator-General | the Agent-General | |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash and cash equivalents | - | - | 655 | 655 |
| Receivables | - | - | 123 | 123 |
| Property, plant and equipment | - | - | 405 | 405 |
| Total assets | - | - | 1 183 | 1 183 |
| Payables | 18 | 118 | 73 | 209 |
| Employee benefits | 125 | 771 | 34 | 930 |
| Provisions | 5 | 31 | - | 36 |
| Other liabilities | - | - | 84 | 84 |
| Total liabilities | 148 | 920 | 191 | 1 259 |
| Total net assets transferred | (148) | (920) | 992 | (76) |

Net assets assumed by the department as a result of the administrative restructure are the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to transfer.

Department for Trade, Tourism and Investment
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.3. Changes to the department (continued)

The *Public Sector (Reorganisation of Public Sector Operations - External Engagement) Notice 2019* (dated 28 March 2019) proclaimed the employees for Industry and Business Growth, Case Management and Regions and Industry, Policy and Analytics will be transferred from the Department for Innovation and Skills to the Department for Trade, Tourism and Investment effective from 1 April 2019.

The Chief Executive of the Department for Innovation and Skills (dated 14 June 2019) approved the transfer of four corporate employees to the Department for Trade, Tourism and Investment effective from 1 April 2019.

Transferred in

| <u>Total income and expenses attributable to Industry and Business Growth for 2018-19 were:</u> | Department for Innovation and Skills July 2018 to March 2019 \$'000 | Department for Trade, Tourism and Investment April 2019 to June 2019 \$'000 | TOTAL \$'000 |
|---|---|---|-----------------|
| Other income | 322 | 64 | 386 |
| Total income | 322 | 64 | 386 |
| Employee benefits expenses | 1 613 | 726 | 2 339 |
| Supplies and services | 1 632 | 577 | 2 209 |
| Grants and subsidies | 3 605 | 1 588 | 5 193 |
| Total expenses | 6 850 | 2 891 | 9 741 |
| Net result | (6 528) | (2 827) | (9 355) |

| <u>Total income and expenses attributable to Case Management and Regions for 2018-19 were:</u> | Department for Innovation and Skills July 2018 to March 2019 \$'000 | Department for Trade, Tourism and Investment April 2019 to June 2019 \$'000 | TOTAL \$'000 |
|--|---|---|-----------------|
| Commonwealth grants and payments | 72 | 41 | 113 |
| Other income | 36 | - | 36 |
| Total income | 108 | 41 | 149 |
| Employee benefits expenses | 1 601 | 722 | 2 323 |
| Supplies and services | 204 | 51 | 255 |
| Grants and subsidies | 87 | 20 | 107 |
| Total expenses | 1 892 | 793 | 2 685 |
| Net result | (1 784) | (752) | (2 536) |

Department for Trade, Tourism and Investment
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.3. Changes to the department (continued)

| <u>Total income and expenses attributable to Industry, Policy and Analytics for 2018-19 were:</u> | Department for Innovation and Skills July 2018 to March 2019 \$'000 | Department for Trade, Tourism and Investment April 2019 to June 2019 \$'000 | TOTAL \$'000 |
|---|---|---|---------------------|
| Employee benefits expenses | 614 | 123 | 737 |
| Supplies and services | 1 | - | 1 |
| Total expenses | 615 | 123 | 738 |
| Net result | (615) | (123) | (738) |

| <u>Total income and expenses attributable to four corporate employees for 2018-19 were:</u> | Department for Innovation and Skills July 2018 to March 2019 \$'000 | Department for Trade, Tourism and Investment April 2019 to June 2019 \$'000 | TOTAL \$'000 |
|---|---|---|---------------------|
| Employee benefits expenses | 395 | 114 | 509 |
| Total expenses | 395 | 114 | 509 |
| Net result | (395) | (114) | (509) |

Department for Trade, Tourism and Investment
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.3. Changes to the department (continued)

Transferred in

On transfer of the employees for Industry and Business Growth, Case Management and Regions, Industry, Policy and Analytics and corporate employees, the Department for Trade, Tourism and Investment recognised the following liabilities:

| | Industry and Business Growth \$'000 | Case Management and Regions \$'000 | Industry, Policy and Analytics \$'000 | Corporate \$'000 | TOTAL \$'000 |
|-------------------------------------|---|---|--|---------------------|-----------------|
| Payables | 470 | 87 | 11 | 16 | 584 |
| Employee benefits | 353 | 658 | 95 | 160 | 1 266 |
| Other liabilities | - | 27 | - | - | 27 |
| Total liabilities | 823 | 772 | 106 | 176 | 1 877 |
| Total net assets transferred | (823) | (772) | (106) | (176) | (1 877) |

Net assets assumed by the department as a result of the administrative restructure are the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to transfer.

Department for Trade, Tourism and Investment
Notes to and forming part of the financial statements
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1.3. Changes to the department (continued)

The *Public Sector (Reorganisation of Public Sector Operations - External Engagement) Notice 2019* (dated 28 March 2019) proclaimed the transfer of one employee for Agribusiness Trade from the Department of Primary Industries and Regions to the Department for Trade, Tourism and Investment effective from 1 April 2019.

Transferred in

| <u>Total income and expenses attributable to one Agribusiness Trade employee for 2018-19 were:</u> | Department of Primary Industries and Regions July 2018 to March 2019 \$'000 | Department for Trade, Tourism and Investment April 2019 to June 2019 \$'000 | TOTAL \$'000 |
|--|--|--|-----------------|
| Employee benefits expenses | 160 | 51 | 211 |
| Total expenses | 160 | 51 | 211 |
| Net result | (160) | (51) | (211) |

On transfer of one employee for Agribusiness Trade, the Department for Trade, Tourism and Investment recognised the following liabilities:

| | \$'000 |
|-------------------------------------|-------------|
| Payables | 11 |
| Employee benefits | 60 |
| Total liabilities | 71 |
| Total net assets transferred | (71) |

Net assets assumed by the department as a result of the administrative restructure are the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to transfer.

Department for Trade, Tourism and Investment
Notes to and forming part of the financial statements
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1.3. Changes to the department (continued)

The Chief Executive of the South Australian Tourism Commission (dated 28 March 2019) approved the transfer of the funding and monitoring of the Adelaide Convention Bureau including funding for the Convention Bid Fund and Billion Dollar Benefit to the Department for Trade, Tourism and Investment effective from 1 April 2019. There are no net asset transfers related to these functions.

