TechInSA

Financial report
for the year ended
30 June 2019

INDEPENDENT AUDITOR'S REPORT

Government of South Australia
Auditor-General's Department

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To the Chairperson
TechInSA

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 13(3) of the Schedule to the *Public Corporations Act 1993*, I have audited the financial report of TechInSA 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 TechInSA as at 30 June 2019, their financial performance and their 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 consolidated 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 Chairperson, TechInSA Board and the Project Director, Department for Innovation and Skills.

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 TechInSA. 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 Project Director, Department for Innovation and Skills and the Board for the financial report

The Project Director, Department for Innovation and Skills 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 determined 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 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, but not for the purpose of expressing an opinion on the effectiveness of TechInSA's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Project Director, Department for Innovation and Skills

- 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 Project Director, Department for Innovation and Skills and 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.

Andrew Richardson
Auditor-General
12 November 2019

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Certification of the Financial Statements

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

- 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 TechInSA; and

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

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

Mark Duffy
Chairperson

Dated 6 November 2019

Nikki Becker
Project Director, Department for Innovation and Skills

Dated 6 November 2019

Statement of Comprehensive Income

For the Year Ended 30 June 2019

	Note	June 2019 $'000	June 2018 $'000
Expenses			
Employee benefits expenses	2.3	1 183	2 409
Supplies and services	3.1	3 157	3 797
Depreciation and amortisation expense	3.2	30	113
Grants, subsidies and sponsorships	3.3	1 367	4 790
Other expenses	3.4	23	273
Total expenses		**5 760**	**11 382**
Income			
Revenues from fees and charges	4.2	1 454	1 464
Interest revenues	4.3	23	33
Net gain on disposal of non-current assets	4.4	3	-
Other income	4.5	815	694
Total income		**2 295**	**2 191**
Net cost of providing services		**3 465**	**9 191**
Revenues from/payments to SA Government			
Revenues from SA Government	4.1	2 283	10 885
Net result		**(1 182)**	**1 694**
Total comprehensive result		**(1 182)**	**1 694**

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

Statement of Financial Position

As at 30 June 2019

	Note	June 2019 $'000	June 2018 $'000
Current assets			
Cash and cash equivalents	6.1	558	3 421
Receivables	6.2	873	286
Non-current assets held for sale	5.2	2 800	2 800
Other assets	6.3	56	57
Total current assets		**4 287**	**6 564**
Non-current assets			
Other assets	6.3	367	247
Property, plant and equipment	5.1	6 018	6 049
Total non-current assets		**6 385**	**6 296**
Total assets		**10 672**	**12 860**
Current liabilities			
Payables	7.1	245	942
Employee benefits	2.4	-	146
Other current liabilities	7.2	87	105
Total current liabilities		**332**	**1 193**
Non-current liabilities			
Payables	7.1	-	16
Employee benefits	2.4	-	140
Other non-current liabilities	7.2	103	92
Total non-current liabilities		**103**	**248**
Total liabilities		**435**	**1 441**
NET ASSETS		10 237	11 419
EQUITY			
Retained earnings		10 237	11 419
TOTAL EQUITY		10 237	11 419

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

Statement of Changes in Equity

For the Year Ended 30 June 2019

	Retained earnings	Total equity
	$'000	$'000
Balance at 1 July 2017	**9 725**	**9 725**
Net result for 2017-18	1 694	1 694
Total comprehensive result for 2017-18	1 694	1 694
Balance at 30 June 2018	**11 419**	**11 419**
Net result for 2018-19	(1 182)	(1 182)
Total comprehensive result for 2018-19	(1 182)	(1 182)
Balance at 30 June 2019	**10 237**	**10 237**

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

Statement of Cash Flows

For the Year Ended 30 June 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Cash outflows			
Employee benefit payments		(1 556)	(2 343)
Payments for supplies and services		(4 127)	(4 105)
Payments of grants and subsidies		(1 504)	(5 268)
Bonds refunded to Incubator tenants		(14)	(4)
Cash used in operations		(7 201)	(11 720)
Cash inflows			
Fees and charges		1 634	2 329
Interest received		26	31
Bonds received from Incubator tenants		25	57
GST recovered from the ATO		366	654
Cash generated from operations		**2 051**	**3 071**
Cash flows from SA Government			
Receipts from SA Government		2 283	10 885
Cash generated from SA Government		**2 283**	**10 885**
Net cash provided by operating activities		(2 867)	2 236
Cash flows from investing activities			
Cash Inflows			
Disposal of property, plant and equipment		4	-
Cash generated from investing activities		4	-
Net cash provided by investing activities		4	-
Net increase in cash and cash equivalents		(2 863)	2 236
Cash and cash equivalents at the beginning of the period		3 421	1 185
Cash and cash equivalents at the end of the period	6.1	558	3 421

