

South Australian Tourism Commission

Financial report
for the year ended
30 June 2019



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The Chair South Australian Tourism Commission

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 23(3) of the *South Australian Tourism Commission Act 1993*, I have audited the financial report of the South Australian Tourism Commission 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 South Australian Tourism Commission 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 Chair, the Chief Executive Officer and the Chief Financial Officer.

Basis for opinion

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

The Chief Executive Officer 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 Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the South Australian Tourism Commission's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer
- 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 Officer and the Board of Directors about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

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

Andrew Richardson

Auditor-General

17 September 2019

SOUTH AUSTRALIAN TOURISM COMMISSION

CERTIFICATION OF THE FINANCIAL STATEMENTS

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

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards
- are in accordance with the accounts and records of the SATC, and
- present a true and fair view of the financial position of the SATC as at 30 June 2019 and the results of its operation and cash flows for the financial year.

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

Signed in accordance with a resolution of the board members.

Andrew Bullock
Chair
South Australian Tourism
Commission Board

11 / 9 / 2019

Rodney Harrex
Chief Executive Officer
South Australian Tourism
Commission

09 / 09 / 2019

Stephanie Rozokos
Chief Financial Officer
South Australian Tourism
Commission

9 / 9 / 2019

SOUTH AUSTRALIAN TOURISM COMMISSION

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$'000	2018 \$'000
EXPENSES			
Employee benefits expenses	2.3	14 550	14 711
Advertising and promotion	3.1	37 105	39 973
Industry assistance	3.2	15 915	22 110
Administration and accommodation	3.3	7 050	7 678
Event operations	3.4	40 742	44 241
Depreciation expense	3.5	2 410	2 273
Net loss from the disposal of non-current assets	3.6	39	13
Loss (gain) on impairment of receivables	5.2.1	(4)	23
TOTAL EXPENSES		117 807	131 022
INCOME			
Sponsorship and participation	4.1	14 538	12 429
Entry fees, licence fees and sales	4.2	15 353	16 700
Interest		160	77
Other income	4.3	1 974	2 425
TOTAL INCOME		32 025	31 631
NET COST OF PROVIDING SERVICES		85 782	99 391
REVENUES FROM SA GOVERNMENT			
Revenues from SA Government	4.4	85 055	102 172
TOTAL REVENUES FROM SA GOVERNMENT		85 055	102 172
NET RESULT		(727)	2 781
OTHER COMPREHENSIVE INCOME			
Changes in plant and equipment asset revaluation surplus		-	5 949
TOTAL OTHER COMPREHENSIVE INCOME		-	5 949
TOTAL COMPREHENSIVE RESULT		(727)	8 730

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

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	2019 \$'000	2018 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5.1	16 568	14 069
Receivables	5.2	2 550	2 736
Other assets	5.3	-	143
TOTAL CURRENT ASSETS		19 118	16 948
NON-CURRENT ASSETS			
Plant and equipment	6.1	15 810	17 676
TOTAL NON-CURRENT ASSETS		15 810	17 676
TOTAL ASSETS		34 928	34 624
LIABILITIES			
CURRENT LIABILITIES			
Payables	7.1	5 382	5 348
Other current liabilities	7.2	1 498	904
Employee benefits	2.4	1 531	1 538
Provisions	7.3	26	27
TOTAL CURRENT LIABILITIES		8 437	7 817
NON-CURRENT LIABILITIES			
Payables	7.1	165	144
Other non-current liabilities	7.2	408	217
Employee benefits	2.4	2 113	1 912
Provisions	7.3	40	41
TOTAL NON-CURRENT LIABILITIES		2 726	2 314
TOTAL LIABILITIES		11 163	10 131
NET ASSETS		23 765	24 493
EQUITY			
Contributed capital		64	64
Asset revaluation surplus		8 453	8 599
Retained earnings		15 248	15 830
TOTAL EQUITY	8.1	23 765	24 493
The total equity is attributable to the SA Government as owner.			
Unrecognised contractual commitments	10		

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Note	Contributed Capital \$'000	Asset Revaluation Surplus \$'000	Retained Earnings \$'000	Total Equity \$'000
BALANCE AT 30 JUNE 2017		64	2 650	13 049	15 763
Net result for 2017-18		-	-	2 781	2 781
Gain on revaluation of plant and equipment during 2017-18		-	5 949	-	5 949
Total comprehensive result for 2017-18		-	5 949	2 781	8 730
BALANCE AT 30 JUNE 2018		64	8 599	15 830	24 493
Adjustments on initial adoption of AASB 9	9.2.2	-	-	(1)	(1)
ADJUSTED BALANCE AT 1 JULY 2018		64	8 599	15 829	24 492
Net result for 2018-19		-	-	(727)	(727)
Total comprehensive result for 2018-19		-	-	(727)	(727)
Transfer between equity components	6.2.2	-	(146)	146	-
BALANCE AT 30 JUNE 2019		64	8 453	15 248	23 765