The *Public Sector (Reorganisation of Public Sector Operations - External Engagement) Notice 2019* (dated 28 March 2019) proclaimed the employees of Immigration SA within the Department for Trade, Tourism and Investment will be transferred to the Department for Innovation and Skills effective from 1 April 2019.

Transferred out

The following liabilities for Immigration SA were transferred to the Department for Innovation and Skills:

| | <u>\$'000</u> |
|-------------------------------------|---------------------|
| Payables | 73 |
| Employee benefits | 481 |
| Other liabilities | 121 |
| Total liabilities | <u>675</u> |
| Total net assets transferred | <u>(675)</u> |

Net assets transferred by the department as a result of the administrative restructure were recognised at their carrying amount. The net assets transferred were treated as a contribution by the government as owner.

The Chief Executive of the Department for Trade, Tourism and Investment (dated 28 March 2019) approved the transfer of the responsibility for Scope Global Pty Ltd to the Department of Treasury and Finance effective from 1 April 2019.

Transferred out

The following asset for Scope Global Pty Ltd was transferred to the Department of Treasury and Finance:

| | <u>\$'000</u> |
|-------------------------------------|---------------------|
| Investment | 6 901 |
| Total assets | <u>6 901</u> |
| Total net assets transferred | <u>6 901</u> |

Net assets transferred by the department as a result of the administrative restructure were recognised at the carrying amount. The net assets transferred were treated as a contribution by the government as owner.

Department for Trade, Tourism and Investment
Notes to and forming part of the financial statements
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1.4. Budget performance

The budget performance table compares the department's outcomes against budget information presented to Parliament (2018-19 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.

| | Note | Note | Original DTTI budget (1) 2019 \$'000 | Actual 2019 \$'000 | Variance \$'000 |
|--|------|------|--|--------------------------|--------------------|
| Statement of Comprehensive Income | | | | | |
| Expenses | | | | | |
| Employee benefits expenses | 2.3 | | 19 108 | 21 339 | 2 231 |
| Supplies and services | 3.1 | (a) | 7 747 | 11 863 | 4 116 |
| Depreciation | 3.2 | | 11 | 738 | 727 |
| Grants and subsidies | 3.3 | (b) | 37 463 | 17 635 | (19 828) |
| Other expenses | 3.4 | | - | 8 | 8 |
| Total expenses | | | 64 329 | 51 583 | (12 746) |
| Income | | | | | |
| Fees and charges | 4.2 | | 900 | 1 158 | 258 |
| Commonwealth grants and payments | 4.3 | | 363 | 404 | 41 |
| Interest and investment | 4.4 | | 600 | 100 | (500) |
| Resources received free of charge | 4.5 | | - | 141 | 141 |
| Other income | 4.6 | | 361 | 703 | 342 |
| Total income | | | 2 224 | 2 506 | 282 |
| Net cost of providing services | | | (62 105) | (49 077) | 13 028 |
| Revenues from / (payments to) SA Government | | | | | |
| Revenues from SA Government | 4.1 | | 57 889 | 59 520 | 1 631 |
| Payments to SA Government | 4.1 | (c) | - | (3 717) | (3 717) |
| Net result | | | (4 216) | 6 726 | 10 942 |

Explanations are required to be provided for variances where the variance exceeds the greater of 10 per cent of the original budgeted amount and 5 per cent of original budgeted total expenses.

Department for Trade, Tourism and Investment
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.4. Budget performance (continued)

| | | Original DTTI budget (¹) 2019 \$'000 | Actual 2019 \$'000 | Variance \$'000 |
|------------------------------------|------|---|--------------------------|--------------------|
| Investing Expenditure Summary | Note | | | |
| Total new projects | (d) | 210 | 232 | 22 |
| Total investing expenditure | | 210 | 232 | 22 |

(¹) These budgeted amounts have not been subject to audit. Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2018-19 Budget Papers, Budget Paper 4). These original budgeted amounts have been presented and classified on a basis that is consistent with line items in the financial statements. However, these amounts have not been adjusted to reflect revised budgets or administrative restructures / machinery of government changes.

The following are brief explanations of variances between original budget and actual amounts:

Statement of Comprehensive Income

(a) Supplies and services is \$4.1 million unfavourable compared to original budget primarily due to:

- Transfer of additional budget during 2018-19 for machinery of government changes as disclosed in note 1.3 (\$3.9 million).

(b) Grants and subsidies is \$19.8 million favourable compared to original budget primarily due to:

- Transfer out of budget related to Economic Investment Fund to Defence SA (\$11.7 million)
- Lower expenditure in relation to timing of payments for Economic Investment Fund and Health Industry Fund grants (\$9.3 million); partially offset by
- Transfer in of additional budget during 2018-19 for machinery of government changes as disclosed in note 1.3 (\$1.6 million).

(c) Payments to SA Government is \$3.7 million unfavourable compared to original budget due to:

- Unbudgeted payment of surplus cash to the Department of Treasury and Finance as part of the annual cash alignment process.

Investing expenditure

(d) Total new investing projects is \$22,000 unfavourable compared to original budget primarily due to:

- Office refurbishment costs (\$0.2 million); partially offset by
- Reclassification of the overseas trade office fit-out budget to reflect co-location of offices with Austrade instead of implementing stand-alone offices with associated fitouts (\$0.2 million).

Department for Trade, Tourism and Investment
Notes to and forming part of the financial statements
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1.5. Significant transactions with government related entities

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

- approximately 94% of operating lease payments related to accommodation supplied by the Department of Planning, Transport and Infrastructure (DPTI)
- accrued expenses liability includes \$2.7 million relating to reimbursements for other government departments for machinery of government changes
- 60% of grant payments were paid to SA government entities, primarily for the Economic Investment Fund grants administered by the Department of Treasury and Finance (\$7.1 million) and Defence SA (\$0.7 million) and funding to Education Adelaide for StudyAdelaide (\$2.5 million).

Department for Trade, Tourism and Investment
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2. Board, committees and employees

2.1. Key management personnel

Key management personnel of the department include the Minister, the Chief Executive and other members of the executive team who have responsibility for the strategic direction and management of the department.