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. Basis of Financial Statements

TechInSA reports to the Minister for Innovation and Skills (formerly Minister for Industry and Skills) and became a separate entity on 14 June 2001 when it was incorporated under the *Public Corporations Act 1993*. Until 4 August 2016, TechInSA was known as Bio Innovation SA and operated only within the bioscience industry. The Regulations were renewed on 4 August 2016 and allowed TechInSA to operate with an expanded high-tech remit.

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

1.1 Changes to TechInSA

On 18 August 2018 the Minister for Industry and Skills announced the wind-up of TechInSA. TechInSA employees were transferred to the Department for Innovation and Skills (DIS) on 29 October 2018, refer to Note 2. The wind-up process is expected to be finalised in the 2019-20 financial year. All assets and liabilities continue to be valued on a going concern basis.

1.2 Basis of Preparation

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

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

For the 2018-19 financial statements TechInSA has 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 8.

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

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

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

1.3 Objectives and programs

TechInSA's objective is to develop a highly visible start-up ecosystem with critical mass to support early stage technology commercialisation.

TechInSA undertakes the following programs:

- **Grants** – to support the early commercialisation of technologies (program ceased May 2018).
- **Premises and Facilities** – to provide access to specialised infrastructure.

2. Board, committees and employees

2.1 Key management personnel

Key management personnel of TechInSA comprise the Minister for Innovation and Skills (previously the Minister for Industry and Skills), the Directors, the previous Chief Executive and the four members of the Executive Team who had responsibility for the strategic direction and management of TechInSA.

Total compensation for TechInSA's key management personnel was $948 000 ($1 284 000).

The compensation disclosed in this note excludes salaries and other benefits the Minister for Innovation and Skills 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 of the *Parliamentary Remuneration Act 1990*.

No transactions with key management personnel or related parties have occurred during 2018-19.

2.2 Board and committee members

The following served as Directors of the Board of TechInSA during the 2019 financial year:

John Bastian (Chair) (ceased August 2018)
Mary Duffy (Chair)* (appointed August 2018)
Jane Lomax-Smith (ceased August 2018)
Karen Reynolds (ceased August 2018)
Jane Ryan (ceased July 2018)
Anne Hinton (ceased August 2018
Peter Williams (ceased August 2018)
John Keeves (ceased August 2018)
Stuart Hocking* (appointed August 2018)

The following served as members of the Risk and Performance Committee of TechInSA during the reporting period:

Anne Hinton (Chair) (ceased August 2018)
Jane Lomax-Smith (ceased August 2018)
John Hill (appointed June 2019)
Sophie Adlaf* (appointed June 2019)
John Keeves (ceased August 2018)
Colin Dunsford (Chair) (appointed June 2019)
Natalie Morris* (appointed June 2019)
Julianne Cirson* (appointed June 2019)

*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.

Board and committee remuneration

The number of board/committee members whose remuneration from TechInSA falls within the following bands is:

	2019	2018
$0 - $19 999	14	3
$20 000 - $39 999	-	4
Total number of members	14	7

The total remuneration received by members was $38 000 ($157 000). Remuneration of members includes sitting fees, superannuation contributions and any other salary sacrifice arrangements.

Remuneration of board and committee members has decreased in the current financial year due to the Minister terminating the member appointments of the former Directors in August 2018. New appointments to the Board and Risk and Performance Committee comprise mainly SA Government employees are who are not remunerated for their Board and Risk and Performance Committee membership.

2.3 Employee benefits expenses

As of 1 November 2018, TechInSA ceased to employ any staff.

