

# TAFE SA

Financial report  
for the year ended  
30 June 2018



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## To the Chair TAFE SA Board

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 32 of the *Public Corporations Act 1993*, I have audited the financial report of TAFE SA for the financial year ended 30 June 2018.

## Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of TAFE SA 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
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chair, TAFE SA Board, the Interim Chief Executive and the Chief Finance Officer.

## Basis for opinion

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

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

## **Responsibilities of the Interim Chief Executive and the TAFE SA Board for the financial report**

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

The TAFE SA Board is responsible for overseeing the entity's financial reporting process.

## **Auditor's responsibilities for the audit of the financial report**

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 Interim Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Andrew Richardson

**Auditor-General**

20 September 2018

**TAFE SA**  
**Certification of the Financial Statements**  
*for the year ended 30 June 2018*

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

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards
- are in accordance with the accounts and records of the Corporation
- present a true and fair view of the financial position of TAFE SA 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 TAFE SA for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Rick Persse  
Chair, TAFE SA Board

14 September 2018



Alex Reid  
Interim Chief Executive

September 2018



John O'Dea  
Chief Finance Officer

14 September 2018

**TAFE SA**

**Financial Statements**

For the year ended 30 June 2018

**TAFE SA**  
**Statement of Comprehensive Income**  
*for the year ended 30 June 2018*

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	Note	2018 \$'000	2017 \$'000
<b><u>Expenses</u></b>			
Employee benefits	3	225 502	213 641
Supplies and services	5	127 468	101 954
Grants and subsidies		75	75
Depreciation and amortisation	6	5 005	4 835
Net loss from disposal of non-current assets	12	61	95
Other expenses	7	1 260	988
<b>Total expenses</b>		<b>359 371</b>	<b>321 588</b>
<b><u>Income</u></b>			
Grants and subsidies from Department of State Development	8	246 211	230 572
Commonwealth grants	9	1 437	879
Student and other fees and charges	10	88 735	91 906
Other grants and contributions	11	2 046	2 738
Investment income		5	2
Resources received free of charge	13	2 619	-
Other income	14	2 056	1 563
<b>Total income</b>		<b>343 109</b>	<b>327 660</b>
<b>Net cost of providing services</b>		<b>(16 262)</b>	<b>6 072</b>
<b>Total comprehensive result</b>		<b>(16 262)</b>	<b>6 072</b>

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

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**TAFE SA**  
**Statement of Financial Position**  
*as at 30 June 2018*

	Note	2018 \$'000	2017 \$'000
<b><u>Current assets</u></b>			
Cash and cash equivalents	15	54 801	69 958
Receivables	16	19 876	19 373
Inventories	21	838	1 000
<b>Total current assets</b>		<b>75 515</b>	<b>90 331</b>
<b><u>Non-current assets</u></b>			
Receivables	16	62	55
Property, plant and equipment	18	16 468	15 685
Intangibles	19	10 564	10 588
<b>Total non-current assets</b>		<b>27 094</b>	<b>26 328</b>
<b>Total assets</b>		<b>102 609</b>	<b>116 659</b>
<b><u>Current liabilities</u></b>			
Payables	22	16 645	16 404
Employee benefits	23	20 732	16 002
Provisions	24	886	1 528
Unearned revenue	25	2 869	2 249
Other current liabilities		259	222
<b>Total current liabilities</b>		<b>41 391</b>	<b>36 405</b>
<b><u>Non-current liabilities</u></b>			
Payables	22	4 789	4 984
Employee benefits	23	40 754	42 573
Provisions	24	2 056	2 816
<b>Total non-current liabilities</b>		<b>47 599</b>	<b>50 373</b>
<b>Total liabilities</b>		<b>88 990</b>	<b>86 778</b>
<b>Net assets</b>		<b>13 619</b>	<b>29 881</b>
<b><u>Equity</u></b>			
Retained earnings		(8 185)	8 077
Revaluation surplus		1 352	1 352
Contributed capital		20 452	20 452
<b>Total equity</b>		<b>13 619</b>	<b>29 881</b>

**Total equity is attributable to the SA Government as owner.**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

**TAFE SA**  
**Statement of Changes in Equity**  
*for the year ended 30 June 2018*

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	Revaluation surplus	Retained earnings	Contributed capital	Total equity
	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2016	1 352	2 005	20 452	23 809
<b><u>Net result for 2016-17</u></b>	-	6 072	-	6 072
Balance at 30 June 2017	<u>1 352</u>	<u>8 077</u>	<u>20 452</u>	<u>29 881</u>
<b><u>Net result for 2017-18</u></b>	-	(16 262)	-	(16 262)
Balance at 30 June 2018	<u><u>1 352</u></u>	<u><u>(8 185)</u></u>	<u><u>20 452</u></u>	<u><u>13 619</u></u>

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

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**TAFE SA**  
**Statement of Cash Flows**  
*for the year ended 30 June 2018*

		2018 (Outflows) inflows \$'000	2017 (Outflows) inflows \$'000
<b><u>Cash flows from operating activities</u></b>			
<b>Cash outflows</b>			
Employee benefit payments		(225 132)	(220 359)
Payments for supplies and services		(135 602)	(109 777)
Payments of grants and subsidies		(75)	(75)
Other payments		(409)	(209)
<b>Cash used in operations</b>		<b>(361 218)</b>	<b>(330 420)</b>
<b>Cash inflows</b>			
Commonwealth grants		1 437	879
Grants and subsidies from Department of State Development		245 881	232 447
Student and other fees and charges		91 999	87 680
Other grants and contributions		2 536	3 202
Interest received		5	2
GST recovered from the Australian Taxation Office		8 726	4 782
Other receipts		1 302	1 031
<b>Cash generated from operations</b>		<b>351 886</b>	<b>330 023</b>
<b>Net cash used in operating activities</b>	29	<b>(9 332)</b>	<b>(397)</b>
<b><u>Cash flows from investing activities</u></b>			
<b>Cash outflows</b>			
Purchase of property, plant and equipment		(3 764)	(1 843)
Purchase of intangibles		(2 068)	(344)
<b>Cash used in investing activities</b>		<b>(5 832)</b>	<b>(2 187)</b>
<b>Cash inflows</b>			
Proceeds from sale of property, plant and equipment		7	43
<b>Cash generated from investing activities</b>		<b>7</b>	<b>43</b>
<b>Net cash used in investing activities</b>		<b>(5 825)</b>	<b>(2 144)</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(15 157)</b>	<b>(2 541)</b>
Cash and cash equivalents at the beginning of the period		69 958	72 499
<b>Cash and cash equivalents at the end of the period</b>	15	<b>54 801</b>	<b>69 958</b>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