The total compensation in 2019 includes the Chief Executive (up to 31 March 2019), Deputy Chief Executive and Director Strategic Operations. From April 2019, the Director International Markets was included following an internal department restructure. The post-employment benefits relate to superannuation. The acting Chief Executive remuneration from 1 April to 30 June 2019 is not included below and has been included in the Department of the Premier and Cabinet financial statements.

Total compensation for key management personnel was \$1.0 million in 2018-19.

The compensation disclosed in this note excludes salaries and other benefits the Minister 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*.

| | 2019 \$'000 |
|---|----------------|
| <u>Compensation</u> | |
| Salaries and other short term employee benefits | 746 |
| Post-employment benefits | 81 |
| Termination benefits | 135 |
| Total | <u>962</u> |

Transactions with key management personnel and other related parties

Compensation of key management personnel is disclosed above.

2.2. Board and committee members

Risk and Performance Committee

C Dunsford (Chair)
 J Hill
 S Adlaf*
 J Cirson* (appointed September 2018)
 N Chandler* (appointed December 2018)
 J King* (appointed September 2018, resigned December 2018)
 G Giannopoulos* (resigned December 2018)
 M Richardson* (term expired September 2018)

The Risk and Performance Committee is shared with the Department for Energy and Mining and the Department for Innovation and Skills. The committee is remunerated by the Department for Innovation and Skills and costs are recovered through service level agreement with Department for Innovation and Skills (refer note 3.1).

* In accordance with the Department of the Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for board / committee duties during the financial year. In addition, members of Parliament who are members of boards or committees did not receive any remuneration.

Department for Trade, Tourism and Investment
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2.3. Employee benefits expenses

Employee benefits expenses

| | 2019 |
|---|---------------|
| | \$'000 |
| Salaries and wages | 15 446 |
| Targeted voluntary separation packages | 1 179 |
| Long service leave | 829 |
| Annual leave | 1 303 |
| Skills and experience retention leave | 49 |
| Employment on-costs - superannuation | 1 596 |
| Employment on-costs - other | 966 |
| Workers compensation | (29) |
| Total employee benefits expenses | 21 339 |

Employment on-costs - superannuation

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

Department for Trade, Tourism and Investment
Notes to and forming part of the financial statements
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2.3. Employee benefits expenses (continued)

Executive remuneration

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

| | 2019 |
|-------------------------------------|-----------|
| | No |
| \$151 001 to \$171 000 | 4 |
| \$171 001 to \$191 000 [^] | 3 |
| \$191 001 to \$211 000 | 1 |
| \$231 001 to \$251 000 [^] | 1 |
| \$251 001 to \$271 000 [^] | 5 |
| \$271 001 to \$291 000 [^] | 1 |
| \$451 001 to \$471 000 [^] | 2 |
| \$531 001 to \$551 000 [^] | 1 |
| \$571 001 to \$591 000 [^] | 1 |
| Total | 19 |

[^] represents bands where staff received termination payments as part of their total remuneration including, but not limited to, targeted voluntary separation packages disclosed below.

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, TVSPs / early terminations, superannuation contributions, salary sacrifice benefits, 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 \$5.3 million.

The above table does not include any employees that transferred into the department on 1 April 2019 as the remuneration received for the period 1 April 2019 to 30 June 2019 did not reach the \$151 000 total. If they had been employed by the department for the whole year, the number of employees included in the table would have increased by an additional 3 to 22 employees.

Targeted voluntary separation packages

The number of employees who received a TVSP during the reporting period was 15.

| | 2019 |
|--|------------|
| | \$'000 |
| Amount paid to separated employees: | |
| Targeted voluntary separation packages | 1 179 |
| Leave paid to separated employees | 352 |
| Recovery from the Department of Treasury and Finance | (1 179) |
| Net cost to the department | 352 |

Department for Trade, Tourism and Investment
Notes to and forming part of the financial statements
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2.4. Employee benefits liability

| | 2019 \$'000 |
|--|----------------|
| <u>Current</u> | |
| Accrued salaries and wages | 436 |
| Annual leave | 1 502 |
| Long service leave | 223 |
| Skills and experience retention leave | 100 |
| Total current employee benefits | 2 261 |
| <u>Non-current</u> | |
| Long service leave | 4 654 |
| Total non-current employee benefits | 4 654 |
| Total employee benefits | 6 915 |

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 their nominal amounts.

Salaries and wages, annual leave, skills and experience retention leave (SERL) 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 in full is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. Where skills and experience retention leave liability is expected to be payable later than 12 months, the liability is measured at present value.

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 are provided at note 11.1.

Department for Trade, Tourism and Investment
Notes to and forming part of the financial statements
for the year ended 30 June 2019

3. Expenses

Employee benefits expenses are disclosed in note 2.3.

3.1. Supplies and services

| | 2019 |
|---|---------------|
| | \$'000 |
| Service level agreements ⁽¹⁾ | 2 665 |
| Operating lease payments | 2 314 |
| Contractors | 1 769 |
| Office administration expenses | 1 202 |
| Overseas trade representation | 1 090 |
| Communications and information technology | 973 |
| Travel and related expenses | 804 |
| Accommodation and service costs | 372 |
| Marketing | 359 |
| Staff related expenses | 205 |
| Accounting and audit fees | 77 |
| Consultants | 33 |
| Total supplies and services | 11 863 |

⁽¹⁾ Represents payments to the Department for Innovation and Skills and Shared Services SA for the provision of corporate, ICT, financial and payroll support.

Operating lease payments

Operating lease payments (less any lease incentives) are recognised on a straight-line basis over the lease term.

| | 2019 |
|---------------------------------------|--------------|
| | \$'000 |
| Operating lease minimum payments | 2 554 |
| Operating lease incentives | (240) |
| Total operating lease payments | 2 314 |

Accounting and 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 \$77 400. No other services were provided by the Auditor-General's Department.

Consultants

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

| | No | 2019 |
|-------------------|----------|-----------|
| | | \$'000 |
| Below \$10 000 | 2 | 9 |
| \$10 000 or above | 1 | 24 |
| Total | 3 | 33 |

Department for Trade, Tourism and Investment
Notes to and forming part of the financial statements
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3.2. Depreciation

| | |
|--------------------------------------|------------|
| | 2019 |
| | \$'000 |
| Buildings and leasehold improvements | 734 |
| Plant and equipment | 4 |
| Total depreciation | 738 |

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

Lease incentives in the form of 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.