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

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

		2019	2018
		Inflows	Inflows
		(Outflows)	(Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES	Note		
CASH OUTFLOWS			
Employee benefits payments		(14 351)	(14 618)
Payments for supplies and services		(104 571)	(121 047)
Payments for Paid Parental Leave scheme		(91)	(53)
CASH USED IN OPERATIONS		(119 013)	(135 718)
CASH INFLOWS			
Receipts from the sale of goods and services		32 105	30 471
Interest received		160	78
GST recovered from the ATO	8.2	5 648	6 734
Receipts for Paid Parental Leave scheme		97	57
CASH GENERATED FROM OPERATIONS		38 010	37 340
CASH FLOWS FROM SA GOVERNMENT			
Receipts from SA Government		85 055	102 172
CASH GENERATED FROM SA GOVERNMENT		85 055	102 172
NET CASH PROVIDED BY OPERATING ACTIVITIES	8.2	4 052	3 794
CASH FLOWS FROM INVESTING ACTIVITIES			
CASH OUTFLOWS			
Purchase of plant and equipment		(1 585)	(614)
CASH USED IN INVESTING ACTIVITIES		(1 585)	(614)
CASH INFLOWS			
Proceeds from the sale of plant and equipment	3.6	32	-
CASH GENERATED FROM INVESTING ACTIVITIES		32	-
NET CASH USED IN INVESTING ACTIVITIES		(1 553)	(614)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		2 499	3 180
CASH AND CASH EQUIVALENTS AT 1 JULY		14 069	10 889
CASH AND CASH EQUIVALENTS AT 30 JUNE	5.1	16 568	14 069

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ABOUT THE SOUTH AUSTRALIAN TOURISM COMMISSION

1.1 REPORTING ENTITY

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

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

1.2 BASIS OF PREPARATION

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

- section 23 of the *Public Finance and Audit Act 1987*
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*, including the new *Treasurer's Instructions (Accounting Policy Statements)* issued on 22 March 2019
- relevant Australian Accounting Standards, including AASB 9 *Financial Instruments* first adopted in 2018-19.

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

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

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

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

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

1.3 OBJECTIVES AND PROGRAMS

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

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

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

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

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

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

1.4 EXPENSES AND INCOME BY PROGRAM

for the year ended 30 June 2019

	<i>Tourism Development</i>		<i>Tourism Events</i>		<i>Tourism Marketing</i>		<i>Total</i>	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
EXPENSES								
Employee benefits expenses	3 483	3 655	6 036	5 831	5 031	5 225	14 550	14 711
Advertising and promotion	1 568	3 723	6 331	8 022	29 206	28 228	37 105	39 973
Industry assistance	5 686	9 461	9 948	11 574	281	1 075	15 915	22 110
Administration and accommodation	1 039	1 029	2 772	3 331	3 239	3 318	7 050	7 678
Event operations	650	487	40 092	43 754	-	-	40 742	44 241
Depreciation expense	50	85	2 217	1 911	143	277	2 410	2 273
Net loss from the disposal of non-current assets	3	-	27	13	9	-	39	13
Loss (gain) on impairment of receivables	-	-	(4)	23	-	-	(4)	23
TOTAL EXPENSES	12 479	18 440	67 419	74 459	37 909	38 123	117 807	131 022
INCOME								
Sponsorship and participation	401	1 803	9 264	9 342	4 873	1 284	14 538	12 429
Entry fees, sales and commission	7	-	15 346	16 693	-	7	15 353	16 700
Interest	-	-	160	77	-	-	160	77
Other income	339	319	1 323	1 763	312	343	1 974	2 425
TOTAL INCOME	747	2 122	26 093	27 875	5 185	1 634	32 025	31 631
NET COST OF PROVIDING SERVICES	11 732	16 318	41 326	46 584	32 724	36 489	85 782	99 391
REVENUES FROM SA GOVERNMENT								
Revenues from SA Government	11 438	17 973	40 784	46 570	32 833	37 629	85 055	102 172
TOTAL REVENUES FROM SA GOVERNMENT	11 438	17 973	40 784	46 570	32 833	37 629	85 055	102 172
NET RESULT	(294)	1 655	(542)	(14)	109	1 140	(727)	2 781
OTHER COMPREHENSIVE INCOME								
Changes in plant and equipment asset revaluation surplus	-	-	-	5 949	-	-	-	5 949
TOTAL OTHER COMPREHENSIVE INCOME	-	-	-	5 949	-	-	-	5 949
TOTAL COMPREHENSIVE RESULT	(294)	1 655	(542)	5 935	109	1 140	(727)	8 730

1.5 ASSETS AND LIABILITIES BY PROGRAM

as at 30 June 2019

	<i>Tourism Development</i>		<i>Tourism Events</i>		<i>Tourism Marketing</i>		<i>General or Not Attributable</i>		<i>Total</i>	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
ASSETS										
Cash and equivalents	-	-	4 493	5 371	1 854	476	10 221	8 222	16 568	14 069
Receivables	17	14	1 159	1 153	436	122	938	1 447	2 550	2 736
Other assets	-	-	-	24	-	119	-	-	-	143
Plant and equipment	-	-	14 780	16 413	-	-	1 030	1 263	15 810	17 676
TOTAL ASSETS	17	14	20 432	22 961	2 290	717	12 189	10 932	34 928	34 624
LIABILITIES										
Payables	187	601	1 581	1 906	3 108	1 212	671	1 774	5 547	5 492
Other liabilities	-	-	1 441	1 041	109	1	356	79	1 906	1 121
Employee benefits	473	385	1 098	1 027	1 115	1 081	958	957	3 644	3 450
Provisions	-	-	-	-	-	-	66	68	66	68
TOTAL LIABILITIES	660	986	4 120	3 974	4 332	2 294	2 051	2 878	11 163	10 131

1.6 RELATED PARTY TRANSACTIONS

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

1.6.1 Significant Transactions with Government Related Entities

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

- revenue received from the Economic and Business Growth Fund of \$3.0 million (refer to note 4.1)
- rent and outgoings of \$1.1 million paid to the South Australian Water Corporation for an office lease (refer to note 3.3).

