

StudyAdelaide

Financial report
for the year ended
30 June 2019



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To the Presiding Officer StudyAdelaide

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

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of StudyAdelaide as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Officer and the Chief Executive.

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 StudyAdelaide. 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 and the members of the Board for the financial report

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

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

Auditor's responsibilities for the audit of the financial report


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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of StudyAdelaide's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Andrew Richardson

Auditor-General

25 September 2019

StudyAdelaide

Certification of the Financial Statements

We certify that the attached general purpose financial statements for StudyAdelaide:

- 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 StudyAdelaide; and
- present a true and fair view of the financial position of StudyAdelaide as at 30 June 2019 and the results of its operation and cash flows for the financial year.

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



Karyn Kent
Chief Executive



Sean Keenihan
Presiding Officer

Date 24 / 9 / 19

StudyAdelaide

Statement of Comprehensive Income

for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Expenses			
Employee benefits expenses	2.3	1,187	1,048
Supplies and services	3.1	3,199	2,579
Depreciation and amortisation	3.2	5	10
Other expenses	3.3	12	27
Total expenses		4,403	3,664
Income			
Contributions and memberships	4.2	1,417	1,396
Commonwealth grants and payments	4.3	67	72
Interest	4.4	21	23
Sponsorship Income		79	77
Conference Income	4.5	115	-
Other income		22	31
Total income		1,721	1,599
Net cost of providing services		2,682	2,065
Revenues from SA Government			
Revenues from SA Government	4.1	2,653	2,045
Net result		(29)	(20)
Total comprehensive result		(29)	(20)

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

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Statement of Financial Position

as at 30 June 2019

	Note	2019 \$'000	2018 \$'000
<u>Current assets</u>			
Cash and cash equivalents	6.1	639	598
Receivables	6.2	82	64
Total current assets		721	662
<u>Non-current assets</u>			
Property, plant and equipment	5.1	5	10
Total non-current assets		5	10
Total assets		726	672
<u>Current liabilities</u>			
Payables	7.1	158	143
Employee benefits	2.4	99	83
Total current liabilities		257	226
<u>Non-current liabilities</u>			
Payables	7.1	10	7
Employee benefits	2.4	123	74
Total non-current liabilities		133	81
Total liabilities		390	307
Net Assets		336	365
<u>Equity</u>			
Retained earnings		336	365
Total Equity		336	365

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

StudyAdelaide

Statement of Changes in Equity

for the year ended 30 June 2019

	Note	Retained Earnings \$'000	Total Equity \$'000
Balance at 1 July 2017		385	385
Net result for 2017-18			
Total comprehensive result for 2017-18		(20)	(20)
Balance at 30 June 2018		365	365
Net result for 2018-19			
Total comprehensive result for 2018-19		(29)	(29)
Balance at 30 June 2019		336	336

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

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Statement of Cash Flows

for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities			
<i>Cash outflows</i>			
Employee benefits payments		(1,121)	(1,016)
Payments for supplies and services		(3,433)	(2,916)
Cash used in operations		(4,554)	(3,932)
<i>Cash inflows</i>			
Contributions	4.2	1,255	1,236
Receipts from Commonwealth	4.3	67	72
Interest received	4.4	21	23
GST recovered from the ATO (net)	8.1	157	123
Other receipts		442	415
Cash generated from operations		1,942	1,869
Cash flows from SA Government			
Receipts from SA Government	4.1	2,653	2,045
Cash generated from SA Government		2,653	2,045
Net cash provided by/(used in) operating activities		41	(18)
Net increase/(decrease) in cash and cash equivalents		41	(18)
Cash and cash equivalents at the beginning of the period		598	616
Cash and cash equivalents at the end of the period	6.1	639	598

The accompanying notes form part of these financial statements.

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1. About StudyAdelaide

StudyAdelaide is a Statutory Corporation of the State Government of South Australia and is a subsidiary of the Minister for Trade, Tourism and Investment, established pursuant to the *Public Corporations Act 1993*.

The normal business activities of StudyAdelaide are dependent on the continuation of grants from the State Government, universities and other bodies. StudyAdelaide believes funding will continue in the foreseeable future. Accordingly, this financial report has been prepared on a going concern basis.

1.1. Basis of preparation

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

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards with reduced disclosure requirements.