Review of accounting estimates

Assets' residual values, useful lives methods are reviewed and adjusted, if appropriate, on an annual basis. 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.

Works of art controlled by the department have very long and indeterminate useful lives. Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no depreciation has been recognised.

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 (years) |
|------------------------|---------------------|
| Plant and equipment | 3-5 |
| Leasehold improvements | Life of lease |

3.3. Grants and subsidies

| | |
|-------------------------------------|---------------|
| | 2019 |
| | \$'000 |
| Class of assistance: | |
| Investment Attraction | 11 344 |
| International Education | 3 301 |
| Business Growth and Competitiveness | 1 608 |
| Trade | 1 326 |
| Tourism | 38 |
| Other | 18 |
| Total grants and subsidies | 17 635 |

Department for Trade, Tourism and Investment
Notes to and forming part of the financial statements
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3.4. Other expenses

| | |
|-------------------------------|----------|
| | 2019 |
| | \$'000 |
| Allowances for doubtful debts | 8 |
| Total other expenses | 8 |

3.5. Overseas representative offices

The following table provides a summary of the financial transactions for the reporting period for overseas offices, where the department funds their operations. The transactions relating to operating expenses and operating revenues have been included in the financial statements.

| | China | United Kingdom | 2019 |
|---|--------|-------------------|--------|
| | \$'000 | \$'000 | \$'000 |
| Operating expenses | 365 | 473 | 838 |
| Operating revenues | 5 | 46 | 51 |
| Funds advanced to overseas offices towards operating expenses | 390 | - | 390 |

The costs relating to overseas representation provided through Austrade are not included in the table below. These costs are shown in note 3.1 (refer Overseas trade representation).

The financial year ended 30 June 2019 includes full year costs for operating the Jinan office. Effective from 1 April 2019, the Agent-General's Office in London was transferred from the Department of the Premier and Cabinet. The department's financial statements reflect three months of costs. Funding for the Agent-General's Office is reflected in the Department of the Premier and Cabinet's financial statements.

Department for Trade, Tourism and Investment
Notes to and forming part of the financial statements
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4. Income

4.1. Net revenues from SA Government

| | 2019 \$'000 |
|---|----------------|
| <u>Revenues from SA Government</u> | |
| Appropriations from the Consolidated Account pursuant to the <i>Appropriation Act</i> | 53 868 |
| Appropriations under other Acts | 2 259 |
| Accrual appropriation | 3 393 |
| Total revenues from SA Government | 59 520 |
| <u>Payments to SA Government</u> | |
| Payments to the Consolidated Account | 3 717 |
| Total payments to SA Government | 3 717 |
| Net revenues from SA Government | 55 803 |

Appropriations

Appropriations are recognised on receipt.

Total revenue from government consists of \$57.2 million for operational funding and \$2.3 million was received pursuant to the Treasurer's contingency. Contingency appropriation included \$2.2 million for for voluntary and executive separation package reimbursements and \$0.1 million for the export ready coaching program.

Payments made to SA Government in 2018-19 are due to the return of surplus cash pursuant to the cash alignment policy.

In 2019 there were nil appropriations from the Governor's Appropriation Fund pursuant to the *Public Finance and Audit Act 1987*.

4.2. Fees and charges

| | 2019 \$'000 |
|-------------------------------|----------------|
| Immigration application fees | 1 158 |
| Total fees and charges | 1 158 |

The functions of Immigration SA were transferred to the Department for Innovation and Skills effective from 1 April 2019 as per note 1.3.

Department of Trade, Tourism and Investment
Notes to and forming part of the financial statements
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4.3. Commonwealth grants and payments

| | 2019 \$'000 |
|--|----------------|
| Grants | |
| TradeStart | 363 |
| Employment Facilitator Services for Regional Employment Trials Program | 41 |
| Total Commonwealth grants and payments | <u>404</u> |

The existing TradeStart Agreement expired on 30 June 2018. The Australian Trade and Investment Commission (Austrade) exercised its option under Clause 4 of the agreement to extend the contract term to 30 June 2019. The department has been selected by Austrade as the successful tenderer to deliver TradeStart services in South Australia for 2019-2023. The contract term for the Employment Facilitator Services for Regional Employment Trials Program is from 1 October 2018 to 30 June 2020.

4.4. Interest and investment

| | 2019 \$'000 |
|--------------------------------------|----------------|
| Dividends received | 100 |
| Total interest and investment | <u>100</u> |

The dividend received related to Scope Global Pty Ltd which was transferred to the Department of Treasury and Finance effective from 1 April 2019 as per note 1.3.

4.5. Resources received free of charge

| | 2019 \$'000 |
|---|----------------|
| Services received free of charge - Shared Services SA | 141 |
| Total resources received free of charge | <u>141</u> |

On 21 November 2016, approval was given by Cabinet to cease the intra-government charging model for services provided by Shared Services SA (SSSA) to general government sector agencies. As a result of this change, effective from 2018, SSSA is directly appropriation funded for the services provided by SSSA to general government agencies.

Under AASB 1004 *Contributions*, the contribution of services provided by SSSA to government agencies are disclosed in the financial statements as income because the fair value of the services can be reliably measured and the services would have been purchased if they had not been donated. A corresponding expense is recognised in the financial statements (note 3.1).

4.6. Other income

| | 2019 \$'000 |
|---------------------------|----------------|
| Recoveries | 608 |
| Other income | 95 |
| Total other income | <u>703</u> |

Recoveries include funding from other government agencies for reimbursement of accommodation and salaries and contribution to department led projects including scholarships and grant payments.

Department for Trade, Tourism and Investment
Notes to and forming part of the financial statements
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5. Non-financial assets

5.1. Property, plant and equipment

| | 2019 |
|--|-------------------|
| | \$'000 |
| <u>Plant and equipment</u> | |
| Plant and equipment at cost (deemed fair value) | 103 |
| Accumulated depreciation at the end of the period | <u>(67)</u> |
| Total plant and equipment | <u>36</u> |
| | |
| <u>Buildings and leasehold improvements</u> | |
| Buildings and leasehold improvements at fair value | 4 568 |
| Accumulated depreciation at the end of the period | <u>(3 952)</u> |
| Total buildings and leasehold improvements | <u>616</u> |
| | |
| <u>Works of art</u> | |
| Works of art at fair value | <u>53</u> |
| Total works of art | <u>53</u> |
| | |
| Total property, plant and equipment | <u>705</u> |

Property, plant and equipment assets with a value equal to or in excess of \$10 000 are capitalised, with the exception of works of art. All works of art are capitalised irrespective of their value.