# **TAFE SA**

## **Notes to and forming part of the financial statements**

### *for the year ended 30 June 2018*

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#### **1. Basis of financial statements**

##### **1.1 Reporting entity**

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

The financial statements and accompanying notes reflect the use of assets, liabilities, revenues and expenses controlled or incurred by the Corporation in its own right.

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

SATAC is an arrangement between the three South Australian universities, the Minister for Education and Charles Darwin University in the Northern Territory. SATAC receives and processes undergraduate and postgraduate applications for admission to TAFE SA, Charles Darwin University and the three universities in South Australia.

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

##### **1.2 Statement of compliance**

These financial statements have been prepared 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 Corporation has applied Australian Accounting Standards that are applicable to not-for-profit entities as the Corporation 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 Corporation for the period ending 30 June 2018.

##### **1.3 Basis of preparation**

The financial statements have been prepared based on a 12 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.

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

Significant accounting policies are set out in the notes.

##### **1.4 Taxation**

The Corporation is not subject to Income Tax and has been exempted from income tax equivalent requirements by the Treasurer for 2016-17 and 2017-18. The Corporation is liable for Payroll Tax, Fringe Benefits Tax (FBT) and Goods and Services Tax (GST).

## **TAFE SA**

### **Notes to and forming part of the financial statements**

*for the year ended 30 June 2018*

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#### **1.4 Taxation (continued)**

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 the asset or as part of the expense item applicable
- 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 Objectives and activities**

### **2.1 Objectives**

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

The primary objectives of the Corporation are to:

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

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

### **2.2 Activities**

In achieving its objectives, the Corporation provides a range of services classified into the following activity and sub-activities:

#### ***Employment and Skills Formation***

To deliver high quality training and skills development targeted to South Australia's economic priorities, economic transformation and jobs.

# TAFE SA

## Notes to and forming part of the financial statements

### for the year ended 30 June 2018

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#### 2.2 Activities (continued)

##### Sub-activities

##### *Vocational Education and Training*

TAFE SA provides secondary & post-secondary Vocational Education and Training (VET) through:

- providing innovative training to individuals and employers to develop workforce skills that are linked to employment opportunities
- building foundation skills through vocational and community education, providing career advice, skills recognition and employment services that prepare people for training/and or job opportunities
- supporting the economic priority to be recognised as the knowledge state by exporting services to overseas markets through the global engagement and export strategy
- 99.51% (2017: 99.13%) of expenditure and 99.51% (2017: 99.97%) of revenue relates to Vocational Education and Training.

##### *International and Higher Education*

The Corporation:

- supports the development of Adelaide as a centre for education, international education and South Australian education exports including providing marketing services, analysis and student and community support.
- provides high level strategic policy advice to the Minister on higher education policy and planning.

#### 2.3 Funding

The Corporation is predominantly funded by the Department of State Development.

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

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

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

As a public provider, the Corporation aims to operate effectively and efficiently in a competitive market for vocational education and training to:

- deliver technical and further education efficiently and cost effectively at high standards of quality, while at all times ensuring the financial viability of the Corporation
- build alliances and cooperation with other service providers to ensure quality and relevant course availability and delivery in the most efficient manner
- strengthen the Corporation's position in technical and further education through the provision of fee for service activities, including quality training for overseas students
- targeted international activity
- ensure a safe work and learning environment for staff, students and the community.

**TAFE SA**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**3 Employee benefits**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries and wages (including annual leave)	181 438	180 634
Targeted voluntary separation payments	9 218	3 860
Long service leave	4 786	910
Skills and experience retention leave	919	665
Employment on-costs - superannuation*	17 935	17 635
Employment on-costs - Other	10 308	9 972
Board and committee fees	395	511
Workers compensation	(152)	(1 089)
Other employee related costs	655	543
<b>Total employee benefits expenses</b>	<b>225 502</b>	<b>213 641</b>

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

**Targeted voluntary separation packages (TVSPs)**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Amounts paid to these employees:		
TVSPs	9 218	3 860
Leave paid to those employees	3 698	1 639
	<b>12,916</b>	<b>5,499</b>
Funding from the Department of Treasury and Finance (through the Department of State Development)	9 344	3 775
<b>Net cost to TAFE SA</b>	<b>3 572</b>	<b>1 724</b>

The number of employees who were paid TVSPs during the reporting period was:	112	51
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**Key management personnel**

Key management personnel of TAFE SA include the Minister for Education, the Chief Executive and Interim Chief Executive, six members of the Executive Team and fifteen non-executive board members who have, or during the year have had, responsibility for the strategic direction and management of TAFE SA.