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

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

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

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

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

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

1.2. Objectives and programs

The functions of StudyAdelaide are limited to the following:

- engaging in marketing campaigns promoting Adelaide as a viable and attractive destination for international students (destination marketing);
- engaging in other high level marketing campaigns that support StudyAdelaide's destination marketing;
- fostering community support for international students in South Australia;
- communications management, as required from time to time, of any situation that may adversely affect South Australia's reputation as an education destination;
- acquisition and management of resources and services of StudyAdelaide in accordance with the laws of this jurisdiction and any other jurisdiction in which StudyAdelaide carries out its functions; and
- to carry out any other function (consistent with the StudyAdelaide's strategic direction) that is conferred on StudyAdelaide by the Minister.

2. Board, committees and employees

2.1. Key management personnel

Key management personnel of StudyAdelaide include the Minister, the Board, the Chief Executive and the other members of the Executive Team who have responsibility for the strategic direction and management of StudyAdelaide.

Total compensation for key management personnel was \$432,000 in 2018-19 and \$272,000 in 2017-18.

The compensation disclosed in this note excludes salaries and other benefits the Minister of Trade, Tourism and Investment 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.

2.2. Board and committee members

Members during the 2019 financial year were:

Board of Directors

Sean Keenihan (Chair) ^
 Nancy Cromar
 Angela Allison *
 Gerald Lipman
 Peter Klar *
 Marilyn Sleath * (term ceased 31 December 2018)
 Kristin Alford (term ceased 31 December 2018)
 Brett Mahoney *
 Henrik (Sebastian) Raneskold
 Gabrielle Rolan
 Jing Li * (term ceased 31 December 2018)
 Karen Weston * (appointed 1 January 2019)
 John Kweh (appointed 1 January 2019)
 Chirag Trivedi (appointed 1 January 2019)
 Simon Hou (appointed 30 April 2019)

Audit Committee

Angela Allison (Chair) *
 Brett Mahoney *
 Gerald Lipman
 Peter Klar *

^ The only Board member entitled to remuneration was Mr Sean Keenihan.

* In accordance with the Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for board/committee duties during the financial year.

Where a board or audit committee member has, during the year, been appointed, resigned, retired or term ceased, this has been disclosed, as illustrated above.

Board and committee remuneration

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

	2019 No	2018 No
\$0 - \$19 999	-	2
\$20 000 - \$39 999	1	-
Total number of members	1	2

The total remuneration received or receivable by members was \$24,000 (2018 \$24,000).

Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

2.3. Employee benefits expenses

	2019 \$'000	2018 \$'000
Salaries and wages	981	907
Long service leave	49	24
Annual leave	9	4
Employment on-costs - superannuation	96	67
Employment on-costs - other	8	3
Board and committee fees	24	24
Workers compensation	7	4
Other employee related expenses	13	15
Total employee benefits expenses	1,187	1,048

Employment on-costs - superannuation

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

2.3. Employee benefits expenses continued ...

Executive remuneration

	2019 No	2018 No
The number of employees whose remuneration received or receivable falls within the following bands:		
\$231 001 to \$251 000	-	1
\$251,001 to \$271,000	1	-
Total	1	1

The total remuneration received by those employees for the year was \$269,000 (\$248,000).

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

2.4. Employee benefits liability

	2019 \$'000	2018 \$'000
Current		
Accrued salaries and wages	39	33
Annual leave	60	50
Total current employee benefits	99	83
Non-current		
Long service leave	123	74
Total non-current employee benefits	123	74
Total employee benefits	222	157

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

Salaries and wages, annual 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 in full is expected to be payable within 12 months and is measured at the undiscounted amount 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.

Long service leave

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

3. Expenses

Employee benefits expenses are disclosed in note 2.3.

3.1. Supplies and services

	2019 \$'000	2018 \$'000
Advertising, promotion and entertainment	2,559	2,087
Travel Expenses	155	106
Website development	144	68
Office accommodation	91	87
Office expenses	55	54
Couriers and freight	11	23
Printing	5	4
Consultants	1	15
Other	178	135
Total supplies and services	3,199	2,579

Operating lease payments

Operating lease payments (included under office accommodation and printing) are recognised on a straight-line basis over the lease term.

	2019 \$'000	2018 \$'000
Operating lease payments	94	89
Total	94	89

Consultants

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

	No	2019 \$'000	No	2018 \$'000
Below \$10 000	1	1	4	15
Total	1	1	4	15

3.2. Depreciation and amortisation

	2019 \$'000	2018 \$'000
Furniture and equipment	5	10
Total depreciation and amortisation	5	10

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.