Property, plant and equipment is recorded at fair value. Detail about the department's approach to fair value is set out in note 11.2.

Plant and equipment includes \$17 300 of fully depreciated plant and equipment still in use.

Reconciliation 2018-19

| | Plant and equipment | Buildings and leasehold improvements | Works of art | Capital works in progress | Total |
|--|------------------------|--|------------------|---------------------------------|-------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Carrying amount at 1 July 2018 | - | - | - | - | - |
| Additions | - | 232 | - | - | 232 |
| Other movements | - | 441 | - | (29) | 412 |
| Depreciation | (4) | (734) | - | - | (738) |
| Acquisition through administrative restructuring | 40 | 677 | 53 | 29 | 799 |
| Carrying amount at 30 June 2019 | <u>36</u> | <u>616</u> | <u>53</u> | <u>-</u> | <u>705</u> |

Department for Trade, Tourism and Investment
Notes to and forming part of the financial statements
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6. Financial assets

6.1. Cash and cash equivalents

| | 2019 |
|---|---------------|
| | \$'000 |
| Deposits with the Treasurer – Operating Account | 30 237 |
| Deposits with the Treasurer – Accrual Appropriation | 2 857 |
| Deposits at call - overseas offices | 344 |
| Total cash and cash equivalents | 33 438 |

Deposits with the Treasurer

The department has two deposit accounts with the Treasurer:

- a general operating account;
- an Accrual Appropriation Excess Funds Account.

Although the department controls the money in the Accrual Appropriation Excess Funds Account, its use must be approved by the Treasurer. The department does not earn interest on its deposits with the Treasurer.

The office has two overseas deposit accounts in China and the United Kingdom. The carrying amount of cash and cash equivalents represents nominal value in Australian dollars.

Department for Trade, Tourism and Investment
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6.2. Non-cash financing and investing activities

Details with respect to the restructuring of administrative arrangements are set out in note 1.3. The following restructures were not reflected in the Statement of Cash Flows.

- Effective 1 July 2018 six employees relating to the government's trade, investment and export functions of the Department of Primary Industries and Regions were transferred into the department. This restructure resulted in the department assuming net liabilities of \$0.2 million.
- Effective from 1 January 2019 three employees from the corporate finance function of the Department for Innovation and Skills transferred into the department. This restructure resulted in the department assuming net liabilities of \$0.2 million.
- Effective from 1 April 2019 the employees for China Strategy and the Office of the State Coordinator-General of the Department of the Premier and Cabinet transferred into the department. This restructure resulted in the department assuming net liabilities of \$0.1 million and \$0.9 million respectively.
- Effective from 1 April 2019 the Industry and Business Growth, Case Management and Regions, Industry, Policy and Analytics and four corporate staff of the Department for Innovation and Skills transferred into the department. This restructure resulted in the department assuming net liabilities of \$1.9 million.
- Effective from 1 April 2019 one employee for Agribusiness Trade from the Department of Primary Industries and Regions transferred into the department. This restructure resulted in the department assuming net liabilities of \$0.1 million.

6.3. Receivables

| | 2019 \$'000 |
|-----------------------------------|----------------|
| <u>Current</u> | |
| <u>Trade receivables</u> | |
| From government entities | 262 |
| From non-government entities | 43 |
| Less allowance for doubtful debts | (8) |
| Total trade receivables | 297 |
| Prepayments | 129 |
| GST input tax recoverable | 130 |
| Accrued revenue | 352 |
| Other receivables | 14 |
| Total current receivables | 922 |

Department for Trade, Tourism and Investment
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6.3. Receivables (continued)

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. 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 allowance for doubtful debts, 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.

Impairment of receivables

| | 2019 \$'000 |
|--|----------------|
| Carrying amount at the beginning of the period | - |
| Increase in allowance | 8 |
| Carrying amount at the end of the period | 8 |

Refer to note 9.2 for details regarding credit risk and the methodology for determining impairment.

6.4. Investments

| | 2019 \$'000 |
|---|----------------|
| Carrying amount at the beginning of the period | - |
| Net assets received from an administrative restructure | 6 901 |
| Net assets transferred as a result of an administrative restructure | (6 901) |
| Total investments at the end of the period | - |

The *Public Sector (Reorganisation of Public Sector Operations No.2) Notice 2018* (dated 21 June 2018) proclaimed that effective from 1 July 2018 the investment for Scope Global Pty Ltd within the Department for Innovation and Skills (formerly the Department of State Development) will be transferred into the Department for Trade, Tourism and Investment.

The Chief Executive of the Department for Trade, Tourism and Investment (dated 28 March 2019) approved the transfer of the investment for Scope Global Pty Ltd to the Department of Treasury and Finance effective from 1 April 2019.

Department for Trade, Tourism and Investment
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7. Liabilities

Employee benefits liabilities are disclosed in note 2.4.

7.1. Payables

| | 2019 |
|-----------------------------------|---------------|
| | \$'000 |
| <u>Current</u> | |
| Trade payables | 281 |
| Accrued expenses | 9 785 |
| Employment on-costs | 470 |
| Total current payables | 10 536 |
| <u>Non-current</u> | |
| Employment on-costs | 425 |
| Total non-current payables | 425 |
| Total payables | 10 961 |

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 that they relate to is discharged.

The department makes contributions 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 external 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 was 41% in 2019. The average factor for the calculation of employer superannuation cost on-cost was 9.8% in 2019. These rates are used in the employment on-cost calculation.

Department for Trade, Tourism and Investment
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7.2. Provisions

| | 2019 \$'000 |
|---|----------------|
| <u>Current</u> | |
| Provision for workers compensation | 25 |
| Total current provisions | 25 |
| <u>Non-current</u> | |
| Provision for workers compensation | 39 |
| Make good provision | 441 |
| Total non-current provisions | 480 |
| Total provisions | 505 |
| Carrying amount at the beginning of the period | - |
| Additional provisions recognised | 505 |
| Carrying amount at the end of the period | 505 |

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 2019 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 department is responsible for the payment of workers compensation claims.