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

**TAFE SA**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**3 Employee benefits (continued)**

	2018	2017
	\$'000	\$'000
<b>Compensation</b>		
Salaries and other short term employee benefits	2 120	1 930
Post-employment benefits	182	215
Other long-term employment benefits	240	78
Termination benefits	-	95
<b>Total compensation</b>	<b>2 542</b>	<b>2 318</b>

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

**Remuneration of employees**

The number of employees whose remuneration received or receivable is \$147,000 or more falls within the following bands:

	2018	2017
	Number	Number
\$147 000 to \$149 000*	N/A	3
\$149 001 to \$159 000	8	10
\$159 001 to \$169 000	5	2
\$169 001 to \$179 000	2	1
\$179 001 to \$189 000	4	5
\$189 001 to \$199 000	1	-
\$199 001 to \$209 000	3	1
\$209 001 to \$219 000	1	2
\$219 001 to \$229 000	1	1
\$229 001 to \$239 000	-	1
\$239 001 to \$249 000	1	-
\$259 001 to \$269 000	1	-
\$269 001 to \$279 000	1	1
\$279 001 to \$289 000	-	1
\$289 001 to \$299 000	-	4
\$299 001 to \$309 000	1	-
\$309 001 to \$319 000	1	-
\$339 001 to \$349 000	-	1
\$349 001 to \$359 000	1	-
\$369 001 to \$379 000	-	1
\$399 001 to \$409 000	-	1
\$559,001 to \$569,000	1	-
<b>Total number of employees</b>	<b>32</b>	<b>35</b>

\* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2016-17

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages (including termination payments), superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$6.7 million (2017: \$7.3 million).

**TAFE SA**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**4 Remuneration of board and committee members**

Members that were entitled to receive remuneration for membership during the 2017-18 financial year were:

**TAFE SA Board to 12 April 2018**

P Vaughan (Chair)  
J Branson AM  
N Buddle  
J Denley  
A Hurley  
S Mitchell  
M Silva  
V Simmons AO  
TW Smith

**Human Resources Committee to 12 April 2018**

J Denley (Chair)  
A Hurley  
T W Smith  
P Vaughan

**Strategy Committee to 12 April 2018**

P Vaughan (Chair)  
J Denley  
V Simmons AO

**TAFE SA Board from 13 April 2018**

R Persse (Chair)^  
L Byers^  
J Chapman^  
J Denley  
T Pribanic^  
T Goodes^  
J King^

**Finance Committee  
from 13 April 2018**

T Goodes (Chair)^  
J Chapman^  
T Pribanic^

**Audit and Risk Committee  
to 12 April 2018**

J Branson AM (Chair)  
N Buddle  
A Hurley  
S Mitchell  
M Silva

**Finance Committee  
to 12 April 2018**

N Buddle (Chair)  
J Branson AM  
S Mitchell  
M Silva  
V Simmons AO

**Audit and Risk Committee  
from 13 April 2018**

J Denley (Chair)  
J Chapman^  
L Byers^

**Human Resources Committee  
from 13 April 2018**

J Denley (Chair)  
R Persse^  
L Byers^

^In accordance with the Premier and Cabinet Circular No. 16, government employees did not receive any remuneration for board/committee duties during the financial year.

**TAFE SA**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**4 Remuneration of board and committee members (continued)**

The number of members whose remuneration from the entity falls within the following bands is:

	2018	2017
\$0 - \$9,999	6	-
\$40 000 - \$49 999	8	-
\$50 000 - \$59 999	-	8
\$70 000 - \$79 999	1	-
\$100 000 - \$109 999	-	1
	<b>15</b>	<b>9</b>

Remuneration of board members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$0.4 million (2017: \$0.6 million).

Amounts paid to a superannuation plan for board/committee members was \$34,207 (2017: \$44 602).

Unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

**5 Supplies and services**

	2018	2017
	\$'000	\$'000
Infrastructure recharges paid to Department of State Development	54 168	31 896
Funding to external vocational education and training providers	465	233
Printing and consumables	6 762	6 890
Minor works, maintenance and equipment	9 469	9 940
Information technology infrastructure and communication	11 726	10 284
Fees - contracted services (including consultants)	13 498	12 982
Utilities	8 386	7 077
Cleaning	7 093	6 869
Vehicle and travelling expenses	4 019	4 027
Rentals and leases	316	539
Books, materials and copyright	11 203	10 898
Other	363	319
<b>Total supplies and services</b>	<b>127 468</b>	<b>101 954</b>

Infrastructure charges increased by \$22.2 million due to the full year impact of changed ownership arrangements

**TAFE SA**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**5 Supplies and services (continued)**

**Consultants**

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

	2018 Number	2018 \$'000	2017 Number	2017 \$'000
Below \$10 000	3	20	2	10
\$10 000 or above	4	260	5	873
<b>Total paid / payable to the consultants engaged</b>	<b>7</b>	<b>280</b>	<b>7</b>	<b>883</b>

**6 Depreciation and amortisation**

	2018 \$'000	2017 \$'000
<b>Depreciation</b>		
Plant and equipment	1 776	1 829
Library collection	931	910
Leasehold improvements	206	135
<b>Total depreciation</b>	<b>2 913</b>	<b>2 874</b>
<b>Amortisation</b>		
Intangibles	2 092	1 961
<b>Total amortisation</b>	<b>2 092</b>	<b>1 961</b>
<b>Total depreciation and amortisation</b>	<b>5 005</b>	<b>4 835</b>

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to tangible assets such as library collections and plant and equipment.

**Useful life**

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

Class of asset	Useful life (years)
Plant and Equipment	1 - 45
Library Collection	3 - 15
Leasehold Improvements	10
Intangibles	5 - 10

**Revision of accounting estimates**

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, on an annual basis. Changes in the expected 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.

**TAFE SA**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**7 Other expenses**

	2018	2017
	\$'000	\$'000
Other *	506	456
Allowance for doubtful debts and debt write-offs (refer note 16)	754	532
<b>Total other expenses</b>	<b>1 260</b>	<b>988</b>

\*Audit fees paid/payable to the Auditor-General's Department relating to work performed under the Public Finance and Audit Act were \$267 700 (2017: \$298 300). No other services were provided by the Auditor-General's Department.