3.2. Depreciation and amortisation continued ...

Review of accounting estimates

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

During the year StudyAdelaide has reviewed the residual value, useful life or amortisation method of all assets and determined no reassessments were required.

Useful life

Depreciation/amortisation is calculated using the diminishing value method over the estimated useful life of the following classes of assets as follows:

Class of asset	Useful life (years)
Furniture and equipment	3-5

3.3. Other expenses

	Note	2019 \$'000	2018 \$'000
Capital expenditure		12	26
Property, plant and equipment write-offs		-	1
Total other expenses		12	27

4. Income

4.1. Revenues from SA Government

	2019 \$'000	2018 \$'000
Department of Trade, Tourism & Investment (excludes Conference income disclosed at note 4.5)	2,503	1,895
Department for Education (DE)	75	75
TAFE SA	75	75
Total revenues from SA Government	2,653	2,045

4.2. Contributions and memberships

	2019 \$'000	2018 \$'000
Adelaide City Council	262	255
Flinders University	331	327
University of Adelaide	331	327
University of South Australia	331	327
Other Memberships	162	160
Total contributions and memberships	1,417	1,396

Contributions refer to income governed by a Funding Agreement between StudyAdelaide and the entity. Contributions are recognised as an asset and income when StudyAdelaide obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met.

Generally, StudyAdelaide has obtained control or the right to receive:

- contributions with unconditional stipulations – this will be when the agreement becomes enforceable i.e. the earlier of when the receiving entity has formally been advised that the contribution (e.g. grant application) has been approved; agreement/contract is executed; and/or the contribution is received.
- Membership refers to funding from providers which is not covered by a funding agreement.

4.3. Commonwealth grants and payments

	2019 \$'000	2018 \$'000
Export Market Development Grants	67	72
Total Commonwealth grants and payments	67	72

All Commonwealth revenues received by StudyAdelaide have been contributions with unconditional stipulations attached and have been recognised as income upon receipt.

4.4. Interest

	2019 \$'000	2018 \$'000
Investment with SAFA – amortised cost	16	18
Cash and cash equivalents	5	5
Total interest revenues	21	23

4.5. Conference Income

	2019 \$'000	2018 \$'000
Department of Trade, Tourism and Investment	82	-
Members	33	-
Total conference income	115	-

5. Non-financial assets

5.1. Property, plant and equipment

	2019 \$'000	2018 \$'000
Furniture and equipment		
Furniture and equipment at cost (deemed fair value)	25	25
Accumulated depreciation at the end of the period	(20)	(15)
Total plant and equipment	5	10
Total property, plant and equipment	5	10

Property, plant and equipment with a value equal to or in excess of \$5,000 is capitalised, otherwise it is expensed.

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

Impairment

Property, plant and equipment have not been assessed for impairment as they are non-cash generating assets, that are specialised in nature and held for continual use of their service capacity and are subject to regular revaluation.

Reconciliation 2018-19

	Furniture and equipment \$'000	Total \$'000
Carrying amount at 1 July 2018	10	10
Depreciation	(5)	(5)
Carrying amount at 30 June 2019	5	5

6. Financial assets

6.1. Cash and cash equivalents

	2019 \$'000	2018 \$'000
Short term deposits with SAFA	311	355
Cash on hand and at Bank	328	243
Total cash and cash equivalents	639	598

Deposits with SAFA

Short-term deposits are made for varying periods of between one day and three months. The deposits are lodged with the South Australian Government Financing Authority (SAFA) and earn interest at the respective short-term deposit rates.

6.2. Receivables

	2019 \$'000	2018 \$'000
Current		
Trade receivables		
From government entities	1	1
From non-government entities	23	14
Total trade receivables	24	15
Prepayments	26	18
GST input tax recoverable	32	31
Total current receivables	82	64

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

The net amount of GST recoverable from the ATO is included as part of receivables.

7. Liabilities

Employee benefits liabilities are disclosed in note 2.4.

7.1. Payables

	2019 \$'000	2018 \$'000
Current		
Trade payables	51	59
Accrued expenses	35	26
GST payable	1	1
Employment on-costs	10	13
Other payables	61	44
Total current payables	158	143
Non-current		
Employment on-costs	10	7
Total non-current payables	10	7
Total payables	168	150

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

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

7.1. Payables continued ...

Employment on-costs

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

StudyAdelaide 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 superannuation schemes.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has not changed from a rate of 41% and the average factor for the calculation of employer superannuation cost on-costs has changed from the 2018 rate (9.9%) to 9.8%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is immaterial.