	2019 $'000	2018 $'000
Salaries and wages	544	1 755
Termination Payment	509	-
Long service leave	(44)	58
Annual leave	47	145
Employment on-costs - superannuation *	63	189
Employment on-costs - other	48	108
Board and Committee fees	22	151
Other employee related expenses	(6)	3
Total employee benefits expenses	1 183	2 409

Employment on-costs - superannuation

* The superannuation employment on-cost charge represents TechInSA's contributions to superannuation plans in respect of employees.

Executive remuneration

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

	2019 No.	2018 No.
$151 001 to $171 000	-	2
$171 001 to $191 000	-	1
$231 001 to $251 000	-	1
$371 001 to $391 000	-	1
Total	-	5

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 in respect of those benefits.

As a result of TechInSA employees transitioning to DIS on 29 October 2018, normal remuneration paid to TechInSA's executives did not meet the requirements for inclusion in the table above.

2.4 Employee benefits - liability

	2019 $'000	2018 $'000
Current		
Annual leave	-	83
Long service leave	-	63
Total current employee benefits	-	146
Non-current		
Long service leave	-	140
Total non-current employee benefits	-	140
Total employee benefits	-	286

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 benefit expenses are disclosed in note 2.

3.1 Supplies and services

	2019 $'000	2018 $'000
Operating lease payments - Incubator rental (payable to SA Government)	960	1 072
Operating payments expenses - Tech Hub rental	655	636
Other property expenses	1 329	1 514
Information technology expenses	52	133
Marketing expenses	22	87
Travel expenses	8	77
Legal costs	1	5
Contractors	35	64
Subscriptions and memberships	2	41
Telecommunications	58	57
General administration and consumables, including small replacements	24	84
Other	11	27
Total supplies and services	**3 157**	**3 797**

Operating lease payments
Operating lease payments are recognised on a straight-line basis over the lease term. The total operating lease payments are $1 615 000 ($1 708 000).

Consultants
There were no consultants engaged during the financial year.

3.2 Depreciation and amortisation

	2019 $'000	2018 $'000
Depreciation of plant and equipment	16	20
Amortisation of leasehold improvements	14	93
Total depreciation and amortisation	**30**	**113**

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.

Land and non-current assets held for sale are not depreciated.

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.

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	3 to 10
Leasehold improvements	(life of lease) 0.5 to 10

3.3 Grants and subsidies

	2019 $'000	2018 $'000
Grants, subsidies and sponsorships	1 367	4 790
Total grants, subsidies and sponsorships	**1 367**	**4 790**

Grants of $1 367 000 ($4 790 000) were paid to 29 (75) organisations during the year. The decrease in grants and subsidies reflects the winding down of TechInSA activity.

All grants, subsidies and sponsorships are provided for the growth, support, enhancement and development of high-tech industries in South Australia.

3.4 Other expenses

	2019 $'000	2018 $'000
Loss on revaluation of Land	-	75
Loss on revaluation of Non-current assets held for sale	-	149
Leashold improvements written off	-	16
Plant and equipment written off	-	9
Other expenses	23	24
Total other expenses	**23**	**273**

4. Income

4.1 Net revenues from SA Government

Total revenues from SA Government consists of $2 283 000 ($10 885 000) for operational funding.

4.2 Fees and charges

	2019 $'000	2018 $'000
Rental Income	1 282	1 231
Conference centre and meeting room hire	85	92
Other fees and charges	87	141
Total fees and charges	1 454	1 464

4.3 Interest

	2019 $'000	2018 $'000
Interest - Deposits with Treasurer	23	33
Total interest revenues	23	33

4.4 Net gain from the disposal of non-current assets

	2019 $'000	2018 $'000
Proceeds from disposal	4	
Less net book value of assets disposed	(1)	-
Total net gain from disposal of non-current assets	3	-

4.5 Other income

	2019 $'000	2018 $'000
Grant recoveries	140	106
Recoveries of goods and services	675	588
Total other income	815	694

5. Non-financial assets

TechInSA manages on behalf of the Minister for Innovation and Science the Thebarton Hi-Tech Precinct, consisting of the Incubator, Tech Hub and 8 West Thebarton Road. The buildings house specialised facilities for hi-tech companies.

