

South Australian Tourism Commission

Financial report
for the year ended
30 June 2018



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To the Chief Executive Officer 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 2018.

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 2018, 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 2018
- a Statement of Financial Position as at 30 June 2018
- a Statement of Changes in Equity for the year ended 30 June 2018
- a Statement of Cash Flows for the year ended 30 June 2018
- Disaggregated Disclosures – Expenses and Income for the year ended 30 June 2018
- Disaggregated Disclosures – Assets and Liabilities as at 30 June 2018
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chairman, 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 the South Australian Tourism. 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

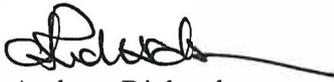
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an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

Andrew Richardson

Auditor-General

19 September 2018

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 2018 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.



S. Keenihan
Chairman
South Australian Tourism
Commission Board

14 / 9 / 2018



R. Harrex
Chief Executive Officer
South Australian Tourism
Commission

13 / 09 / 2018



S. Rozokos
Chief Financial Officer
South Australian Tourism
Commission

13 / 9 / 2018

SOUTH AUSTRALIAN TOURISM COMMISSION
STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$'000	2017 \$'000
EXPENSES			
Employee benefits expenses	3	14 711	14 523
Advertising and promotion	4	39 973	33 942
Industry assistance	5	22 110	19 474
Administration and accommodation	6	7 701	7 908
Event operations	7	44 241	39 011
Depreciation expense	8	2 273	1 746
Net loss from the disposal of non-current assets	9	13	7
TOTAL EXPENSES		131 022	116 611
INCOME			
Sponsorship and participation	10	12 429	10 438
Entry fees, licence fees and sales	11	16 700	14 763
Interest		77	110
Other income	12	2 425	1 491
TOTAL INCOME		31 631	26 802
NET COST OF PROVIDING SERVICES		99 391	89 809
REVENUES FROM SA GOVERNMENT			
Revenues from SA Government	13	102 172	89 121
TOTAL REVENUES FROM SA GOVERNMENT		102 172	89 121
NET RESULT		2 781	(688)
OTHER COMPREHENSIVE INCOME			
Changes in plant and equipment asset revaluation surplus	17	5 949	-
TOTAL OTHER COMPREHENSIVE INCOME		5 949	-
TOTAL COMPREHENSIVE RESULT		8 730	(688)

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

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	2018 \$'000	2017 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	14	14 069	10 889
Receivables	15	2 736	2 472
Other assets	16	143	44
TOTAL CURRENT ASSETS		16 948	13 405
NON-CURRENT ASSETS			
Plant and equipment	17	17 676	12 429
TOTAL NON-CURRENT ASSETS		17 676	12 429
TOTAL ASSETS		34 624	25 834
LIABILITIES			
CURRENT LIABILITIES			
Payables	19	5 348	4 466
Other current liabilities	20	904	1 781
Employee benefits	21	1 538	1 436
Provisions	22	27	10
TOTAL CURRENT LIABILITIES		7 817	7 693
NON-CURRENT LIABILITIES			
Payables	19	144	140
Other non-current liabilities	20	217	274
Employee benefits	21	1 912	1 949
Provisions	22	41	15
TOTAL NON-CURRENT LIABILITIES		2 314	2 378
TOTAL LIABILITIES		10 131	10 071
NET ASSETS		24 493	15 763
EQUITY			
Contributed capital		64	64
Asset revaluation surplus		8 599	2 650
Retained earnings		15 830	13 049
TOTAL EQUITY	23	24 493	15 763
The total equity is attributable to the SA Government as owner.			
Unrecognised contractual commitments	24		

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Contributed Capital \$'000	Asset Revaluation Surplus \$'000	Retained Earnings \$'000	Total Equity \$'000
BALANCE AT 30 JUNE 2016		64	2 650	13 737	16 451
Net result for 2016-17		-	-	(688)	(688)
Total comprehensive result for 2016-17		-	-	(688)	(688)
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	23	64	8 599	15 830	24 493

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

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	Inflows	Inflows
	(Outflows)	(Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
CASH OUTFLOWS		
Employee benefits payments	(14 618)	(14 180)
Payments for supplies and services	(121 047)	(106 719)
Payments for Paid Parental Leave scheme	(53)	(62)
CASH USED IN OPERATIONS	<u>(135 718)</u>	<u>(120 961)</u>
CASH INFLOWS		
Receipts from the sale of goods and services	30 471	27 877
Interest received	78	110
GST recovered from the ATO	6 734	5 036
Receipts for Paid Parental Leave scheme	57	62
CASH GENERATED FROM OPERATIONS	<u>37 340</u>	<u>33 085</u>
CASH FLOWS FROM SA GOVERNMENT		
Receipts from SA Government	102 172	89 121
CASH GENERATED FROM SA GOVERNMENT	<u>102 172</u>	<u>89 121</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3 794</u>	<u>1 245</u>
	26	
CASH FLOWS FROM INVESTING ACTIVITIES		
CASH OUTFLOWS		
Purchase of plant and equipment	(614)	(1 175)
CASH USED IN INVESTING ACTIVITIES	<u>(614)</u>	<u>(1 175)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(614)</u>	<u>(1 175)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3 180	70
CASH AND CASH EQUIVALENTS AT 1 JULY	<u>10 889</u>	<u>10 819</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>14 069</u>	<u>10 889</u>
	14	

The above statement should be read in conjunction with the accompanying notes.