**8 Grants and subsidies from the Department of State Development**

	2018	2017
	\$'000	\$'000
VET subsidies	113 913	137 908
Community services	12 101	11 806
VET capital	4 289	4 575
TVSP reimbursement	9 344	3 775
Other funding	106 564	72 508
<b>Total grants and subsidies from the Department of State Development</b>	<b>246 211</b>	<b>230 572</b>

**9 Commonwealth grants**

	2018	2017
	\$'000	\$'000
Aboriginal projects	607	607
Other specific Commonwealth revenue	830	272
<b>Total Commonwealth grants</b>	<b>1 437</b>	<b>879</b>

**2017-18 Commitments**

Aboriginal projects including the Aboriginal Torres Strait Islander Rural and Remote Aged Care Training Project contributed \$0.6 million in grants revenue during 2017-18 (2017: \$0.6 million).

\$0.8 million in Other Specific Commonwealth Grants were received in 2017-18 (2017: \$0.3 million).

**10 Student and other fees and charges**

	2018	2017
	\$'000	\$'000
Sales/fee for service revenue	48 156	46 897
Student enrolment fees and charges	35 714	39 817
Other user fees and charges	4 865	5 192
<b>Total student and other fees and charges received / receivable</b>	<b>88 735</b>	<b>91 906</b>

## TAFE SA

### Notes to and forming part of the financial statements for the year ended 30 June 2018

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#### 11 Other grants and contributions

	2018	2017
	\$'000	\$'000
Grants and subsidies revenue	1 854	2 055
Grants from other entities within the SA Government	125	581
Miscellaneous contributions	45	92
Donations	22	10
<b>Total other grants and contributions</b>	<b>2 046</b>	<b>2 738</b>

#### 12 Net (loss) from disposal of non-current assets

	2018	2017
	\$'000	\$'000
<b><u>Plant and equipment</u></b>		
Proceeds from disposal	7	43
Less net book value of assets disposed	(68)	(138)
<b>Net (loss) from disposal of plant and equipment</b>	<b>(61)</b>	<b>(95)</b>
<b><u>Total assets</u></b>		
Proceeds from disposal	7	43
Less net book value of assets disposed	(68)	(138)
<b>Total net (loss) from disposal of non-current assets</b>	<b>(61)</b>	<b>(95)</b>

Gains/losses on disposal are recognised at the date at which 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.

#### 13 Resources received free of charge

	2018	2017
	\$'000	\$'000
Services received free of charge - Shared Services SA	2 619	-
<b>Total resources received free of charge</b>	<b>2 619</b>	<b>-</b>

On the 21 November 2016, approval was given by Cabinet to cease the intra-government charging model for services provided by Shared Services SA (SSSA) to general government sector agencies. As a result of this change, effective from 2017-18, SSSA is directly appropriation funded for the services provided by SSSA to general government agencies. Under AASB 1004, *Contributions*, the contribution of services provided by SSSA to government agencies are disclosed in the financial statements as income because the fair value of the services can be reliably measured and the services would have been purchased if they had not been donated. A corresponding expense is recognised in fees- contracted services reflected in Note 5.

## TAFE SA

### Notes to and forming part of the financial statements for the year ended 30 June 2018

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#### 14 Other income

	2018	2017
	\$'000	\$'000
Recoup of salaries	66	107
Sundry income	1 990	1 456
<b>Total other income</b>	<b>2 056</b>	<b>1 563</b>

#### 15 Cash and cash equivalents

	2018	2017
	\$'000	\$'000
Special deposit account with the Department of Treasury and Finance	54 789	69 944
Cash on hand	12	14
<b>Total cash and cash equivalents</b>	<b>54 801</b>	<b>69 958</b>

#### Special Deposit Account with the Department of Treasury and Finance

This is the Corporation's primary operating account. It includes funds received from Department of State Development.

#### Interest rate risk

Cash on hand is non-interest bearing. The carrying amount of cash and cash equivalents represents nominal value.

#### 16 Receivables

	2018	2017
	\$'000	\$'000
<b><u>Current</u></b>		
Student and other fees and charges receivable	16 532	17 652
Less allowance for doubtful debts	(2 144)	(2 231)
	14 388	15 421
Prepayments	1 412	1 445
GST recoverable from ATO	4 049	2 480
Other receivables	27	27
<b>Total current receivables</b>	<b>19 876</b>	<b>19 373</b>
<b><u>Non-current</u></b>		
Workers' compensation receivable	62	55
<b>Total non-current receivables</b>	<b>62</b>	<b>55</b>
<b>Total receivables</b>	<b>19 938</b>	<b>19 428</b>

**TAFE SA**  
**Notes to and forming part of the financial statements**  
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**16 Receivables (Continued)**

**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 in 'other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Carrying amount at the beginning of the period	2 231	1 874
Increase/(decrease) in the allowance	754	531
Amounts written off	<u>(841)</u>	<u>(174)</u>
<b>Carrying amount at the end of the period</b>	<b><u>2 144</u></b>	<b><u>2 231</u></b>

**Interest rate and credit risk**

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debt is raised when there is objective evidence that the Corporation will not be able to collect the debt. 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 30 for further information on risk management.

**TAFE SA**  
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**17 Non-Current Assets**

**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.

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 revaluation increment is credited to the revaluation surplus, except to the extent that it reverses a revaluation decrement of the same asset class previously recognised as an expense, in which case the increase is recognised as income in the Statement of Comprehensive Income.

Any revaluation decrement is recognised in the Statement of Comprehensive Income as an expense, except to the extent that it offsets a previous revaluation increment for the same asset class, in which case the decrease is debited directly to the revaluation surplus to the extent of the credit balance existing in the revaluation surplus for that asset class.

The valuation methodology applied to specific classes of non-current assets under revaluations is as follows:

*Library collection*

A valuation appraisal by a Certified Practising Valuer is performed for Library collection at least every six years.

The library collection is recorded at replacement value. The most recent valuation was carried out as at 30 June 2014 by AON Risk Solutions, an independent valuer, on the basis of depreciated replacement cost (a proxy for fair value).

*Plant and equipment*

Items of plant and equipment are recorded at fair value less accumulated depreciation.

*Leasehold Improvements*

Following initial recognition, leasehold improvements are carried at cost less any accumulated amortisation and any accumulated impairment losses.