8. Other disclosures

8.1. Cash flow

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

9. Changes in accounting policy

9.1. Treasurer's Instructions (Accounting Policy Statements)

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

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

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

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

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

9.2. AASB 9 Financial instruments

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

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

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

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

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

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

Reclassification of financial instruments on adoption of AASB 9

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

	Measurement category		Carrying amount		
	AASB 139	AASB 9	AASB 139 at 30 June 2018 \$'000	Re - measurement \$'000	AASB 9 at 1 July 2018 \$'000
<u>Current financial assets</u>					
Trade receivables	Loans and receivables	Amortised cost	15	-	15
<u>Current financial liabilities</u>					
Trade payables	Amortised cost	Amortised cost	85	-	85

9.2. AASB 9 Financial instruments continued ...

Impairment of financial assets

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

- trade receivables from provision of goods and services

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

Trade receivables

New impairment requirements result in a provision being applied to all receivables rather than only on those receivables that are credit impaired. StudyAdelaide has adopted the simplified approach under AASB 9 Financial Instruments and measured lifetime expected credit losses on all trade receivables using a provision matrix approach as a practical expedient to measure the impairment provision. This did not result in a loss allowance being recognised on 1 July 2018 for trade receivables external to Government.

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

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

10. Outlook

10.1. Unrecognised contractual commitments

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

Operating lease commitments

	2019 \$'000	2018 \$'000
<u>Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:</u>		
Within one year	41	93
Later than one year but not longer than five years	7	48
Total operating lease commitments	48	141
Representing:		
Cancellable operating leases	-	-
Non-cancellable operating leases	48	141
Total operating lease commitments	48	141

StudyAdelaide's operating leases are for office accommodation and equipment.

The office accommodation is sub-leased from the Minister for Transport and Infrastructure, who lease from Conservatory on Hindmarsh Square Pty Ltd. The lease is for a term of three years and does not have a right of renewal. The rent is payable monthly in advance.

The equipment is a photocopier leased from Fuji Xerox Australia for a term of five years with rental charges payable monthly in advance. Title in the equipment does not, at any time, pass to StudyAdelaide.

10.2. Contingent assets and liabilities

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

StudyAdelaide is not aware of any contingent assets.

10.3. Events after the reporting period

There were no events after the end of the reporting period that have material financial implications on these financial statements.

11. Measurement and risk

11.1. Long service leave liability – measurement

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

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over 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 has decreased from 2018 (2.5%) to 2019 (1.25%).

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is an increase in the long service leave liability of \$13,000 and minimal to employee benefits expense. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

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

The portion of long service leave expected to be taken within 12 months of the reporting date is classified as current. The remaining portion of the long service leave provision is classified as non-current.

11.2. Fair value

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

Initial recognition

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

11.2. Fair value continued ...

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

Revaluation

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

Revaluation is undertaken on a regular cycle as detailed below. If at any time, management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

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

Plant and equipment

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

11.3. Financial instruments

Financial risk management

Risk management is managed by StudyAdelaide's corporate services section. Departmental risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

StudyAdelaide'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

StudyAdelaide is funded principally from appropriation by the SA Government through the Department for Trade, Tourism and Investment. StudyAdelaide works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

Refer to note 7.1 for further information.

Categorisation of financial instruments

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

11.3. Financial instruments continued ...

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

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

- Held-to-maturity investments
- Loan and receivables
- Financial liabilities measured at cost.
- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer to notes 6.2 and 7.1).

Classification applicable from 1 July 2018 under AASB 9 Financial Instruments

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

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

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

StudyAdelaide measures all financial instruments at amortised cost.

Category of financial asset and financial liability	Note	2019 Carrying amount \$'000
<u>Financial assets</u>		
Cash and equivalent		
Cash and cash equivalent	6.1	639
Financial assets at amortised cost		
Receivables	6.2	24
Total financial assets		663
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Payables		103
Total financial liabilities		103

11.3. Financial instruments continued ...

Category of financial asset and financial liability	Note	2018 Carrying amount \$'000
Financial assets		
Cash and equivalent		
Cash and cash equivalent	6.1	598
Loans and receivables		
Receivables	6.2	15
Total financial assets		613
Financial liabilities		
Financial liabilities at amortised cost		
Payables		85
Total financial liabilities		85

Receivables and payables

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

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