DISAGGREGATED DISCLOSURES – EXPENSES AND INCOME

FOR THE YEAR ENDED 30 JUNE 2018

(Refer to Note 2.2)	Tourism Development		Tourism Events		Tourism Marketing		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
EXPENSES								
Employee benefits expenses	3 655	3 824	5 831	5 515	5 225	5 184	14 711	14 523
Advertising and promotion	3 723	1 285	8 022	6 170	28 228	26 487	39 973	33 942
Industry assistance	9 461	11 647	11 574	7 354	1 075	473	22 110	19 474
Administration and accommodation	1 029	928	3 354	3 566	3 318	3 414	7 701	7 908
Event operations	487	124	43 754	38 887	-	-	44 241	39 011
Depreciation expense	85	22	1 911	1 658	277	66	2 273	1 746
Net loss from the disposal of non-current assets	-	1	13	4	-	2	13	7
TOTAL EXPENSES	18 440	17 831	74 459	63 154	38 123	35 626	131 022	116 611
INCOME								
Sponsorship and participation	1 803	613	9 342	9 092	1 284	733	12 429	10 438
Entry fees, sales and commission	-	-	16 693	14 763	7	-	16 700	14 763
Interest	-	-	77	110	-	-	77	110
Other income	319	141	1 763	1 224	343	126	2 425	1 491
TOTAL INCOME	2 122	754	27 875	25 189	1 634	859	31 631	26 802
NET COST OF PROVIDING SERVICES	16 318	17 077	46 584	37 965	36 489	34 767	99 391	89 809
REVENUES FROM SA GOVERNMENT								
Revenues from SA Government	17 973	17 419	46 570	36 982	37 629	34 720	102 172	89 121
TOTAL REVENUES FROM SA GOVERNMENT	17 973	17 419	46 570	36 982	37 629	34 720	102 172	89 121
NET RESULT	1 655	342	(14)	(983)	1 140	(47)	2 781	(688)
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	1 655	342	5 935	(983)	1 140	(47)	8 730	(688)

The above statement should be read in conjunction with the accompanying notes.

DISAGGREGATED DISCLOSURES – ASSETS AND LIABILITIES

AS AT 30 JUNE 2018

(Refer to Note 2.2)

	Tourism Development		Tourism Events		Tourism Marketing		General or Not Attributable		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
ASSETS										
Cash and equivalents	-	-	5 371	1 084	476	2 654	8 222	7 151	14 069	10 889
Receivables	14	63	1 153	1 469	122	60	1 447	880	2 736	2 472
Other assets	-	-	24	20	119	22	-	2	143	44
Plant and equipment	-	-	16 413	11 623	-	-	1 263	806	17 676	12 429
TOTAL ASSETS	14	63	22 961	14 196	717	2 736	10 932	8 839	34 624	25 834
LIABILITIES										
Payables	601	632	1 906	1 071	1 212	2 088	1 774	815	5 492	4 606
Other liabilities	-	-	1 041	1 668	1	123	79	264	1 121	2 055
Employee benefits	385	503	1 027	992	1 081	1 078	957	812	3 450	3 385
Provisions	-	-	-	-	-	-	68	25	68	25
TOTAL LIABILITIES	986	1 135	3 974	3 731	2 294	3 289	2 878	1 916	10 131	10 071

The above statement should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. BASIS OF FINANCIAL STATEMENTS

1.1 Reporting Entity

The South Australian Tourism Commission (SATC) is a 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. Refer to the disaggregated schedule for details of the SATC's controlled activities. The SATC does not control any other entity and has no interests in unconsolidated structured entities.

The SATC has not entered into any contractual arrangements which involve the sharing of control or significant influence over another entity.

1.2 Statement of Compliance

The SATC has prepared these financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The SATC has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the SATC is a not-for-profit entity. Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the SATC for the reporting period ending 30 June 2018.

1.3 Basis of Preparation

The financial statements have been prepared on a twelve-month 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 on a different basis.

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

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.

1.4 Taxation

The SATC is not subject to income tax. The SATC is liable for payroll tax, fringe benefits tax and goods and services tax (GST).

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 (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; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position. 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.

2. OBJECTIVE AND ACTIVITIES

2.1 Objectives of the SATC

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 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; and
- 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.

2.2 Activities of the SATC

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

Activity 1: 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.

Activity 2: Tourism Events

To strategically build and promote the state's event calendar by developing and attracting new events and managing and growing existing events.

Activity 3: 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 disaggregated disclosures schedules present information about expenses, income, assets and liabilities attributed to each of the activities for the years ended 30 June 2018 and 30 June 2017. Expenses and income attributed to the SATC as a whole have been proportionally allocated to each of the activities based on full time equivalent employees in each of the activities.