7.3. Other liabilities

| | 2019 \$'000 |
|--|----------------|
| <u>Current</u> | |
| Lease incentive | 100 |
| Unearned revenue | 121 |
| Total current other liabilities | 221 |
| Total other liabilities | 221 |

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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.

Cash flow reconciliation

2019

\$'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 | 33 438 |
| Balance as per the Statement of Cash Flows | 33 438 |

Reconciliation of net cash provided in operating activities to net cost of providing services

| | |
|---|----------|
| Net cash provided in operating activities | 13 182 |
| Less revenues from SA Government | (59 520) |
| Add payments to SA Government | 3 717 |

Add / (less) non-cash items

| | |
|---|--------|
| Depreciation expense of non-current assets | (738) |
| Amortisation of lease incentive | 240 |
| Bad and doubtful debts expense | (8) |
| Resources received free of charge | 141 |
| Other asset movements | (29) |
| Resources provided free of charge | (141) |
| Transfer in for administrative restructure | 12 223 |
| Transfer out for administrative restructure | (675) |

Movement in assets and liabilities

| | |
|---------------------------------------|-----------------|
| Increase in receivables | 930 |
| (Increase) in payables | (10 960) |
| (Increase) in other liabilities | (460) |
| (Increase) in provisions | (64) |
| (Increase) in employee benefits | (6 915) |
| Net cost of providing services | (49 077) |

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9. Changes in accounting policy

9.1. Treasurer's Instructions (Accounting Policy Statements)

On 22 March 2019 the *Treasurer's Instructions (Accounting Policy Statements) 2019* were issued by the Treasurer under the *Public Finance and Audit Act 1987*. The Accounting Policy Statements replaced the following Accounting Policy Frameworks:

- Purpose and Scope
- General Purpose Financial Statements Framework
- Asset Accounting Framework
- Financial Asset and Liability Framework
- Income Framework
- Definitions.

The new Accounting Policy Statements have largely been prepared on a no-policy change basis. Changes that impact on these financial statements are:

- removal of the additional requirement to report transactions with the SA Government
- removal of the additional requirement to report a statement of equity for administered items
- increasing the bands from \$10,000 to \$20,000 for employee and board member reporting

These changes, however, do not impact on the amounts reported in the financial statements.

The Accounting Policy Statements also set out requirements in relation to Accounting Standards and Statements not yet effective. This is further discussed in note 10.3.

9.2. AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces the provisions of AASB 139 that relate to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements.

As part of the adoption of AASB 9, the department adopted consequential amendments to other accounting standards and the *Treasurer's Instructions (Accounting Policy Statements)* arising from the issue of AASB 9 as follows:

- *AASB 101 Presentation of Financial Statements* requires the impairment of financial assets to be presented in a separate line item in the Statement of Comprehensive Income. In prior years, this information was presented as part of other expenses.
- *AASB 7 Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9, these disclosures have been provided for the current year because the comparatives have not been restated.

In accordance with transitional provisions and the *Treasurer's Instructions (Accounting Policy Statements)*, *AASB 9 Financial Instruments* was adopted without restating comparative information for classification and measurement requirements. All adjustments relating to classification and measurement are recognised in retained earnings at 1 July 2018.

The adoption of AASB 9 has not had a significant effect on the recognition, measurement or classification of financial liabilities.

Department for Trade, Tourism and Investment
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9.2. AASB 9 Financial Instruments (continued)

Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' model. The following financial assets of the department are subject to AASB 9's new expected credit loss model:

- trade receivables from provision of services.

This model generally results in earlier recognition of credit losses than the previous one.

Trade receivables

New impairment requirements result in a provision being applied to all receivables rather than only on those receivables that are credit impaired. The department has adopted the simplified approach under *AASB 9 Financial Instruments* and measured lifetime expected credit losses on all trade receivables using a provision matrix approach as a practical expedient to measure the impairment provision.

This resulted in an increase of the loss allowance on 1 July 2018 of \$7 500 for trade receivables external to government.

There are no additional impairment provisions for State, Territory, or Commonwealth Government receivables due to the government's high quality credit risk.

Trade and other receivables that were classified as loans and receivables under AASB 139 are now classified at amortised cost as they meet the appropriate criteria under AASB 9.

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10. Outlook

10.1. Unrecognised contractual commitments

Commitments for the payment of other contracts and grant agreements in existence at the reporting date but not recognised as liabilities are payable as follows:

Other commitments

| | 2019 |
|---|----------------------|
| | \$'000 |
| Within one year | 15 985 |
| Later than one year but not later than five years | 10 615 |
| Total other commitments | <u>26 600</u> |

Amounts disclosed include commitments arising from agreements with contractors, consultants, ICT contracts and grant recipients.

Department for Trade, Tourism and Investment
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10.1. Unrecognised contractual commitments (continued)

Operating lease commitments

| | 2019 \$'000 |
|---|----------------|
| <u>Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:</u> | |
| Within one year | 1 345 |
| Later than one year but not later than five years | 4 937 |
| Later than five years | 456 |
| Total operating lease commitments | <u>6 738</u> |
| Representing: | |
| Cancellable operating leases | 170 |
| Non-cancellable operating leases | 6 568 |
| Total operating lease commitments | <u>6 738</u> |

The department's operating leases relate to office accommodation and motor vehicles. Office accommodation is leased from the Department of Planning, Transport and Infrastructure - Building Management Accommodation and Property Services, TAFE SA and two private companies for the overseas offices. The leases are non-cancellable with terms ranging up to five years with some leases having the right of renewal. Motor vehicles are leased from the South Australian Government Financing Authority (SAFA) through their agent LeasePlan Australia, with lease periods of up to three years.

Department for Trade, Tourism and Investment
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10.2. Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

The department is not aware of any contingent assets.

Contingent assets

Where specific conditions relating to a financial assistance grant are not met, the department may request the amount granted be repaid by the grantee.

There are no known contingent assets arising from these present obligations as at 30 June 2019.

Contingent liabilities

The department may have a contingent liability under a financial assistance agreement with a company. The department may be liable to make additional future payments per the conditions of the agreement but is unable to determine the amount of the future payment at reporting date.

Department for Trade, Tourism and Investment
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10.3. Impact of standards and statements not yet effective

The department has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet effective.