2. BOARD, COMMITTEES AND EMPLOYEES

2.1 KEY MANAGEMENT PERSONNEL

The key management personnel of the SATC are the Minister for Trade, Tourism and Investment, Board directors, the Chief Executive Officer and the members of the Executive Team who have responsibility for the strategic direction and management of the SATC. Total compensation for key management personnel detailed in this note excludes salaries and other benefits received by the Minister for Trade, Tourism and Investment. 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*.

2.1.1 Compensation

	2019 \$'000	2018 \$'000
Salaries and other short-term employee benefits	1 517	1 671
Post-employment benefits	186	196
Termination benefits	-	90
Total compensation	<u>1 703</u>	<u>1 957</u>

2.1.2 Significant Transactions with Key Management Personnel

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

2.2 BOARD DIRECTORS

Members of the South Australian Tourism Commission Board during the 2019 financial year were:

Jayne Bates OAM	Judith Griggs	John Irving	Julie Smith	Andrew Killey (resigned 30 September 2018)
Joanne Collins*	Ian Horne	Sean Keenihan	Mark Young	

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

	2019 Number	2018 Number
\$0 - \$19 999	8	9
\$20 000 - \$39 999	1	1
Total number of directors	<u>9</u>	<u>10</u>

The total remuneration received or receivable by directors was \$150 000 (\$153 000). Remuneration of directors includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

2.3 EMPLOYEE BENEFITS EXPENSES

	2019 \$'000	2018 \$'000
Salaries and wages	10 914	11 366
Targeted voluntary separation packages	198	-
Long service leave	498	281
Annual leave	919	947
Skills and experience retention leave	26	24
Employment on-costs – superannuation	1 148	1 211
Employment on-costs – other	668	687
Board and committee fees	137	139
Other employment related expenses	42	56
Total employee benefits expenses	<u>14 550</u>	<u>14 711</u>

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

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

2.3.1 Targeted Voluntary Separation Packages (TVSPs)

	2019 \$'000	2018 \$'000
Amount paid to separated employees:		
TVSPs	198	-
Leave paid to separated employees	162	-
Recovery from the Department of Treasury and Finance	(198)	-
Net cost to the SATC	162	-

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

2.3.2 Remuneration of Employees

	2019 Number	2018 Number
The number of employees whose remuneration received or receivable falls within the following bands:		
\$151 001 - \$171 000	1	-
\$171 001 - \$191 000	-	1
\$191 001 - \$211 000	2	2
\$211 001 - \$231 000	-	2
\$231 001 - \$251 000	2	1
\$251 001 - \$271 000	1	-
\$271 000 - \$291 000	-	1
\$391 001 - \$411 000	1	-
\$411 000 - \$431 000	-	1
	7	8

The table includes all employees whose normal remuneration was equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, termination payments, payments in lieu of leave, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax. The total remuneration received by these employees for the year was \$1 705 000 (\$1 979 000).

2.4 EMPLOYEE BENEFITS LIABILITY

	2019 \$'000	2018 \$'000
Current:		
Annual leave	895	951
Long service leave	284	278
Skills and experience retention leave	36	38
Accrued salaries and wages	316	271
Total current employee benefits	1 531	1 538
Non-Current:		
Long service leave	2 113	1 912
Total non-current employee benefits	2 113	1 912
Total employee benefits	3 644	3 450

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

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

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

The annual leave liability and the skills and experience retention leave liability are expected to be payable within twelve months and are measured at the undiscounted amounts expected to be paid. The actuarial assessment performed by the Department of Treasury and Finance reduced the salary inflation rate to 2.2% (2019) from 3.0% (2018) for annual leave and skills and experience retention leave. The net financial effect in the 2019 financial year is a decrease in the annual leave liability and skills and experience retention leave liability of \$7 000 and employee benefits expenses of \$8 000. The estimated impact in 2020 is \$15 000 and \$9 000 respectively. The estimated impact in 2021 is \$23 000 and \$9 000 respectively.

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

2.4.2 Long Service Leave Liability

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

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

The actuarial assessment left the salary inflation rate at 4.0% for long service leave. As a result, there is no net financial effect.

AASB 119 *Employee Benefits* requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds which is used as the rate to discount future long service leave cash flows has decreased to 1.25% (2019) from 2.5% (2018). The decrease in the bond yield results in an increase in the reported long service leave liability.

The net financial effect in the current financial year of the changes to actuarial assumptions and the bond yield rate is an increase in the long service leave liability of \$252 000 and employee benefits expenses of \$272 000. The impact on future periods is not possible to estimate as the long service leave liability is calculated using several demographic and financial assumptions, including the long-term discount rate.

3. EXPENSES

Employee benefits expenses are disclosed in note 2.3.