3. EMPLOYEE BENEFITS

3.1 Employee Benefits Expenses

	2018 \$'000	2017 \$'000
Salaries and wages	11 366	10 826
TVSPs (refer below)	-	348
Long service leave	281	362
Annual leave	947	959
Skills and experience retention leave	24	37
Employment on-costs – superannuation	1 211	1 132
Employment on-costs – other	687	670
Board and committee fees	139	148
Other employment related expenses	56	41
Total employee benefits expenses	<u>14 711</u>	<u>14 523</u>

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

3.2 Targeted Voluntary Separation Packages (TVSPs)

	2018 \$'000	2017 \$'000
Amount paid to separated employees:		
TVSPs	-	348
Annual leave and long service leave paid to those employees	-	190
Net cost to the SATC	<u>-</u>	<u>538</u>

The number of employees who received a TVSP during the reporting period was nil (6).

3.3 Key Management Personnel

Key management personnel of the SATC include the Minister, 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 was \$1 957 000 (\$1 871 000). The compensation detailed below excludes salaries and other benefits received by the Minister for Tourism and 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*.

Compensation	2018 \$'000	2017 \$'000
Salaries and other short-term employee benefits	1 671	1 674
Post-employment benefits	196	197
Termination benefits	90	-
Total compensation	<u>1 957</u>	<u>1 871</u>

3.4 Remuneration of Employees

	2018 Number	2017 Number
The number of employees whose remuneration received or receivable falls within the following bands:		
\$159 001 - \$169 000	-	1
\$169 001 - \$179 000	1	2
\$189 001 - \$199 000	1	1
\$199 001 - \$209 000	1	-
\$219 001 - \$229 000	-	3
\$229 001 - \$239 000	2	-
\$239 001 - \$249 000	1	-
\$279 000 - \$289 000	1	-
\$399 001 - \$409 000	-	1
\$409 000 - \$419 000	1	-
	8	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 and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$1 979 000 (\$1 772 000).

3.5 Remuneration of Board Directors

Members of the SATC Board during the 2018 financial year were:

South Australian Tourism Commission Board

J Bates	J Griggs (from 17 October 2017)	I Horne	S Keenihan	J Smith
J Collins*	F Hele (until 7 April 2018)	J Irving	A Killey (from 3 May 2018)	M Young

	2018 Number	2017 Number
The number of directors whose total remuneration received or receivable falls within the following bands:		
\$0 - \$9 999	2	1
\$10 000 - \$19 999	7	7
\$20 000 - \$29 999	1	1
Total number of directors	10	9

* In accordance with Premier and Cabinet Circular PC016, government employees did not receive any remuneration for board duties during the financial year.

Remuneration of directors reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits, and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received or receivable by directors was \$153 000 (\$163 000). Amounts paid to a superannuation plan for board directors was \$13 000 (\$14 000).

4. ADVERTISING AND PROMOTION

	2018 \$'000	2017 \$'000
Consumer advertising	13 281	13 397
Cooperative consumer marketing	6 645	7 137
Familiarisations	2 467	2 113
Other consumer marketing	312	474
Production	8 195	4 257
Representation and contractors	3 026	3 035
Marketing research	1 049	960
Trade marketing	2 507	1 267
Other advertising and promotion	2 491	1 302
Total advertising and promotion	39 973	33 942

5. INDUSTRY ASSISTANCE

	2018 \$'000	2017 \$'000
Sponsorship of events	11 170	7 654
Marketing/industry support	8 838	11 222
Tourism infrastructure	1 451	27
Tourism marketing boards/information centre grants	524	512
Trade show subsidies/membership of tourism industry bodies	127	59
Total industry assistance	22 110	19 474

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.

6. ADMINISTRATION AND ACCOMMODATION	2018	2017
	\$'000	\$'000
Accommodation and service costs	3 143	3 077
Communication and computing	1 870	1 606
Stationery, postage, couriers and freight	206	125
Contractors and consultants	278	361
Motor vehicles, taxis and car parking	272	254
Domestic and international travel	444	727
Seminars, courses and training	168	115
Insurance	458	364
Audit, legal and other fees	377	541
Bad and doubtful debts expense	23	20
Loss on foreign exchange	49	476
Other	413	242
Total administration and accommodation	7 701	7 908

6.1 Operating Leases

Operating lease payments less any lease incentives are recognised on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of benefits derived from the use of the leased assets.

6.2 Consultants

The number and dollar amount of consultancies paid/payable (included in Administration and Accommodation) that fell within the following bands:

	2018		2017	
	No.	\$'000	No.	\$'000
Below \$10 000	2	15	1	2
\$10 000 and above	1	11	-	-
Total paid/payable to the consultants engaged	3	26	1	2

6.3 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 \$66 000 (\$123 000). No other services were provided by the Auditor-General's Department.

7. EVENT OPERATIONS

	2018	2017
	\$'000	\$'000
Event facilities	11 964	10 580
Construction	4 807	4 786
Catering and entertainment	6 285	4 093
Communications	1 240	1 069
Transport	573	529
Participants and contractors	11 208	10 101
Television and media	3 392	3 197
Event management	4 772	4 656
Total event operations	44 241	39 011

8. DEPRECIATION EXPENSE

	2018	2017
	\$'000	\$'000
General plant and equipment	71	27
Pageant plant and equipment	153	138
Motor sport infrastructure	1 423	1 402
Fitouts	626	179
Total depreciation expense	2 273	1 746

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.