5.1 Property, plant and equipment

	2019	2018
	$'000	$'000
Land		
Land at fair value	6 000	6 000
Total land	**6 000**	**6 000**
Leasehold improvements		
Leasehold improvements at fair value	387	387
Accumulated depreciation at the end of the period	(371)	(357)
Total leasehold improvements	**16**	**30**
Plant and equipment		
Plant and equipment at cost (deemed fair value)	154	175
Accumulated depreciation at the end of the period	(152)	(156)
Total plant and equipment	**2**	**19**
Total property, plant and equipment	**6 018**	**6 049**

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

Impairment

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

Reconciliation of Property, Plant and Equipment during 2018-19

	Land	Plant and equipment	Leasehold improvements	Total
	$'000	$'000	$'000	$'000
Carrying amount at 1 July 2018	6 000	19	30	6 049
Depreciation and amortisation	-	(16)	(14)	(30)
Disposals	-	(1)	-	(1)
Carrying amount at 30 June 2019	**6 000**	**2**	**16**	**6 018**

5.2 Non-current assets classified as held for sale

	2019	2018
	$'000	$'000
Land	2 800	2 800
Total non-current assets classified as held for sale	**2 800**	**2 800**

A public expression of interest to sell Lot 2000 within the Thebarton Hi-Tech Precinct during 2017-18 failed to be realised and the property remains on the market for sale. It is anticipated that the land will be sold by private treaty during the next financial year.

6. Financial Assets

6.1 Cash and cash equivalents

	2019 $'000	2018 $'000
Deposits with the Treasurer	455	3 308
Bond Account held in Trust for Tenants	103	92
Advance Account	-	20
Cash on hand	-	1
Total cash and cash equivalents	558	3 421

6.2 Receivables

	2019 $'000	2018 $'000
Current		
Trade Receivables		
From government entities	704	171
From non-government entities	129	-
Total trade receivables	833	171
Other receivables	1	4
GST input tax recoverable	39	111
Total current receivables	873	286

Receivables arise in the normal course of providing services to the public. Receivables are normally settled within 30 days after the issue of an invoice or the 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.

6.3 Other assets

	2019 $'000	2018 $'000
Current		
Prepayments	56	57
Total current assets	56	57
Non current		
Deferred Rent Payment	367	247
Total non-current assets	367	247
Total other assets	423	304

On 1 July 2016, TechInSA entered into a 5 year lease with Hospira Adelaide Pty Ltd to expand their operations. The payment of rent has been deferred until 30 June 2021.

7. Liabilities

Employee benefits liabilities are disclosed in note 2.4.

7.1 Payables

	2019 $'000	2018 $'000
Current		
Creditors	182	756
Accrued expenses	63	115
Employment on costs	-	71
Total current payables	**245**	**942**
Non-current		
Employment on-costs	-	16
Total non-current payables	**-**	**16**
Total payables	**245**	**958**

Payables and accruals are raised for all amount 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 amounts represents fair value due to their short-term nature.

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

Employment on-costs
Employment on-costs include payroll tax and superannuation contributions and are settled when the respective employee benefits that they relate to is discharged.

TechInSA makes contributions to a State Government superannuation scheme. 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.

As a result of TechInSA employees being transferred to the Department for Innovation and Skills during the financial year all employee on-costs have been settled.

7.2 Other liabilities

	2019 $'000	2018 $'000
Current		
Income billed in advance	87	105
Total current other liabilities	**87**	**105**
Non-current		
Rental bonds from tenants held in trust	103	92
Total non-current other liabilities	**103**	**92**
Total other liabilties	**190**	**197**

8. Changes in accounting policy

8.1 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 reporting

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

The Accounting Policy Statements also set out requirements in relation to Accounting Standards and Statements not yet effective. This is further disclosed in note 9.3.

8.2 AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces the provisions of AASB 139 that relate to recognition, classification and measurements of financial assets and 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, TechInSA 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 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, TechInSA has assessed and reclassified its financial assets into the appropriate AASB 9 categories depending on the business model and contractual cash flow characteristics applying to the asset. AASB 9 eliminates the AASB 139 categories of held to maturity, loans and receivables and available for sale.

Impairment of financial assets

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

- Trade receivables from provision of goods and services

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

9. Outlook

9.1 Unrecognised contractual commitments

Commitments arising from contractual sources are disclosed at their nominal value.