**TAFE SA**  
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**18 Property, plant and equipment**

	2018	2017
	\$'000	\$'000
<b><u>Plant and equipment</u></b>		
Plant and equipment at cost (deemed fair value)	29 936	29 301
Accumulated depreciation	(17 988)	(17 161)
<b>Total plant and equipment</b>	<b>11 948</b>	<b>12 140</b>
<b><u>Library collection</u></b>		
Library collection at fair value	16 341	16 231
Accumulated depreciation	(15 584)	(14 653)
<b>Total library collection</b>	<b>757</b>	<b>1 578</b>
<b><u>Leasehold improvements</u></b>		
Leasehold improvements at cost (deemed fair value)	3 382	1 642
Accumulated amortisation	(418)	(212)
<b>Total leasehold improvements</b>	<b>2 964</b>	<b>1 430</b>
<b><u>Work in progress</u></b>		
Capital work in progress at cost	799	537
<b>Total work in progress</b>	<b>799</b>	<b>537</b>
<b>Total property, plant and equipment</b>	<b>16 468</b>	<b>15 685</b>

**Acquisition and recognition**

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

Where assets are acquired for no consideration, or minimal value, they are recorded at their fair value in the Statement of Financial Position.

However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements then the assets are recognised at book value, that is, the amount recorded by the transferor public authority immediately prior to the restructure.

Items under \$10 000 are expensed in the Statement of Comprehensive Income in the accounting period in which they are acquired.

**Valuation of property**

All items of plant and equipment had a fair value at the time of acquisition that was less than \$1 million, or had an estimated useful life that was less than three years, and have not been revalued in accordance with APFIII *Asset Accounting Framework* and AASB 13 *Fair Value Measurement*. The carrying value of these items are deemed to approximate fair value. These assets are classified in level 3 as there has been no subsequent adjustment to their value, except for management assumptions about the asset's condition and remaining useful life.

The library collection was valued at depreciated replacement cost (a proxy for fair value) as at 30 June 2014 by AON Risk Solutions.

Leasehold improvements are valued at cost.

## TAFE SA

### Notes to and forming part of the financial statements for the year ended 30 June 2018

#### 18 Property, plant and equipment (continued)

##### Impairment

All non-current assets are tested for indications of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and value in use. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

For revalued assets an impairment loss is offset against the revaluation surplus.

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

##### Reconciliation of property, plant and equipment assets

The following table shows the movement of property, plant and equipment assets during 2017-18:

	Plant and equipment	Library collection	Leasehold improvement s	Work in progress	Total
2018	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	12 140	1 578	1 430	537	15 685
Additions	1 652	110	-	2 002	3 764
Disposals	(68)	-	-	-	(68)
Capitalisation	-	-	1 740	(1 740)	-
Depreciation / amortisation	(1 776)	(931)	(206)	-	(2 913)
Carrying amount at the end of the period	11 948	757	2 964	799	16 468

The following table shows the movement of property, plant and equipment assets during 2016-17:

	Plant and equipment	Library collection	Leasehold improvement s	Work in progress	Total
2017	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	13 340	2 273	1 084	169	16 866
Additions	609	215	-	1 019	1 843
Disposals	(138)	-	-	-	(138)
Write off	(12)	-	-	-	(12)
Capitalisation	170	-	481	(651)	-
Depreciation / amortisation	(1 829)	(910)	(135)	-	(2 874)
Carrying amount at the end of the period	12 140	1 578	1 430	537	15 685

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**19 Intangible assets**

	2018	2017
	\$'000	\$'000
<b><u>Computer software</u></b>		
Internally developed computer software	6 951	6 561
Accumulated amortisation	(2 357)	(1 663)
<b>Total computer software</b>	<b>4 594</b>	<b>4 898</b>
<b><u>Externally developed computer software</u></b>		
Externally developed computer software	14 220	13 233
Accumulated amortisation	(9 437)	(8 038)
<b>Total externally developed computer software</b>	<b>4 783</b>	<b>5 195</b>
<b><u>Intangible work in progress</u></b>		
	<b>1 187</b>	<b>495</b>
<b>Total intangibles</b>	<b>10 564</b>	<b>10 588</b>

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The Corporation only has intangible assets with finite lives. The amortisation period for the intangible assets is reviewed on an annual basis.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount is greater than or equal to \$10 000. All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 *Intangible Assets* are expensed.

The externally developed computer software predominantly relates to the Corporation's Student Information System (SIS).

The Corporation has no contractual commitments for the acquisition of intangibles assets.

**Impairment**

There were no indications of impairment of intangible assets at 30 June 2018.

**Reconciliation of intangible assets**

The following table shows the movement of intangible assets during 2017-18:

	Intangibles	Intangibles work in progress	Total
	\$'000	\$'000	\$'000
<b>2018</b>			
Carrying amount at the beginning of the period	10 092	496	10 588
Additions	-	2 068	2 068
Capitalisations	1 377	(1 377)	-
Amortisation	(2 092)	-	(2 092)
<b>Carrying amount at the end of the period</b>	<b>9 377</b>	<b>1 187</b>	<b>10 564</b>

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**19 Intangible assets (continued)**

The following table shows the movement of intangible assets during 2016-17:

	Intangibles	Intangibles work in progress	Total
2017	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	11 463	742	12 205
Additions	-	344	344
Capitalisations	590	(590)	-
Amortisation	(1 961)	-	(1 961)
Carrying amount at the end of the period	<u>10 092</u>	<u>496</u>	<u>10 588</u>

**20 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.

The Corporation 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 and Audit and Risk Committee at each reporting date.

In determining fair value, the Corporation has taken into account the characteristic of the asset (for example, 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, financially feasible).

The Corporation's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the Corporation did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a 'fair value' at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years are deemed to approximate fair value.

Refer to notes 18 and 20 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

**Fair value hierarchy**

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

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**20 Fair value measurement (continued)**

The Corporation had no valuations categorised into level 1 and level 2. All valuations are categorized as Level 3 and the values are as outlined in Note 18.