8.1 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)
General plant and equipment	3-10
Pageant plant and equipment	4-35
Motor sport infrastructure	2-20
Fitouts	2-9

8.2 Revision of Accounting Estimates

Assets' residual values, useful lives and depreciation 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, which is a change in accounting estimate. 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.

During the year, the SATC reassessed the useful life of one of its fitouts, resulting in a reduction in the estimated useful life. This has resulted in an increase in depreciation of \$426 000 calculated on these assets in 2018 relative to the amount that would have been expensed based on the previous useful life estimate. The higher depreciation expense will not be reflected in future years.

8.3 Change in Depreciation and Revaluation

The SATC revalued its motor sport infrastructure at the reporting date, with no resulting change in depreciation in 2018. The estimated impact on 2019 is an increase in depreciation of \$442 000.

9. NET LOSS FROM THE DISPOSAL OF NON-CURRENT ASSETS

	2018 \$'000	2017 \$'000
Plant and equipment		
Net book value of assets disposed	13	7
Proceeds from disposal	-	-
Total net loss from the disposal of non-current assets	<u>13</u>	<u>7</u>

Gains and losses on disposal of 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 sold, the revaluation surplus is transferred to retained earnings.

10. SPONSORSHIP AND PARTICIPATION

	2018 \$'000	2017 \$'000
Sponsorship income	9 938	8 274
Cooperative marketing/advertising	234	618
Industry participation fees	88	110
Commonwealth grants	100	250
In-kind sponsorship and participation	2 069	1 186
Total sponsorship and participation	<u>12 429</u>	<u>10 438</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 is recognised when the SATC has a contractual right to receive the income and the income recognition criteria are met.

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.

11. ENTRY FEES, LICENCE FEES AND SALES

	2018 \$'000	2017 \$'000
Event entry fees	14 091	12 375
Licence fees	2 528	2 340
Sale of merchandise	81	48
Total entry fees, licence fees and sales	<u>16 700</u>	<u>14 763</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 20 as unearned revenue.

12. OTHER INCOME	2018	2017
	\$'000	\$'000
Refunds and recoups	1 329	907
Service fees	376	404
Rental income	320	130
Sundry income	22	8
Gain on foreign exchange	378	42
Total other income	<u>2 425</u>	<u>1 491</u>

13. REVENUES FROM SA GOVERNMENT	2018	2017
	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	100 908	80 371
Other revenues from SA Government	1 264	8 750
Total revenues from SA Government	<u>102 172</u>	<u>89 121</u>

Appropriations are recognised as revenues when the SATC obtains control over the funding. Control over appropriations is normally obtained upon receipt.

Total revenues from SA Government consist of \$100 526 000 (\$88 485 000) of operational funding and \$1 646 000 (\$636 000) for capital purposes. For details on the expenditure associated with the operational and capital funding received refer to notes 3 to 8 and note 17. There was no material variance between the amount appropriated and the expenditure associated with this appropriation.

The original amount appropriated to the SATC under the annual *Appropriation Act* was \$89 112 000 (\$80 371 000). An additional \$11 796 000 (\$0) was received from the Treasurer via the Governor's Appropriation Fund.

14. CASH AND CASH EQUIVALENTS	2018	2017
	\$'000	\$'000
Deposits with the Treasurer	8 213	7 147
Cash at bank	5 847	3 738
Cash on hand	9	4
Total cash and cash equivalents	<u>14 069</u>	<u>10 889</u>

Cash is measured as nominal amounts.

14.1 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.

15. RECEIVABLES	2018	2017
	\$'000	\$'000
Current:		
Receivables	950	1 067
Allowance for doubtful debts	(35)	(15)
	<u>915</u>	<u>1 052</u>
GST input tax recoverable	678	795
Accrued revenues	917	424
Prepayments	226	201
Total receivables	<u>2 736</u>	<u>2 472</u>

15.1 Movement in the Allowance for Doubtful Debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (that is, calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired. An allowance for impairment loss has been recognised under administration and accommodation in the Statement of Comprehensive Income for specific debtors for which such evidence exists.

	2018	2017
	\$'000	\$'000
Movement in the allowance for doubtful debts (allowance for impairment loss)		
Carrying amount at 1 July	15	534
Increase in the allowance	23	20
Amounts written off	(3)	(539)
Carrying amount at 30 June	<u>35</u>	<u>15</u>

15.2 Interest Rate and Credit Risk

Receivables arise in the normal course of selling goods and services to the public and to other government agencies. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing.

Collectability of receivables is reviewed on an ongoing basis. 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 28 for categorisation of financial instruments, maturity analysis of receivables and risk exposure information.