3.1 ADVERTISING AND PROMOTION

	2019 \$'000	2018 \$'000
Consumer advertising	13 673	13 281
Cooperative consumer marketing	7 123	6 645
Familiarisations	1 545	2 467
Other consumer marketing	152	312
Production	6 214	8 195
Representation and contractors	3 177	3 026
Marketing research	975	1 049
Trade marketing	2 046	2 507
Other advertising and promotion	2 200	2 491
Total advertising and promotion	37 105	39 973

3.2 INDUSTRY ASSISTANCE

	2019 \$'000	2018 \$'000
Sponsorship of events	8 963	11 170
Marketing/industry support	5 062	8 838
Tourism infrastructure	1 191	1 451
Tourism marketing boards/information centre grants	578	524
Trade show subsidies/membership of tourism industry bodies	121	127
Total industry assistance	15 915	22 110

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

3.3 ADMINISTRATION AND ACCOMMODATION

	2019 \$'000	2018 \$'000
Accommodation and service costs	3 332	3 143
Communication and computing	1 973	1 870
Stationery, postage, couriers and freight	94	206
Contractors and consultants	186	278
Motor vehicles, taxis and car parking	171	272
Domestic and international travel	346	444
Seminars, courses and training	127	168
Insurance	309	458
Audit, legal and other fees	237	377
Loss on foreign exchange	74	49
Other	201	413
Total administration and accommodation	7 050	7 678

3.3.1 Consultants

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

	2019		2018	
	No.	\$'000	No.	\$'000
Below \$10 000	1	2	2	15
\$10 000 and above	2	69	1	11
Total paid/payable to the consultants engaged	3	71	3	26

3.3.2 Audit Fees

Audit fees paid/payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were \$90 000 (\$66 000). No other services were provided by the Auditor-General's Department.

3.4 EVENT OPERATIONS

	2019	2018
	\$'000	\$'000
Event facilities	10 478	11 964
Construction	4 796	4 807
Catering and entertainment	5 141	6 285
Communications	1 223	1 240
Transport	1 158	573
Participants and contractors	10 531	11 208
Television and media	3 185	3 392
Event management	4 230	4 772
Total event operations	40 742	44 241

3.5 DEPRECIATION EXPENSE

	2019	2018
	\$'000	\$'000
General plant and equipment	66	71
Pageant plant and equipment	147	153
Motor sport infrastructure	1 839	1 423
Fitouts	358	626
Total depreciation expense	2 410	2 273

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

Lease incentives in the form of fitouts are capitalised as assets and depreciated over the remaining term of the lease or estimated useful life of the fitout, whichever is shorter.

3.5.1 Review of Accounting Estimates

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

3.5.2 Useful Life

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

Class of Asset	Useful Life
General plant and equipment	3-10
Pageant plant and equipment	3-35
Motor sport infrastructure	2-20
Fitouts	6-9

3.6 NET LOSS FROM THE DISPOSAL OF NON-CURRENT ASSETS

	2019	2018
	\$'000	\$'000
Plant and equipment		
Net book value of assets disposed	71	13
Proceeds from disposal	(32)	-
Total net loss from the disposal of non-current assets	39	13

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

4. INCOME

4.1 SPONSORSHIP AND PARTICIPATION

	2019 \$'000	2018 \$'000
Sponsorship income	9 608	10 568
Industry contributions	1 363	1 439
Cooperative marketing/advertising	395	234
Industry participation fees	107	88
State Government grants	3 065	-
Commonwealth grants	-	100
Total sponsorship and participation	<u>14 538</u>	<u>12 429</u>

Contributions are recognised as assets and income when the SATC obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met. All contributions received by the SATC have been contributions with unconditional stipulations attached and have been recognised as income upon receipt.

Sponsorship income and industry contributions are recognised when the SATC has a contractual right to receive the income and the income recognition criteria are met.

State Government grants consist of funding from the Economic and Business Growth Fund and the Premier's Contingency Fund. As the grants are non-recourse grants, they have been recognised upon receipt.

Commonwealth grants consist of funding for Tourism Demand Driver Infrastructure projects. Under the terms of these grants the State is not required to pay a refund to the Commonwealth if the actual cost of the project is less than the agreed estimated costs. As the grants are non-recourse grants, they have been recognised upon receipt.

4.2 ENTRY FEES, LICENCE FEES AND SALES

	2019 \$'000	2018 \$'000
Event entry fees	12 548	14 091
Licence fees	2 743	2 528
Sale of merchandise	62	81
Total entry fees, licence fees and sales	<u>15 353</u>	<u>16 700</u>

Income from event entry fees and licence fees is recognised in the period that the event to which it relates occurs. Where cash is received for event entry fees and licence fees in an earlier period, it is disclosed in note 7.2 as unearned revenue.

4.3 OTHER INCOME

	2019 \$'000	2018 \$'000
Refunds and recoups	1 028	1 329
Service fees	344	376
Rental income	343	320
Sundry income	28	22
Gain on foreign exchange	231	378
Total other income	<u>1 974</u>	<u>2 425</u>

4.4 REVENUES FROM SA GOVERNMENT

	2019 \$'000	2018 \$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	83 605	100 908
Other revenues from SA Government	1 450	1 264
Total revenues from SA Government	<u>85 055</u>	<u>102 172</u>

Appropriations are recognised on receipt.

Total revenues from SA Government consist of \$84 405 000 (\$100 526 000) of operational funding and \$650 000 (\$1 646 000) for capital purposes. For details on the expenditure associated with the operational and capital funding received refer to notes 2.3, 3 and 6.1. There was no material variance between the amount appropriated and the expenditure associated with this appropriation.

4.4.1 Reconciliation of Appropriations pursuant to the Appropriations Act

	2019	2018
	\$'000	\$'000
Original amount appropriated to the SATC under the annual <i>Appropriation Act</i>	87 381	89 112
Transfer to Department for Trade, Tourism and Investment for the Convention Bid Fund	(3 759)	-
Transfer to Department of Treasury and Finance for Shared Services SA pricing increase	(17)	-
Received from the Treasurer via the Governor's Appropriation Fund.	-	11 796
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	83 605	100 908

5. FINANCIAL ASSETS**5.1 CASH AND CASH EQUIVALENTS**

	2019	2018
	\$'000	\$'000
Deposits with the Treasurer	10 207	8 213
Cash at bank	6 347	5 847
Cash on hand	14	9
Total cash and cash equivalents	16 568	14 069

Cash is measured as nominal amounts.