There were no transfers of assets between level 1 and 2 fair value hierarchy levels in 2017-18. The Corporation's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

**Reconciliation of fair value measurements – level 3**

The reconciliation of movements for the level 3 assets is provided in note 19.

**21 Inventories**

	2018	2017
	\$'000	\$'000
<b><u>Current</u></b>		
Inventories held for sale	148	166
Inventories held for distribution	690	834
<b>Total current inventories</b>	<u>838</u>	<u>1 000</u>
<b>Total inventories</b>	<u><u>838</u></u>	<u><u>1 000</u></u>

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

Bases used in assessing loss of service potential for inventories held for distribution at no or minimal cost include current replacement cost and technological or functional obsolescence.

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**22 Payables**

	2018	2017
	\$'000	\$'000
<b><u>Current</u></b>		
Creditors	4 457	4 752
Accrued expenses	8 247	6 483
Employment on-costs <sup>^</sup>	3 895	5 139
Other	46	30
<b>Total current payables</b>	<b>16 645</b>	<b>16 404</b>
<b><u>Non-current</u></b>		
Creditors	68	68
Employment on-costs <sup>^</sup>	4 721	4 916
<b>Total non-current payables</b>	<b>4 789</b>	<b>4 984</b>
<b>Total payables</b>	<b>21 434</b>	<b>21 388</b>

<sup>^</sup> Employment on-costs include payroll tax, workers' compensation levies and superannuation contributions. The Corporation makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board and externally managed superannuation schemes.

As a result of an actuarial assessment performed by the Department of Treasury and Finance (DTF), the proportion of long service leave taken as leave has not changed from the 2017 rate (61%) and the average factor for the calculation of employer superannuation cost on-costs changed from the 2017 rate of 10.1% to 9.9%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in current financial year is a decrease in the employment on-cost of \$90,442. The estimated impact on 2019 and future years cannot be reliably estimated.

**Interest rate and credit risk**

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owing but unpaid. Sundry creditors are normally settled within 30 days from the date the invoice is first received. Employment on-costs are settled when the respective employee benefits 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 30 for further information on risk management.

**TAFE SA**  
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**23 Employee benefits liability**

	2018 \$'000	2017 \$'000
<b><u>Current</u></b>		
Annual leave	7 129	6 354
Long service leave	2 578	2 696
Skills and experience retention leave	1 788	1 635
Accrued salaries and wages	4 704	1 069
Non-attendance days	4 533	4 248
<b>Total current employee benefits</b>	<b>20 732</b>	<b>16 002</b>
<b><u>Non-current</u></b>		
Long service leave	40 754	42 573
<b>Total non-current employee benefits</b>	<b>40 754</b>	<b>42 573</b>
<b>Total employee benefits</b>	<b>61 486</b>	<b>58 575</b>

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

**Salaries, wages, annual leave, skills and experience retention leave, non-attendance days and sick leave.**

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

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

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

**Long service leave**

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

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

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

AASB 119 *Employee Benefits* requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has remained the same in 2018 (2.50%).

There has been no net financial effect given the yield has remained the same. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions – a key assumption is the long-term discount rate.

The actuarial assessment performed by DTF left the salary inflation rate at 4% for long service leave liability and 3% for annual leave, non-attendance days, and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate for long service leave liability.

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**23 Employee benefits liability (continued)**

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

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

**24 Provisions**

	2018 \$'000	2017 \$'000
<b><u>Current</u></b>		
Workers compensation	886	1 528
<b>Total current provisions</b>	<b>886</b>	<b>1 528</b>
<b><u>Non-current</u></b>		
Workers compensation	2 056	2 816
<b>Total non-current provisions</b>	<b>2 056</b>	<b>2 816</b>
<b>Total provisions</b>	<b>2 942</b>	<b>4 344</b>
Carrying amount at the beginning of the period	4 344	6 717
(decrease) in provisions recognised	(1 402)	(2 373)
<b>Carrying amount at the end of the period</b>	<b>2 942</b>	<b>4 344</b>

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

**25 Unearned revenue**

	2018 \$'000	2017 \$'000
Unearned revenue SA Government entities	44	48
Unearned revenue non-SA Government entities	2 825	2 201
<b>Total unearned revenue</b>	<b>2 869</b>	<b>2 249</b>

Unearned revenue relates to international students including those currently pending visa approval and domestic students' course fees paid in advance that have yet to commence.

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**26 Unrecognised contractual commitments**

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

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

**Other commitments**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Within one year	10 156	9 674
Later than one year and not later than five years	1 229	6 774
<b>Total other commitments</b>	<b>11 385</b>	<b>16 448</b>

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

**Operating leases commitments**

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

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Within one year	57 602	57 651
Later than one year and not later than five years	231 869	238 621
Later than five years	573 421	622 653
<b>Total operating lease commitments</b>	<b>862 892</b>	<b>918 925</b>

The Corporation has entered into a number of operating lease agreements, as lessee, for buildings and other facilities where the lessor effectively retains all risks and benefits incidental to ownership of the items held under the operating leases.

The Corporation's operating leases are for campuses, office accommodation, equipment and motor vehicles. The leases are non-cancellable with some leases having the right of renewal. TAFE SA campuses are leased from Department of State Development under a Memorandum of Administrative Arrangement (MAA). Rent is payable in advance. Motor vehicles are leased from South Australian Government Financing Authority (SAFA) through their agent LeasePlan Australia.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased assets.

**TAFE SA**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**27 Contingent liabilities and contingent assets**

The estimated cost of rectification/remediation training of Aviation Engineering Maintenance students who have been impacted by the Civil Aviation Safety Authority audit is \$1,070,000. TAFE SA anticipates that most of this amount will be reimbursed by our insurer, SAicorp.

**28 Related party transactions**

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

Related parties of TAFE SA include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

**Significant transactions with government related entities**

Significant transactions with government related entities have been disclosed under note 34.