	2018	2017
	\$'000	\$'000
16. OTHER ASSETS		
Current:		
Foreign exchange forward contracts	143	22
Lease incentive	-	22
Total other assets	<u>143</u>	<u>44</u>
17. PLANT AND EQUIPMENT		
General plant and equipment	\$'000	\$'000
At cost (deemed fair value)	474	509
Accumulated depreciation at the end of the period	(344)	(319)
Total general plant and equipment	<u>130</u>	<u>190</u>
Pageant plant and equipment		
At cost (deemed fair value)	2 064	1 948
Accumulated depreciation at the end of the period	(1 137)	(1 032)
Total Pageant plant and equipment	<u>927</u>	<u>916</u>
Motor sport infrastructure		
At cost (deemed fair value)	-	1 598
Accumulated depreciation at the end of the period	-	(1 083)
At fair value	14 816	13 214
Accumulated depreciation at the end of the period	-	(3 744)
Total motor sport infrastructure	<u>14 816</u>	<u>9 985</u>
Fitouts		
At cost (deemed fair value)	2 120	1 029
Accumulated depreciation at the end of the period	(417)	(238)
At fair value	899	899
Accumulated depreciation at the end of the period	(799)	(352)
Total fitouts	<u>1 803</u>	<u>1 338</u>
Total plant and equipment	<u>17 676</u>	<u>12 429</u>

17.1 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 after allowing for accumulated depreciation.

All non-current tangible assets with a value equal to or in excess of \$10 000 are capitalised. All Pageant Floats, regardless of their value, are recognised as non-current assets in the Statement of Financial Position. Pageant Floats are recorded at historic cost less accumulated depreciation.

Non-current assets acquired at no or nominal value as part of an administrative restructure are recognised at book value, that is the amount recorded by the transferor public authority immediately prior to the restructure.

17.2 Revaluation of Non-Current Assets

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 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 asset. Upon disposal or derecognition, any revaluation surplus relating to that asset is transferred to retained earnings.

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

the current condition and use of the assets valued. With physical depreciation and obsolescence having a significant effect on an asset's fair value, as well as the use of the cost approach in the valuation of these assets, all assets revalued have been categorised as level 3 in the fair value hierarchy.

17.3 Carrying Amount of Plant and Equipment

In accordance with APF III other than motor sport infrastructure all items of plant and equipment that had a fair value at the time of acquisition which was less than \$1 million or an estimated useful life less than three years have not been revalued. The carrying values of these items are deemed to approximate fair value. These assets are classified in level 3 as there have been no subsequent adjustments to their value, except for management assumptions about the assets' condition and remaining useful life.

Plant and equipment includes \$193 000 (\$1 159 000) of fully depreciated plant and equipment still in use and \$22 000 (\$17 000) of plant and equipment retired from active use but not classified as held for sale.

17.4 Impairment

The SATC holds its plant and equipment assets for their service potential (value in use). All non-current tangible assets are valued at fair value or deemed fair value. 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. The SATC expects that for all other non-current tangible assets any costs of disposal will be negligible, and the recoverable amount to be close to or greater than fair value.

There were no indications of impairment of plant and equipment at 30 June 2018.

17.5 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

17.6 Reconciliation of Movements in Plant and Equipment during 2016-17

	General Plant & Equipment \$'000	Pageant Plant & Equipment \$'000	Motor Sport Infrastructure \$'000	Fitouts \$'000	Total \$'000
Carrying amount at 1 July	24	896	11 168	919	13 007
Additions	197	161	219	598	1 175
Disposals	(4)	(3)	-	-	(7)
Depreciation	(27)	(138)	(1 402)	(179)	(1 746)
Carrying amount at 30 June	190	916	9 985	1 338	12 429

18. FAIR VALUE MEASUREMENT

AASB 13 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. 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.

The valuation processes and fair value changes are reviewed by the Chief Financial Officer at each reporting date. In determining fair value, the SATC has considered the characteristic of the asset, such as the condition and location of the asset and any restrictions on the sale or use of the asset, and the asset's highest and best use (that is physically possible, legally permissible and financially feasible). The SATC's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the SATC has not identified any factors to suggest an alternative use, fair value measurement is based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition which was less than \$1 million, or an estimated useful life that was less than three years, are deemed to approximate fair value. Refer to note 17 for disclosures regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

18.1 Fair Value Hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The SATC categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement.

18.2 Fair Value Measurements

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 changes in valuation techniques during 2017-18.

19. PAYABLES	2018	2017
	\$'000	\$'000
Current:		
Creditors	1 712	1 958
Accrued expenses	3 363	2 265
Employment on-costs	264	240
Paid Parental Leave scheme payable	9	3
Total current payables	<u>5 348</u>	<u>4 466</u>
Non-Current:		
Employment on-costs	144	140
Total non-current payables	<u>144</u>	<u>140</u>
Total payables	<u>5 492</u>	<u>4 606</u>

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.

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.

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 liability outstanding at the reporting date is 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.

Actuarial assessments performed by the Department of Treasury and Finance determined the average proportion of long service leave taken as leave at a whole of government level to 41% (2018) from 40% (2017). In accordance with APF IV, management has determined that the SATC's experience has been sufficiently different over several years to render the use of this average unreliable. The percentage of long service leave taken as leave is 24.8% (20.9%). The average factor for the calculation of employer superannuation contribution on-cost on long service leave decreased to 9.9% (2018) from 10.1% (2017). 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 2019 and 2020 is immaterial.

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.