5.1.1 Deposits with the Treasurer

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

5.2 RECEIVABLES

	2019	2018
	\$'000	\$'000
Current:		
Trade receivables	1 226	950
Allowance for doubtful debts	(7)	(35)
	1 219	915
GST input tax recoverable	780	678
Accrued revenues	279	917
Prepayments	272	226
Total receivables	2 550	2 736

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

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

Refer to note 11 for information on risk management.

5.2.1 Impairment of Receivables

	2019	2018
	\$'000	\$'000
Movement in the allowance for doubtful debts		
Balance at 30 June 2018 under AASB 139	35	-
Adjustments on adoption of AASB 9 (refer to note 9.2.2)	1	-
Carrying amount at 1 July	36	15
Increase in the allowance	6	23
Amounts recovered during the year	(10)	-
Increase (decrease) in allowance recognised in profit or loss	(4)	23
Amounts written off	(25)	(3)
Carrying amount at 30 June	7	35

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

5.3 OTHER ASSETS

	2019 \$'000	2018 \$'000
Current:		
Foreign exchange forward contracts	-	143
Total other assets	-	143

Refer to note 11.4 for information on market risk.

6. NON-FINANCIAL ASSETS

6.1 PLANT AND EQUIPMENT

	2019 \$'000	2018 \$'000
General plant and equipment		
At cost (deemed fair value)	248	474
Accumulated depreciation at the end of the period	(185)	(344)
Total general plant and equipment	63	130
Pageant plant and equipment		
At cost (deemed fair value)	2 040	2 064
Accumulated depreciation at the end of the period	(1 099)	(1 137)
Total Pageant plant and equipment	941	927
Motor sport infrastructure		
At cost (deemed fair value)	336	-
Accumulated depreciation at the end of the period	(10)	-
At fair value	14 808	14 816
Accumulated depreciation at the end of the period	(1 829)	-
Total motor sport infrastructure	13 305	14 816
Fitouts		
At cost (deemed fair value)	2 128	2 120
Accumulated depreciation at the end of the period	(627)	(417)
At fair value	-	899
Accumulated depreciation at the end of the period	-	(799)
Total fitouts	1 501	1 803
Total plant and equipment	15 810	17 676

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

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

Plant and equipment includes \$225 000 (\$193 000) of fully depreciated plant and equipment still in use.

6.1.1 Impairment

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

There were no indications of impairment of plant and equipment at 30 June 2019.

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

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

6.1.3 Reconciliation of Movements in Plant and Equipment during 2017-18

	General Plant & Equipment \$'000	Pageant Plant & Equipment \$'000	Motor Sport Infrastructure \$'000	Fitouts \$'000	Total \$'000
Carrying amount at 1 July	190	916	9 985	1 338	12 429
Additions	11	177	305	1 091	1 584
Disposals	-	(13)	-	-	(13)
Depreciation	(71)	(153)	(1 423)	(626)	(2 273)
Revaluation increment	-	-	5 949	-	5 949
Carrying amount at 30 June	130	927	14 816	1 803	17 676

6.2 FAIR VALUE MEASUREMENT

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

6.2.1 Acquisition and Recognition

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

6.2.2 Revaluation

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

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

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

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

6.2.3 Fair Value Hierarchy

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

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

Fair value measurements recognised in the Statement of Financial Position are categorised into level 3 at 30 June. The SATC had no valuations categorised into level 1 or level 2. There were no transfers of assets between fair value hierarchy levels and there were no changes in valuation techniques during 2018-19.

6.2.4 Fair Value Measurements

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

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

7. LIABILITIES

Employee benefits liabilities are disclosed in note 2.4.

	2019	2018
	\$'000	\$'000
7.1 PAYABLES		
Current:		
Creditors	2 153	1 712
Accrued expenses	2 971	3 363
Employment on-costs	249	264
Paid Parental Leave scheme payable	9	9
Total current payables	<u>5 382</u>	<u>5 348</u>
Non-Current:		
Employment on-costs	165	144
Total non-current payables	<u>165</u>	<u>144</u>
Total payables	<u><u>5 547</u></u>	<u><u>5 492</u></u>

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

7.1.1 Creditors

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

7.1.2 Accrued Expenses

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

7.1.3 Employment On-Costs

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

An actuarial assessment performed by the Department of Treasury and Finance determined that the average factor for the calculation of employer superannuation contribution on-cost on long service leave decreased to 9.8% (2019) from 9.9% (2018). The percentage of long service leave taken as leave is 27.9% (24.8%), calculated as the actual percentage of leave taken during the last five years. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year and the estimated impact on 2020 and 2021 is immaterial.

7.1.4 Paid Parental Leave Scheme

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

	2019	2018
	\$'000	\$'000
7.2 OTHER LIABILITIES		
Current:		
Lease incentive	108	57
Unearned revenue	1 318	846
Foreign exchange forward contracts	72	1
Total current other liabilities	<u>1 498</u>	<u>904</u>
Non-Current:		
Lease incentive	408	217
Total non-current other liabilities	<u>408</u>	<u>217</u>
Total other liabilities	<u><u>1 906</u></u>	<u><u>1 121</u></u>

Refer to note 11.4 for information on market risk.