**Collectively, but not individually significant transactions with government related entities.**

Quantitative information about transactions and balances between TAFE SA and other SA Government controlled entities are disclosed at note 33.

Compensation of Key Management Personnel is disclosed as note 3.

## TAFE SA

### Notes to and forming part of the financial statements for the year ended 30 June 2018

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#### 29 Cash flow reconciliations

	2018	2017
	\$'000	\$'000
<b><u>Reconciliation of cash and cash equivalents at the end of the reporting period</u></b>		
Cash and cash equivalents disclosed in the Statement of Financial Position	54 801	69 958
Balance as per the Statement of Cash Flows	54 801	69 958
<b><u>Reconciliation of net cash (used in) operating activities to net cost of providing services</u></b>		
Net cash used in operating activities	(9 332)	(397)
<b><u>Add / (less) non-cash items</u></b>		
Depreciation and amortisation	(5 005)	(4 835)
Net (loss) from disposal of non-current and other assets	(61)	(95)
Assets written off	-	(12)
Resources received free of charge	2 619	-
Other expenses	(43)	-
Supplies and services	(2 619)	-
Decrease in employee benefits	(2 911)	4 131
<b><u>Movement in assets and liabilities</u></b>		
Increase/(decrease) in receivables	510	5 653
Increase/(decrease) in inventories	(162)	(166)
(Increase)/decrease in payables	(3)	(940)
(Increase)/decrease in unearned revenue	(620)	576
(Increase)/decrease in other liabilities	(37)	(216)
(Increase)/decrease in provisions	1 402	2 373
<b>Net revenue (cost) of providing services</b>	<b>(16 262)</b>	<b>6 072</b>

**TAFE SA**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**30 Financial risk management / financial instruments**

**Financial risk management**

Risk management is managed by TAFE SA's corporate services section. TAFE SA's risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*. TAFE SA's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

**Liquidity risk**

TAFE SA is funded principally from Department of State Development.

TAFE SA settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The carrying amount of financial liabilities recorded in table 30.1 represents TAFE SA's maximum exposure to financial liabilities.

**Credit and market risk**

TAFE SA has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

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

No collateral is held as security and no credit enhancements relate to financial assets held by TAFE SA.

Refer to notes 15 and 16 for further information.

Exposure to interest rate risk may arise through its interest bearing liabilities. TAFE SA's interest bearing liabilities are managed through the South Australian Government Financing Authority (SAFA) and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

There have been no changes in risk exposure since the last reporting period.

**Table 31.1 Categorisation and maturity analysis of financial assets and liabilities**

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

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

**TAFE SA**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

**30 Financial risk management / financial instruments (continued)**

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

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 16 Receivables and 22 Payables).

Category of financial asset and financial liability	Note	Carrying amount / fair value \$'000	2018 Contractual maturities
			Current \$'000
<b>Financial assets</b>			
Cash and cash equivalents	15	54 801	54 801
Receivables <sup>(1)(2)</sup>	16	14 415	14 415
<b>Total financial assets</b>		<b>69 216</b>	<b>69 216</b>
<b>Financial liabilities</b>			
Financial Liabilities at cost <sup>(1)</sup>	22	12 541	12 541
<b>Total financial liabilities</b>		<b>12 541</b>	<b>12 541</b>

Category of financial asset and financial liability	Note	Carrying amount / fair value \$'000	2017 Contractual maturities
			Current \$'000
<b>Financial assets</b>			
Cash and cash equivalents	15	69 958	69 958
Receivables <sup>(1)(2)</sup>	16	15 448	15 448
<b>Total financial assets</b>		<b>85 406</b>	<b>85 406</b>
<b>Financial liabilities</b>			
Financial Liabilities at cost <sup>(1)</sup>	22	11 035	11 035
<b>Total financial liabilities</b>		<b>11 035</b>	<b>11 035</b>

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

<sup>(2)</sup> Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 16 as trade and other receivables in accordance with paragraph 78(b) of AASB 101 *Presentation of Financial Statements*. However, prepayments are not financial assets as defined in AASB 132 *Financial Instruments: Presentation* 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.

**TAFE SA**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**31 Impact of standards and statements not yet implemented**

The Corporation did not voluntarily change any of its accounting policies during 2017-18.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Corporation for the period ending 30 June 2018. The Corporation has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Corporation, except as outlined below.

**AASB 9 Financial instruments**

The revision to AASB 9 *Financial Instruments* applies to reporting periods beginning on or after 1 January 2018, i.e. to financial statements as 30 June 2019. AASB 9 *Financial Instruments* provides the principles for the classification, measurement, recognition, de-recognition and disclosure associated with financial assets and liabilities. The key changes include simplified requirements for classification and measurement of financial assets and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognised impairment only when incurred.

The impact of AASB 9 *Financial Instruments* on the classification and measurement of financial assets is not known.

The Agency will be adopting the simplified approach under AASB 9 *Financial Instruments* and measure lifetime expected credit losses on all trade receivables and contract assets using a provision matrix approach in the first half of 2018-19.

**AASB 15 Revenue from Contracts with Customers and AASB 1058 income of Not-for-Profit Entities**

These standards will apply for the first time to reporting periods beginning on or after 1 January 2019, i.e. to financial statements as 30 June 2020. The Agency has commenced analysing the new revenue recognition requirements under these standards and is yet to form conclusions about significant impacts. Potential future impacts identifiable at the date of this report are as follows:

All commercial contracts with customers will need to be assessed for specific performance obligations in order to allocate consideration to obligations. The Corporation will commence its analysis of all commercial contract arrangements in response to AASB 15 *Revenue from Contracts with Customers* in the first half of 2018-19.

**AASB 16 Leases**

This standard will apply for the first time to reporting periods beginning on or after 1 January 2019, i.e. to financial statements as 30 June 2020. The standard supersedes AASB 117 *Leases* and unlike AASB 117 *Leases*, AASB 16 *Leases* introduces a single lease accounting model for lessees, eliminating the distinction between operating and finance leases. Lessees will be required to recognise a right-of-use asset (representing rights to use the underlying leased asset) and a liability (representing the obligation to make lease payments) for all leases with a term of more than 12 months, unless the underlying assets are of low value.