19.1 Interest Rate and Credit Risk

Payables are measured at nominal amounts. Creditors and accruals are recognised for amounts owing but unpaid. Creditors are normally settled within 30 days of the date an invoice is first received. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

Refer to note 28 for categorisation of financial instruments, maturity analysis of payables and risk exposure information.

20. OTHER LIABILITIES	2018	2017
	\$'000	\$'000
Current:		
Lease incentive	57	198
Unclaimed monies	-	19
Unearned revenue	846	1 450
Foreign exchange forward contracts	1	114
Total current other liabilities	<u>904</u>	<u>1 781</u>
Non-Current:		
Lease incentive	217	274
Total non-current other liabilities	<u>217</u>	<u>274</u>
Total other liabilities	<u>1 121</u>	<u>2 055</u>

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

21. EMPLOYEE BENEFITS	2018	2017
	\$'000	\$'000
Current:		
Annual leave	951	817
Long service leave	278	251
Skills and experience retention leave	38	56
Accrued salaries and wages	271	312
Total current employee benefits	<u>1 538</u>	<u>1 436</u>
Non-Current:		
Long service leave	1 912	1 949
Total non-current employee benefits	<u>1 912</u>	<u>1 949</u>
Total employee benefits	<u><u>3 450</u></u>	<u><u>3 385</u></u>

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

21.1 Salaries and Wages, Annual Leave, Skills and Experience Retention Leave and Sick Leave

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.

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.

21.2 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.

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.

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 remained at 2.5%. As a result, there is no net financial effect.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4.0% for long service leave and 3.0% for annual leave and skills and experience retention leave. As a result, there is no net financial effect.

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.

22. PROVISIONS	2018	2017
	\$'000	\$'000
Current:		
Provision for workers compensation	27	10
Total current provisions	<u>27</u>	<u>10</u>
Non-Current:		
Provision for workers compensation	41	15
Total non-current provisions	<u>41</u>	<u>15</u>
Total provisions	<u><u>68</u></u>	<u><u>25</u></u>

22.1 Movement in Provisions

Carrying amount at 1 July	25	36
Additional provisions recognised	49	11
Reductions resulting from payments/other sacrifice of future economic benefits	(26)	-
Increase (reduction) resulting from re-measurement or settlement without cost	20	(22)
Carrying amount at 30 June	<u>68</u>	<u>25</u>

A liability 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 2018 provided by a consulting actuary engaged through the Office for the Public Sector (a division of the Department of the Premier and Cabinet). The provision 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.

23. EQUITY	2018	2017
	\$'000	\$'000
Contributed capital	64	64
Asset revaluation surplus	8 599	2 650
Retained earnings	<u>15 830</u>	<u>13 049</u>
Total equity	<u><u>24 493</u></u>	<u><u>15 763</u></u>

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.

24. 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.

24.1 Operating Lease Commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:	2018	2017
	\$'000	\$'000
Within one year	1 646	1 895
Later than one year but not longer than five years	5 991	2 245
Later than five years	<u>1 508</u>	<u>1 040</u>
Total operating lease commitments	<u><u>9 145</u></u>	<u><u>5 180</u></u>

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. Rent is payable monthly in advance.

24.2 Expenditure Commitments

Expenditure commitments in existence at the reporting date but not recognised as liabilities are payable as follows:	2018	2017
	\$'000	\$'000
Within one year	34 185	40 477
Later than one year but not longer than five years	36 755	26 796
Later than five years	<u>1 925</u>	<u>-</u>
Total expenditure commitments	<u><u>72 865</u></u>	<u><u>67 273</u></u>

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.

25. RELATED PARTY TRANSACTIONS

The SATC is an instrumentality of the Crown and holds its property on behalf of the Crown.

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.

25.1 Significant Transactions with Government Related Entities

The SATC had no individually significant transactions with government related entities. Quantitative information about collectively, but not individually significant transactions with and balances between the SATC and other government related entities are disclosed at note 25.3.

25.2 Transactions with Key Management Personnel and Other Related Parties

Compensation of key management personnel is disclosed at note 3.3. The SATC had no individually significant transactions with key management personnel or other related parties.

25.3 Transactions with SA Government

The following table discloses revenue, expenses, financial assets and liabilities classified according to their nature, where the transaction is with an entity within the SA Government or the counterparty is an entity within the SA Government as at the reporting date.