7.3 PROVISIONS

	2019	2018
	\$'000	\$'000
Current:		
Provision for workers compensation	26	27
Total current provisions	<u>26</u>	<u>27</u>
Non-Current:		
Provision for workers compensation	40	41
Total non-current provisions	<u>40</u>	<u>41</u>
Total provisions	<u><u>66</u></u>	<u><u>68</u></u>

7.3.1 Movement in Provisions

	2019	2018
	\$'000	\$'000
Carrying amount at 1 July	68	25
Additional provisions recognised	23	49
Reductions resulting from payments/other sacrifice of future economic benefits	(3)	(26)
Increase (reduction) resulting from re-measurement or settlement without cost	<u>(22)</u>	<u>20</u>
Carrying amount at 30 June	<u><u>66</u></u>	<u><u>68</u></u>

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 Commission for Public Sector. The provision reflects unsettled workers compensation claims and is for the estimated cost of ongoing payments to employees as required under current legislation.

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

8. OTHER DISCLOSURES**8.1 EQUITY**

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

8.2 CASH FLOWS

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

8.2.1 Cash Flow Reconciliation

	2019	2018
	\$'000	\$'000
Reconciliation of cash and cash equivalents at 30 June:		
Cash and cash equivalents disclosed in the Statement of Financial Position	16 568	14 069
Balance as per the Statement of Cash Flows	<u>16 568</u>	<u>14 069</u>
Reconciliation of net cash provided by operating activities to net cost of providing services:		
Net cash provided by operating activities	4 052	3 794
Revenues from SA Government	(85 055)	(102 172)
Non-cash items		
Depreciation expense	(2 410)	(2 273)
Net loss from disposal of non-current assets	(39)	(13)
Movement in assets and liabilities		
Receivables	(185)	264
Other assets	(143)	99
Payables	(1 025)	84
Other liabilities	(785)	934
Employee benefits	(194)	(65)
Provisions	2	(43)
Net cost of providing services	<u>(85 782)</u>	<u>(99 391)</u>

8.3 EVENTS AFTER THE REPORTING PERIOD

Effective 2 July 2019, the Governor appointed Andrew Bullock as the Chair of the South Australian Tourism Commission Board, and appointed Donna Gauci and Grant Wilckens as Directors. The appointments of Sean Keenihan and Julie Smith concluded on 1 July 2019.

8.4 BUDGET PERFORMANCE

The budget performance tables compare the SATC's outcome against budget information presented to Parliament (2018-19 Budget Paper 4). The original budget amounts have been presented and classified on a basis that is consistent with line items in the financial statements, and have not been adjusted to reflect revised budgets or administrative restructures. The budget process is not subject to audit.

In accordance with *Treasurer's Instructions (Accounting Policy Statements) 2019* APS 1055.B, explanations are only provided for variances where the variance exceeds the greater of 10% of the original budgeted amount and 5% of the original budgeted total expenses.

8.4.1 Statement of Comprehensive Income

	Original Budget 2019 \$'000	Actual 2019 \$'000	Variance \$'000
Expenses			
Employee benefits expenses	14 436	14 550	114
Advertising and promotion	32 499	37 105	4 606
Industry assistance	18 028	15 915	(2 113)
Administration and accommodation	7 155	7 050	(105)
Event operations	39 601	40 742	1 141
Depreciation expense	2 310	2 410	100
Net loss from the disposal of non-current assets	535	39	(496)
Loss (gain) on impairment of receivables	-	(4)	(4)
Total expenses	114 564	117 807	3 243
Income			
Sponsorship and participation	10 781	14 538	3 757
Entry fees, licence fees and sales	14 578	15 353	775
Interest	104	160	56
Other income	1 185	1 974	789
Total income	26 648	32 025	5 377
Net cost of providing services	87 916	85 782	(2 134)
Revenues from SA Government			
Revenues from SA Government	87 381	85 055	(2 326)
Total revenues from SA Government	87 381	85 055	(2 326)
Net result	(535)	(727)	(192)
Total comprehensive result	(535)	(727)	(192)

8.4.2 Investing Expenditure Summary

	Original Budget 2019 \$'000	Actual 2019 \$'000	Variance \$'000
Investing expenditure			
Total existing projects	-	110	110
Total annual programs	626	505	(121)
Total investing expenditure	626	615	(11)

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* (Accounting Policy Statements) were issued by the Treasurer under the *Public Finance and Audit Act 1987*, replacing the existing Accounting Policy Framework.

Changes that impact on these financial statements but not on the amounts reported are:

- removal of the additional requirement to report transactions with the SA Government
- increasing the bands from \$10 000 to \$20 000 for employee and board member reporting.

The Accounting Policy Statements also set out requirements in relation to accounting standards and statements not yet effective. This is discussed in note 9.3.

9.2 AASB 9 FINANCIAL INSTRUMENTS

AASB 9 *Financial Instruments* supersedes the provisions of AASB 139 *Financial Instruments: Recognition and Measurement* 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 implementation of AASB 9, the SATC adopted consequential amendments to other accounting standards and the Accounting Policy Statements 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 Administration and Accommodation 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 and the comparatives have not been restated.

In accordance with transitional provisions and the Accounting Policy Statements, AASB 9 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 had no material effect on the recognition, measurement or classification of financial liabilities.