The right-of-use asset will be initially recognised at cost, consisting of the initial amount of the associated lease liability, plus any lease payments made to the lessor at or before the effective date, less any lease incentive received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. The right-of-use asset will give rise to a depreciation expense.

The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Current operating lease rental payments will no longer be expensed in the Statement of Comprehensive Income. They will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost will also be recognised as an expense.

AASB 16 *Leases* allows a 'cumulative approach' rather than full retrospective application to recognising existing operating leases. The Agency will apply the 'cumulative approach', and will not need to restate comparative information.

**TAFE SA**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**31 Impact of standards and statements not yet implemented (continued)**

Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of accumulated surplus (or other component of equity, as appropriate) at the date of initial application.

The Corporation has not yet quantified the exact impact on the Statement of Comprehensive Income or the Statement of Financial Position of applying AASB 16 *Leases* to its current operating leases, including the extent of additional disclosures required. The exact impact will not be known until the year of transition.

The Corporation will commence its analysis of current lease arrangements in response to AASB 16 *Leases*.

It is anticipated that there will be a marginal impact each year on net result due to recognition of depreciation and interest on lease liabilities as expenses. There will be no impact on the total net result over the life of the lease.

The classification of cash flows will be affected as operating lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively. Currently, operating lease payments are presented as operating cash flows and recorded as commitments, which are not captured in the Statement of Financial Position.

The Agency's current operating lease commitments note (see Note 26) provides an indication of the amounts to be recognised 'on-balance sheet' at transition (an expected increase in lease liabilities with a corresponding right-of-use asset). The reclassification between supplies and services expense and depreciation/interest has not yet been estimated.

**32 Events after the reporting period**

There have been no events after the reporting period.

## TAFE SA

### Notes to and forming part of the financial statements

for the year ended 30 June 2018

#### 33 Transactions with SA Government

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

	Note	SA Government		Non-SA Government		Total	
		2018	2017	2018	2017	2018	2017
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses</b>							
Employee benefits	3	10 564	10 110	214 938	203 531	225 502	213 641
Supplies and services	5						
Infrastructure recharges to Department of State Development		54 168	31 896	-	-	54 168	31 896
Funding to external vocational education and training providers		-	-	465	233	465	233
Printing and consumables		-	-	6 762	6 890	6 762	6 890
Minor works, maintenance and equipment		7 890	7 908	1 579	2 032	9 469	9 940
Information technology infrastructure and communication		2 527	3 239	9 199	7 045	11 726	10 284
Fees - contracted services		4 094	4 653	9 404	8 329	13 498	12 982
Utilities		1 248	1 523	7 138	5 554	8 386	7 077
Cleaning		1 139	879	5 954	5 990	7 093	6 869
Vehicle and travelling expenses		1 641	1 628	2 378	2 399	4 019	4 027
Rentals and leases		1	2	315	537	316	539
Books, materials and copyright		-	-	11 203	10 898	11 203	10 898
Other		53	-	310	319	363	319
Grants and subsidies		75	75	-	-	75	75
Depreciation and amortisation	6	-	-	5 005	4 835	5 005	4 835
Net loss from disposal of non-current assets	12	-	-	61	95	61	95
Other expenses	7						
Audit fees		277	298	-	158	277	456
Other		-	-	229	-	229	-
Allowance for doubtful debts and debt write-offs		-	-	754	532	754	532
<b>Total expenses</b>		<b>83 677</b>	<b>62 211</b>	<b>275 694</b>	<b>259 377</b>	<b>359 371</b>	<b>321 588</b>

# TAFE SA

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 33 Transactions with SA Government (continued)

	Note	SA Government		Non-SA Government		Total	
		2018	2017	2018	2017	2018	2017
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Income</b>							
Grants and Subsidies from Department of State Development	8	246 211	230 572	-	-	246 211	230 572
Commonwealth grants	9	-	-	1 437	879	1 437	879
Student and other fees and charges	10						
Sales/fee for service revenue		851	1 140	47 305	45 757	48 156	46 897
Student enrolment fees and charges		-	982	35 714	38 835	35 714	39 817
Other user fees and charges		633	215	4 232	4 977	4 865	5 192
Other grants and contributions	11	125	581	1 921	2 157	2 046	2 738
Investment income		-	-	5	2	5	2
Resources received free of charge	13	2 619	-	-	-	2 619	-
Other income	14						
Recoup of salaries		66	107	-	-	66	107
Sundry income		-	-	1 990	1 456	1 990	1 456
<b>Total income</b>		<b>250 505</b>	<b>233 597</b>	<b>92 604</b>	<b>94 063</b>	<b>343 109</b>	<b>327 660</b>
<b>Financial assets</b>							
Receivables	16						
Student and other fees and charges receivable		1 117	756	15 415	16 896	16 532	17 652
less: allowance for doubtful debts		-	-	(2 144)	(2 231)	(2 144)	(2 231)
Prepayments		-	-	1 412	1 445	1 412	1 445
GST recoverable from Australian Taxation Office		-	-	4 049	2 480	4 049	2 480
Workers compensation receivable		-	-	62	55	62	55
Other receivables		-	-	27	27	27	27
<b>Total financial assets</b>		<b>1 117</b>	<b>756</b>	<b>18 821</b>	<b>18 672</b>	<b>19 938</b>	<b>19 428</b>
<b>Financial liabilities</b>							
Payables	22						
Creditors		892	519	3 633	4 301	4 525	4 820
Accrued expenses		2 932	1 871	5 315	4 612	8 247	6 483
Employment on-costs		4 236	4 319	4 380	5 736	8 616	10 055
Other		-	-	46	30	46	30
<b>Total financial liabilities</b>		<b>8 060</b>	<b>6 709</b>	<b>13 374</b>	<b>14 679</b>	<b>21 434</b>	<b>21 388</b>