Treasurer's Instructions (Accounting Policy Statements) 2019 issued by the Treasurer on 22 March 2019 are effective for the 2018-19 reporting period and are addressed below in relation to Standards not yet effective and in note 9.1. There are no Accounting Policy Statements that are not yet effective.

The material impacts on the department are outlined below.

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

The department will adopt AASB 15 – *Revenue from Contracts with Customers* and AASB 1058 – *Income of Not-for-Profit Entities* from 1 July 2019.

Objective

AASB 15 introduces a 5-step approach to revenue recognition. The objective of AASB 15 is that recognition of revenue depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. It provides extensive guidance as to how to apply this revenue recognition approach to a range of scenarios. AASB 15 – *Revenue from Contracts* replaces AASB 111 – *Construction Contracts* and AASB 118 – *Revenue*.

AASB 1058 introduces consistent requirements for the accounting of non-reciprocal transactions by not-for-profit entities, in conjunction with AASB 15. These requirements closely reflect the economic reality of not-for-profit entity transactions that are not contracts with customers. AASB 1058 replaces parts of AASB 1004 – *Contributions*.

Impact on 2019-20 financial statements

Adopting AASB 15 and AASB 1058 is expected to have an immaterial impact on the timing of recognition of revenue by the department.

Related accounting policies

The *Treasurer's Instructions (Accounting Policy Statements) 2019* sets out key requirements that the department must adopt for the transition to AASB 15 – *Revenue from Contracts with Customers* and AASB 1058 – *Income of Not-for-Profit Entities*. These requirements include that the department will:

- apply AASB 15 and AASB 1058 retrospectively. The cumulative effect of initially applying the Standards will be recognised at 1 July 2019. Comparatives will not be restated
- not apply the AASB 15 and the AASB 1058 completed contracts practical expedient
- apply the AASB 15 practical expedient for all contract modifications that occur before the date of initial application.

The *Treasurer's Instructions (Accounting Policy Statements) 2019* also sets out requirements for on-going application. These requirements include that the department will:

- apply, where permitted, the short-term licences recognition exemption.
- adopt \$15,000 as the threshold to determine whether a licence is a licence for which the transaction price is of low value and will apply the low value licence recognition exemption for all low value licences.
- not recognise volunteer services when the services would not have been purchased if they had not been donated.

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10.3. Impact of standards and statements not yet effective (continued)

AASB 16 – Leases

The department will adopt *AASB 16 – Leases* from 1 July 2019.

Objective

AASB 16 sets out a comprehensive model for lease accounting that addresses recognition, measurement, presentation and disclosure of leases. The outcome will be that lease information disclosed will give users of financial statements a basis to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. *AASB 16 Leases* replaces *AASB 117 Leases and Interpretation 4 Determining whether an Arrangement contains a Lease*, *Interpretation 115 Operating Leases – Incentives and Interpretation*, and *Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Impact on 2019-20 financial statements

The department has assessed the estimated impact on the Statement of Financial Position of adopting AASB 16 with the transition requirements mandated by the *Treasurer's Instructions (Accounting Policy Statements)*.

AASB 16 requires lessees to recognise assets and liabilities for all leases, not subject to a recognition exemption or scoped out of the application of AASB 16. 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 for the first time. Lease incentive liabilities previously recognised will be written off against the right-of-use assets or retained earnings depending on the nature of the incentive.

AASB 16 is expected to have a material impact on the Statement of Financial Position. The department has estimated the impact of this change and the results as at 1 July 2019.

The estimated impact is based on applying AASB 16's transition approach to those leases identified as leases by the department prior to 1 July 2019. The incremental borrowing rates applied to estimate the lease liability were SAFA's forecast interest rates for principal and interest loans to SA Government agencies for 1 July 2019 as at 5 June 2019.

Department for Trade, Tourism and Investment
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10.3. Impact of standards and statements not yet effective (continued)

The estimated impact is set out below.

| | as at 1 July 2019 \$'000 |
|---|--------------------------------|
| <u>Assets</u> | |
| Right-of-use assets | 2 199 |
| <u>Liabilities</u> | |
| Lease liabilities | (2 131) |
| Other liabilities (lease incentive liabilities) | (16) |
| Net impact on equity | 52 |

AASB 16 will also impact on the Statement of Comprehensive Income. The operating lease expense previously included in supplies and services will mostly be replaced with:

- a depreciation expense 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.

The estimated impact on 2019-20 Statement of Comprehensive Income is set out below.

| | 2020 \$'000 |
|---|----------------|
| Depreciation and amortisation | 348 |
| Supplies and services | (299) |
| Borrowing costs | 35 |
| Net impact on net cost of providing services | 84 |

Related accounting policies

The *Treasurer's Instructions (Accounting Policy Statements) 2019* sets out key requirements that the department must adopt for the transition from *AASB 117 Leases* to *AASB 16 Leases*. These requirements include that the department will:

- apply AASB 16 retrospectively, the cumulative effect of initially applying the Standard will be recognised at 1 July 2019 and comparatives will not be restated
- only apply AASB 16 to contracts that were previously identified as containing a lease applying AASB 117 and related interpretations
- not transition operating leases for which the lease term ends before 30 June 2020.

Department for Trade, Tourism and Investment
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10.3. Impact of standards and statements not yet effective (continued)

The *Treasurer's Instructions (Accounting Policy Statements) 2019* also sets out requirements for on-going application. These requirements include that department will:

- not apply AASB 16 to leases of intangible assets
- adopt \$15,000 as the threshold to determine whether an underlying asset is a low value asset and must apply the low value asset recognition exemption to all low value assets
- apply the short-term leases recognition exemption for all classes of underlying asset. Note an exemption has been applied to not apply this for vehicle leases with SAFA
- separate non-lease components from lease components
- adopt the revaluation model, where permitted
- where required, apply the relevant lessee's incremental borrowing rate published by the Department of Treasury and Finance
- on initial recognition not record at fair-value leases that have significantly below-market terms and conditions principally to enable the department to further its objectives, unless they have already been recorded at fair-value prior to 1 July 2019.

10.4. Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June 2019 and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June 2019.

Note disclosure is made about events between 30 June 2019 and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June 2019 and which may have a material impact on the results of subsequent years as set out below.

There are no known 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 the 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.

AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of long service leave liability. The yield on long-term Commonwealth Government bonds was 1.25% for 2019.

The net financial effect of the changes to actuarial assumptions in the current financial year is an increase in the long service liability of \$0.4 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

Current long service leave reflects the portion of leave expected to be settled within the next 12 months, based on previous experience.

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).

Revaluation

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

Non-current tangible assets are valued at fair value and revaluation of non-current assets or a 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.

Revaluation is undertaken on a regular cycle as detailed below. 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.

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11.2. Fair value (continued)

Fair value hierarchy

The department 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), and
- Level 3 - not traded in an active market and are derived from unobservable inputs.

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

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

All assets are classified at level 3 and movement schedules are in note 5.1.

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11.3. Financial Instruments

Financial risk management

Risk management is managed by the department's corporate services section. Departmental 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 department'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

The department is funded principally from appropriation by the SA Government. The department 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 notes 7.1 for further information.

Credit risk

The department 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 department.

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

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 department 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 department'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 the department 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 a receivable progressing through stages to write off based on the common risk characteristics of the transaction and debtor.

| | Debtor gross carrying amount \$'000 | Loss % | Lifetime expected losses \$'000 |
|----------------------------|---|---------|---------------------------------------|
| Current (not past due) | - | 0.37% | - |
| 1 - 30 days past due | - | 0.48% | - |
| 31 - 60 days past due | - | 1.35% | - |
| 61 - 90 days past due | - | 1.97% | - |
| More than 90 days past due | 8 | 100.00% | 8 |
| Loss Allowance | 8 | | 8 |

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11.3. Financial Instruments (continued)

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 department'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. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with the department and a failure to make contractual payments for a period of greater than 90 days past due.

Receivables with a contractual amount of \$7 500 transferred to provision of doubtful debt during the year are still subject to enforcement activity.

The department 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.

Market risk

The department does not trade in foreign currency, nor enter into transactions for speculative purposes, nor for hedging. The department 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*.

Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. The department's interest bearing liabilities are managed through the South Australian Government Financing Authority (SAFA) and any movement in interest rates are monitored on a daily basis. The department has minor exposure to foreign currency loss due to overseas transactions including the department's overseas representation offices. The loss in 2019 was \$10 000.

Categorisation of financial instruments

Details of 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 applicable until 30 June 2018 under AASB 139 Financial Instruments: Recognition and Measurement

Given that the department was established on 1 July 2018, this section does not apply as it reflects how the financial assets and liabilities would have been classified in the previous reporting period. However, it has been included for completeness to compare new classification requirements from 1 July 2018 and reflected in the next section.

The carrying amounts are detailed below of each of the following categories of financial assets and liabilities:

- Held-to-maturity investments;
- Loan and receivables;
- Financial liabilities measured at cost.

The department does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer to notes 6.3 and 7.1)
- Held-to-maturity investments are initially recognised at fair value, then subsequently held at amortised cost. This is the most representative of fair value in the circumstances (refer to note 6.4).

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11.3. Financial Instruments (continued)

Classification applicable from 1 July 2018 under AASB 9 Financial Instruments

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (FVOCI) – debt instrument, FVOCI – equity instrument or fair value through profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest only on the principal amount outstanding.

The department measures all financial instruments at amortised cost.

| Category of financial asset and financial liability | Note | 2019 | 2019 Contractual maturities |
|---|------|--|-----------------------------|
| | | Carrying amount / fair value \$'000 | Current \$'000 |
| Financial assets | | | |
| Cash and cash equivalents | 6.1 | 33 438 | 33 438 |
| Financial assets at amortised cost | | | |
| Receivables | 6.3 | 401 | 401 |
| Total financial assets | | 33 839 | 33 839 |
| Financial liabilities | | | |
| Financial liabilities at amortised cost | | | |
| Payables | 7.1 | 9 989 | 9 989 |
| Total financial liabilities | | 9 989 | 9 989 |

Receivables and payables

The receivable 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 or obligations have their source in 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 cost (not materially different from amortised cost).

The receivable amounts disclosed here exclude prepayments as they are not financial assets. Prepayments are presented in note 6.3.

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12. Disclosure of Administered Items

12.1. Disclosure of administered items as at 30 June 2019

The department disburses parliamentary salaries and allowances pursuant to the *Agent-General Act 1901* and the *Parliamentary Remuneration Act 1990* on behalf of the State Government.

| | 2019 \$'000 |
|---|----------------|
| <u>Administered expenses</u> | |
| Employee benefits expenses | 412 |
| Total administered expenses | 412 |
| <u>Administered income</u> | |
| Other income | 47 |
| Total administered income | 47 |
| <u>Revenues from SA Government</u> | |
| Revenue from SA Government | 352 |
| <u>Administered current assets</u> | |
| Cash and cash equivalents | (60) |
| Receivables | 47 |
| Total current assets | (13) |

Budget performance

| | Original DTTI Administered | | |
|---|-------------------------------|--------------|-------------|
| | budget ⁽¹⁾ | Actual | Variance |
| | 2019 | 2019 | |
| | \$'000 | \$'000 | \$'000 |
| Statement of Comprehensive Income | | | |
| <u>Administered Expenses</u> | | | |
| Employee benefits expenses | 364 | 412 | 48 |
| Total administered expenses | 364 | 412 | 48 |
| <u>Administered income</u> | | | |
| Other income | - | 47 | 47 |
| Total administered income | - | 47 | 47 |
| Net cost of providing services | (364) | (365) | (1) |
| <u>Revenues from SA Government</u> | | | |
| Revenues from SA Government | 364 | 352 | (12) |
| Net result | - | (13) | (13) |
| Total comprehensive result | - | (13) | (13) |

Department for Trade, Tourism and Investment
Notes to and forming part of the financial statements
for the year ended 30 June 2019

12.1. Disclosure of administered items as at 30 June 2019 (continued)

Explanations are required to be provided for variances where the variance exceeds the greater of 10 per cent of the original budgeted amount and 5 per cent of original budgeted total expenses.

There are no material variances between original budget and actual amount.

⁽¹⁾ These budgeted amounts have not been subject to audit. Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2018-19 Budget Papers, Budget Paper 4). These original budgeted amounts have been presented and classified on a basis that is consistent with line items in the financial statements. However, these amounts have not been adjusted to reflect revised budgets or administrative restructures / machinery of government changes.