The total impact on the SATC's retained earnings as at 1 July 2018:	2018
	\$'000
Closing retained earnings 30 June 2018 – AASB 139	15 830
Increase in provision for trade receivables	(1)
Opening retained earnings 1 July 2018 – AASB 9	15 829

9.2.1 Reclassification of Financial Instruments on Adoption of AASB 9

On 1 July 2018 the SATC assessed and reclassified its financial assets into the appropriate AASB 9 categories depending on the business model and contractual cash flow characteristics applying to the asset. AASB 9 eliminates the AASB 139 categories of *held to maturity*, *loans and receivables* and *available for sale*.

On the date of initial application, the SATC's financial instruments were as follows, with any reclassifications noted.

Statement of Financial Position item	Measurement category		Carrying amount		AASB 9 at 1 July 2018 \$'000
	AASB 139	AASB 9	AASB 139 at 30 June 2018 \$'000	Remeasurement \$'000	
Financial assets					
Cash and cash equivalents	Cash and equivalents	Cash and equivalents	14 069	-	14 069
Receivables	Loans and receivables	Amortised cost	1 824	(1)	1 823
Other financial assets	Held-to-maturity	Amortised cost	143	-	143
Financial liabilities					
Payables	Amortised cost	Amortised cost	3 973	-	3 973
Other financial liabilities	Amortised cost	Amortised cost	847	-	847

9.2.2 Impairment of Financial Assets (Trade Receivables)

AASB 9 replaces the incurred loss model in AASB 139 with a new expected credit loss model. This model generally results in earlier recognition of credit losses than the previous one.

The SATC's financial assets subject to the AASB 9 expected credit loss model are trade receivables from provision of goods and services.

New impairment requirements result in a provision being applied to all receivables rather than only on those receivables that are credit impaired. The SATC has adopted the simplified approach under AASB 9 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 \$1 000 for trade receivables external to Government.

There are no additional impairment provisions for State, Territory, or Commonwealth Government receivables due to high-quality government 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.

9.2.3 Other Financial Assets (Foreign Exchange Forward Contracts)

AASB 9 replaces the rules-based hedge accounting requirements of AASB 139 with a principles-based approach focused on an entity's risk management. To manage its foreign exchange risk the SATC implements forward foreign exchange cover through the South Australian Government Financing Authority (SAFA) in accordance with Treasurer's Instruction 23 *Management of Foreign Currency Exposures*. Under both AASB 9 and AASB 139, the application of hedge accounting to forward contracts is optional. Due to their short-term nature, the SATC does not designate its foreign exchange forward contracts as hedging instruments, and any losses or gains are recognised in profit and loss.

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

Forward foreign exchange contracts held with SAFA that would previously have been classified as held-to-maturity investments are now classified at amortised cost.

9.3 IMPACT OF STANDARDS NOT YET IMPLEMENTED

The SATC has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet effective. Expected impacts are outlined below.

9.3.1 AASB 16 Leases

AASB 16 *Leases* replaces AASB 117 *Leases*, 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*. The new standard introduces a single accounting model for leases, which requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee will be required to recognise a right-of-use asset representing its right to use the underlying leased asset, and a lease liability representing its obligations to make lease payments. Leases currently classified as operating leases will be reported on the Statement of Financial Position.

The lessor accounting requirements in AASB 117 are substantially carried forward in AASB 16. A lessor will continue to classify leases as operating leases or finance leases, and to account for those two types differently. AASB 16 requires such classification to be made based on whether substantially all the risks and rewards associated with the right-of-use asset arising from the head lease have been transferred to the sublessee. This differs from AASB 117, which required consideration of whether substantially all the risks and rewards incidental to ownership of the underlying asset (such as a building) had been transferred to the sublessee.

The SATC has one arrangement where it subleases property. Under AASB 16 the sublease will continue to be classified as an operating lease.

The SATC will apply AASB 16 from 1 July 2019. The new standard is a significant change from the current method of accounting for leases. The SATC will recognise significant lease liabilities and corresponding right-of-use assets 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 will also impact the Statement of Comprehensive Income. Operating leases previously included in Administration and Accommodation expenses will mostly be replaced with depreciation expenses that represent the use of the right-of-use assets, and borrowing costs associated with financing the right-of-use assets.

The estimated impact is based on applying AASB 16's transition approach, together with key requirements mandated by the Accounting Policy Statements. The incremental borrowing rates applied to estimate the lease liability were the South Australian Government Financing Authority's forecast interest rates for principal and interest loans to SA Government agencies for 1 July 2019 as at 4 February 2019.

The estimated impact of adopting AASB 16:

	As at 1 July 2019
	\$'000
Assets	
Right-of-use assets	9 319
Liabilities	
Lease liabilities	9 835
Other liabilities (lease incentive liabilities)	(516)
Net impact on equity	-
	2020
	\$'000
Expenses	
Administration and accommodation	(1 532)
Depreciation expense	1 464
Borrowing costs	164
Net impact on net cost of providing services	96

The amounts disclosed are current estimates only. The SATC is continuing to refine its calculations of lease assets and liabilities for 2019-20 financial reporting purposes and expects that these figures will change. This includes accounting for non-lease components and clarifying lease terms and treatment of contractual rent increases.

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

AASB 15 replaces AASB 118 *Revenue* and AASB 111 *Construction Contracts*, and introduces a five-step process for 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 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*.

The SATC will apply AASB 15 and AASB 1058 from 1 July 2019. The new revenue recognition requirements are not expected to have a material impact on the 2019-20 financial statements.