	2018	2017
	\$'000	\$'000
Expenses		
Employee benefits expenses	687	666
Advertising and promotion	156	46
Industry assistance	3 270	374
Administration and accommodation	2 095	2 112
Event operations	624	384
Total expenses	<u>6 832</u>	<u>3 582</u>
Income		
Sponsorship and participation	2 099	632
Entry fees, licence fees and sales	16	-
Interest	77	110
Other income	82	97
Total income	<u>2 274</u>	<u>839</u>
Net cost of providing services	<u>4 558</u>	<u>2 743</u>
Revenues from SA Government		
Revenues from SA Government	102 172	89 121
Total revenues from SA Government	<u>102 172</u>	<u>89 121</u>
Net result	<u>97 614</u>	<u>86 378</u>
Total comprehensive result	<u>97 614</u>	<u>86 378</u>
Financial assets		
Receivables		
Receivables	43	1
Accrued revenues	-	10
Total financial assets	<u>43</u>	<u>11</u>
Financial liabilities		
Payables		
Creditors	1	151
Accrued expenses	1 101	180
Employment on-costs	408	380
Total financial liabilities	<u>1 510</u>	<u>711</u>
26. CASH FLOW RECONCILIATION	2018	2017
	\$'000	\$'000
Reconciliation of cash and cash equivalents at 30 June:		
Cash and cash equivalents disclosed in the Statement of Financial Position	14 069	10 889
Balance as per the Statement of Cash Flows	<u>14 069</u>	<u>10 889</u>
Reconciliation of net cash provided by operating activities to net cost of providing services:		
Net cash provided by operating activities	3 794	1 245
Revenues from SA Government	(102 172)	(89 121)
Non-cash items		
Depreciation expense	(2 273)	(1 746)
Net loss from disposal of non-current assets	(13)	(7)
Movement in assets and liabilities		
Receivables	264	619
Other assets	99	(239)
Payables	84	(217)
Other liabilities	934	(42)
Employee benefits	(65)	(312)
Provisions	(43)	11
Net cost of providing services	<u>(99 391)</u>	<u>(89 809)</u>

27. BUDGETARY REPORTING

Budget information refers to the amounts presented to Parliament in the original budgeted financial statements for the reporting period (2017-18 Budget Paper 4). Budget information has been included for the Statement of Comprehensive Income and for Investment Expenditure. Budget information has not been included for the Statement of Financial Position or Statement of Cash Flows as the information in these statements is not budgeted for on the same basis and is determined in a different manner to financial statement information.

The 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. The budget process is not subject to audit.

27.1 Statement of Comprehensive Income	Note	Original Budget 2018 \$'000	Actual 2018 \$'000	Variance \$'000
Expenses				
Employee benefits expenses		14 776	14 711	(65)
Advertising and promotion		40 142	39 973	(169)
Industry assistance	(a)	9 141	22 110	12 969
Administration and accommodation		7 556	7 701	145
Event operations		41 464	44 241	2 777
Depreciation expense		2 310	2 273	(37)
Net loss from the disposal of non-current assets		-	13	13
Total Expenses		<u>115 389</u>	<u>131 022</u>	<u>15 633</u>
Income				
Sponsorship and participation		8 269	12 429	4 160
Entry fees, licence fees and sales		17 011	16 700	(311)
Interest		102	77	(25)
Other income		895	2 425	1 530
Total income		<u>26 277</u>	<u>31 631</u>	<u>5 354</u>
Net cost of providing services		<u>89 112</u>	<u>99 391</u>	<u>10 279</u>
Revenues from SA Government				
Revenues from SA Government	(b)	<u>89 112</u>	<u>102 172</u>	<u>13 060</u>
Total revenues from SA Government		<u>89 112</u>	<u>102 172</u>	<u>13 060</u>
Net result		<u>-</u>	<u>2 781</u>	<u>2 781</u>
Other comprehensive income				
Changes in plant and equipment asset revaluation surplus	(c)	-	5 949	5 949
Total other comprehensive income		-	5 949	5 949
Total comprehensive result		<u>-</u>	<u>8 730</u>	<u>8 730</u>

The following are brief explanations of variances between original budget and actual amounts. Explanations are provided for variances where the variance exceeds the greater of 10% of the original budgeted amount and 5% of the original budgeted total expenses.

- (a) Industry assistance expenses were greater than budgeted due to funding for providers of tourism infrastructure and access services to South Australia, sponsorship of events and a reclassification of sponsorships as grants.
- (b) During the year an additional \$11 796 000 was received from the Treasurer via the Governor's Appropriation Fund. Refer to note 13.
- (c) The SATC revalued its motor sport infrastructure in March 2018, with a resulting increase in the asset revaluation surplus.

27.2 Investing Expenditure Summary	Note	Original Budget 2018 \$'000	Actual 2018 \$'000	Variance \$'000
Investing expenditure				
Total new projects	(d)	-	1 008	1 008
Total existing projects		-	83	83
Total annual programs		<u>646</u>	<u>493</u>	<u>(153)</u>
Total investing expenditure		<u>646</u>	<u>1 584</u>	<u>938</u>

- (d) Funding allocated to office works and fitout.

28. FINANCIAL INSTRUMENTS/FINANCIAL RISK MANAGEMENT

28.1 Categorisation of Financial Instruments

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

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

The carrying amounts of each category of financial assets and liabilities are detailed below. The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to their short-term nature.

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	Statement of Financial Position line item	Note	Carrying Amount	
			2018 \$'000	2017 \$'000
Financial assets				
Cash and cash equivalents	Cash and cash equivalents	14, 26	14 069	10 889
Loans and receivables	Receivables ⁽¹⁾⁽²⁾	15	1 824	1 480
Held-to-maturity investments	Other financial assets	16	143	22
	Total financial assets		16 036	12 391
Financial liabilities				
Financial liabilities at cost	Payables ⁽¹⁾	19	3 973	3 871
	Other current liabilities	20	847	1 583
	Total financial liabilities		4 820	5 454

⁽¹⁾ Receivables and payables amounts disclosed above exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, taxes and equivalents and audit receivables/payables they are excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

⁽²⁾ Receivables amounts disclosed here excludes prepayments. Prepayments are presented in note 15 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.