10. UNRECOGNISED CONTRACTUAL COMMITMENTS

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

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

10.1 OPERATING LEASE COMMITMENTS

Operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:	2019	2018
	\$'000	\$'000
Within one year	1 490	1 646
Later than one year but not longer than five years	5 436	5 991
Later than five years	470	1 508
Total operating lease commitments	7 396	9 145

The SATC's operating leases are for office accommodation and warehousing. These commitments have been calculated at rates specified in the lease agreements. The leases are non-cancellable with terms ranging up to 10 years with some leases having the right of renewal. There are no purchase options available to the SATC. Rent is payable monthly in advance.

10.2 EXPENDITURE COMMITMENTS

Expenditure commitments at the reporting date not recognised as liabilities are payable as follows:	2019	2018
	\$'000	\$'000
Within one year	47 508	34 185
Later than one year but not longer than five years	29 635	36 755
Later than five years	-	1 925
Total expenditure commitments	77 143	72 865

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

11. FINANCIAL INSTRUMENTS

11.1 FINANCIAL RISK MANAGEMENT

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

11.2 LIQUIDITY RISK

The SATC is funded principally from appropriation by the SA Government. The SATC works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. Refer to note 7.1 and note 7.2 for further information.

11.3 CREDIT RISK

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

11.3.1 Impairment of Financial Assets

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

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

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

	Gross carrying amount	Loss	Lifetime expected losses
	\$'000	%	\$'000
Non-government debtors at 30 June 2019			
Current (not past due)	733	0.05	<1
1 – 30 days past due	219	0.08	<1
31 – 60 days past due	185	0.18	<1
61 – 90 days past due	22	0.32	<1
91 – 120 days past due	54	0.61	<1
More than 120 days past due	24	26.46	6
Loss allowance			7

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

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

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

In the comparative period, the impairment of receivables was measured using the incurred loss model. An allowance for doubtful debts was recognised when there was objective evidence that a receivable was impaired. The allowance was recognised in Administration and Accommodation expenses for specific debtors and debtors assessed on a collective basis for which such evidence existed.

11.4 MARKET RISK

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

On behalf of the SATC, at 30 June 2019 SAFA had in place 9 (11) foreign exchange forward contracts totalling \$8 107 000 (\$9 195 000). In 2018-19 the SATC had 11 (18) foreign exchange forward contracts mature totalling \$9 195 000 (\$7 522 000). The forward contracts are to cover commitments denominated in foreign currencies, including for the payment of representation fees, event participation fees and global marketing activity.

As with all forward foreign exchange contracts there are financial risks. Cashflows from foreign exchange forward contracts in 2018-19 are included in the Statement of Comprehensive Income, and where material are shown separately as losses in note 3.3 and as gains in note 4.3. Refer to note 5.3, note 7.2 and note 9.2.3 for further information.

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

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

11.5 CATEGORISATION OF FINANCIAL INSTRUMENTS

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

11.5.1 Classification under AASB 139 applicable until 30 June 2018

The carrying amounts of each of the financial assets and financial liabilities categories of *held-to-maturity investments, loans and receivables, and financial liabilities at cost* are detailed below.

The SATC does not recognise any financial assets or financial liabilities at fair value but discloses fair value in the notes. All fair value estimates are included in level 2 as all significant inputs are observable. The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to their short-term nature. Refer to notes 5.2 and 7.1. Other financial assets 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 5.3.

11.5.2 Classification under AASB 9 applicable from 1 July 2018

On initial recognition, a financial asset is classified as either *measured at amortised cost, fair value through other comprehensive income (debt instrument), fair value through other comprehensive income (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 SATC measures all financial instruments at amortised cost.

The following table discloses the carrying amount of each category of financial instrument held by the SATC. The SATC has assessed the maturity of its financial assets and financial liabilities as being less than one year.

Category of financial asset and financial liability			Carrying amount	
From 1 July 2018	Until 30 June 2018	Note	2019	2018
Classification under AASB 9	Classification under AASB 139		\$'000	\$'000
Financial Assets	Financial Assets			
Cash and equivalents	Cash and equivalents			
Cash and cash equivalents	Cash and cash equivalents	5.1, 8.2	16 568	14 069
Amortised cost	Loans and receivables			
Receivables	Receivables	5.2	1 506	1 824
Other financial assets	Held-to-maturity investments			
	Other financial assets	5.3	-	143
	Total financial assets		18 074	16 036
Financial liabilities	Financial liabilities			
Amortised cost	Amortised cost			
Payables	Payables	7.1	4 847	3 973
Other financial liabilities	Other financial liabilities	7.2	1 390	847
	Total financial Liabilities		6 237	4 820

Receivables and payables amounts disclosed above exclude amounts relating to statutory receivables and payables. AASB 132 paragraph 13 defines contract as an agreement that has clear economic consequences that the parties have little, if any, discretion to avoid, usually because the agreement is enforceable by law. In government, certain rights to receive or pay cash may not be contractual and therefore, in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, taxes and equivalents and Auditor-General's Department audit fees payable they are excluded from the disclosure. All amounts recorded are carried at cost (not materially different from amortised cost).

Receivables amounts disclosed here excludes prepayments. Prepayments are presented in note 5.2 as receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

11.6 CREDIT STANDBY ARRANGEMENTS

The SATC has a \$250 000 (\$250 000) purchasing card facility with the ANZ Bank. The unused portion of this facility as at 30 June 2019 was \$120 000 (\$127 000).