28.2 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.

28.3 Liquidity risk

Liquidity risk arises from the possibility that the SATC is unable to meet its financial obligations as they fall due. 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. The SATC settles undisputed accounts within 30 days of the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made within 30 days of resolution. The SATC's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded in note 28.1 represents the SATC's maximum exposure to liquidity risk. Refer to note 19 and note 20 for further information.

28.4 Credit risk

Credit risk arises when there is the possibility of the SATC's debtors defaulting on their contractual obligations resulting in financial loss to the SATC. The SATC measures credit risk on a fair value basis and monitors risk on a regular basis. The SATC has minimal concentration of credit risk. The SATC has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The SATC does not engage in high risk hedging for its financial assets. No collateral is held as security and no credit enhancements relate to financial assets held by the SATC.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer to note 15 for information on the allowance for impairment of receivables.

The carrying amount of financial assets as detailed in note 28.1 represents the SATC's maximum exposure to credit risk. Refer to note 14, note 15 and note 16 for further information.

The following table discloses the ageing of financial assets past due, including impaired assets past due.

Ageing Analysis of Financial Assets		Past due by <30 days \$'000	Past due by 30-60 days \$'000	Past due by >60 days \$'000	Total \$'000
2018					
	Not impaired				
	Receivables ⁽¹⁾	101	-	50	151
	Impaired				
	Receivables	-	-	35	35
2017					
	Not Impaired				
	Receivables ⁽¹⁾	37	169	386	592
	Impaired				
	Receivables	16	-	-	16

⁽¹⁾ Receivable amounts disclosed here exclude amounts relating to statutory receivables (amounts owing to Government). They are carried at cost.

28.5 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*.

On behalf of the SATC, at 30 June 2018 SAFA had in place 11 (9) foreign exchange forward contracts totalling \$9 195 000 (\$5 079 000). In 2017-18 the SATC had 18 (12) foreign exchange forward contracts mature totalling \$7 522 000 (\$9 017 000). 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 2017-18 are included in the Statement of Comprehensive Income, and where material are shown separately as losses in note 6 and as gains in note 12. Refer to note 16 and note 20 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.

28.6 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 2018 was \$127 000 (\$173 000).

29 IMPACT OF STANDARDS AND STATEMENTS NOT YET IMPLEMENTED

The SATC has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet implemented, and changes to Accounting Policy Statements issued by the Treasurer. Expected impacts are outlined below.

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

AASB 15 replaces AASB 118 and AASB 111, and introduces a five-step process for revenue recognition. The core principle of the new standard is to recognise revenue "when control of a good or service transfer to a customer". This is effectively when performance obligations have been met, rather than the current model of "where the risk and rewards of ownership reside".

AASB 1058 specifies income recognition requirements that apply to not-for-profit (NFP) entities in conjunction with AASB 15. AASB 1058 and AASB 15 will supersede much of income recognition requirements relating to public sector NFP entities previously specified in AASB 1004. The timing of income recognition will depend on whether a transaction gives rise to a liability or other performance obligation such as a promise to transfer goods and services, or a contribution by owners related to an asset received by the SATC. Where no liability is recognised under another standard or the liability is less than the fair value of the asset received then income will be recognised.

AASB 15 and AASB 1058 applies to reporting periods commencing after 1 January 2019. The application date for the SATC is 1 July 2019. The new revenue recognition requirements are not expected to have a material impact.

29.2 AASB 9 Financial Instruments

AASB 9 supersedes AASB 139 *Financial Instruments: Recognition and Measurement*. The new standard addresses recognition, classification, measurement and de-recognition of financial assets and financial liabilities, impairment of financial assets, hybrid contracts and hedging.

AASB 9 applies to reporting periods commencing after 1 January 2018. The application date for the SATC is 1 July 2018. Amendments to the disclosure requirements of AASB 7 *Financial Instruments: Disclosures* will become effective at the same time as AASB 9, and result in amendments to the SATC's financial instruments disclosures. The new and amended standards are not expected to have a material impact.

29.3 AASB 16 Leases

AASB 16 introduces a single accounting model for leases. The new standard requires a lessee to recognise assets and liabilities for all lease 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. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. Accordingly, a lessor will continue to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

AASB 16 applies to reporting periods commencing after 1 January 2019. The application date for the SATC is 1 July 2019.

This new standard is a significant change from the current method of accounting for leases. Depending on the lease arrangements entered into on commencement, it is expected that the SATC will recognise significant lease liabilities and corresponding right-of-use assets in the Statement of Financial Position. These assets and liabilities will be amortised over the lease terms, which will impact the Statement of Comprehensive Income.

The estimated net financial effect of applying AASB 16 to the current operating lease arrangements in the 2020 financial year is an increase in total expenses of \$13 000, an increase in leased assets of \$4 756 000 and an increase in lease liabilities of \$5 508 000.