Operating lease commitments

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

Commitments in relation to operating leases contracted for at the reporting date

	2019	2018
	$'000	$'000
Within one year	1 660	1 754
Later than one year but not longer than five years	6 012	7 500
Later than five years	7 866	8 626
Total operating lease commitments	**15 538**	**17 880**

TechInSA's operating leases are for the leases of the Business Incubator and Tech Hub at Thebarton. The leases have terms ranging from 4 to 13 years, with some leases having the right of renewal. The commitments have been calculated at rates specified in the lease agreements.

Grant commitments

TechInSA's other commitments are for approved grants and funding as scheduled in grant deeds as follows:

	2019	2018
	$'000	$'000
Within one year	233	1 338
Later than one year but not longer than five years	-	17
Total other commitments	**233**	**1 355**

9.2 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.

During 2012-13 TechInSA commenced providing some grants to industry that are potentially repayable in whole or in part from revenues that may be derived by the grant recipients from the successful application of the technology that was the subject of the grant. There is a contingent asset for the amount of grants that may become repayable in those circumstances. Therefore it is not practicable to determine the financial effect of this contingent asset.

On 3 May 2019, a former employee of TechInSA foreshadowed a civil claim against the State of South Australia for reimbursement of legal costs, loss of income and loss of future earning potential. SAicorp are managing this claim on behalf of the State. At balance date the financial effect of this claim on TechInSA is unknown.

TechInSA is not aware of any other contingent assets or any contingent liabilities.

9.3 Impact of standards and statements not yet effective

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

Treasurer's Instructions (Accounting Policy Statements) 2019 issued by the Treasurer on 22 March 2019 are effective for 2018-19 reporting period and are addressed in relation to Standards not yet effective and in note 8.1. There are no Accounting Policy Statements that are not yet effective.

The material impacts on TechInSA are outlined below.

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

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

Impact on 2019-20 financial statements
TechInSA has assessed the estimated impact on the Statement of Financial Position of adopting AASB 16 with the transition requirements mandated by the *Treasurer's Instructions (Accounting Policy Statements).*

AASB 16 requires lessees to recognise assets and liabilities for all leases, not subject to a recognition exemption or scoped out of the application of AASB 16. Applying AASB 16 will result in leases previously classified as operating leases have right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position for the first time.

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

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

The estimated impact is set out below.

	as at 1 July 2019 $'000
Assets	
Increase in right-of-use assets	13 923
Liabilities	
Increase in lease liabilities	13 923
Net impact on equity	-

TechInSA are continuing to refine its calculations of lease assets and liabilities for 2019-20 financial reporting purposes and expects these figures will change. This includes accounting for non-lease components and clarifying lease terms and treatment of contractual rent increases.

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

- a depreciation expense that represents the use of the right-to-use asset; and
- borrowing costs that represent the cost associated with financing the right-of-use asset.

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

	2020 $'000
Increase in depreciation and amortisation	1 709
Decrease in supplies and services	(1 660)
Increase in borrowing costs	241
Net impact on net cost of providing services	**290**

TechInSA has entered into a number of arrangements where it subleases property within the Thebarton Hi-Tech Precinct. As lessor, under AASB 16 TechInSA will continue to classify each sublease as an operating lease. AASB 16 requires such classification to be made on the basis of whether substantially all the risks and rewards associated with the right-of-use asset arising from the head lease have been transferred to the sublessee. This differs from AASB 117, which required consideration of whether substantially all the risk and rewards incidental to ownership of the underlying asset (such as a building) had been transferred to the sublessee.

Related accounting policies

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

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

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

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

9.4 Events after the reporting period

There were no significant events occurring after the reporting date.

10. Measurement and risk

10.1 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 provided a basis for the measurement of long service leave and was based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions were 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 was 1.25%.

All current employee entitlements were transferred to the Department of Innovation and Skills on 29 October 2018.

10.2 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.

Revaluation

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

Non-current tangible assets are valued at fair value and re-valuation of non-current assets or a group of assets is only performed when the fair value at the time of acquisition is greater than $1.5 million and estimated useful life is greater than three years.

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

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

Land and buildings

Every three years, TechInSA revalues its land via a Certified Practising Valuer or internal estimate based on indices or recent transactions. A valuation appraisal by a Certified Practising Valuer is performed at least every six years.

An internal revaluation of land was performed in June 2018 by TechInSA, as at 30 June 2018.

Fair value of land has been determined using the market approach. The valuation was based on recent market transactions for similar land in the area and includes adjustments for factors specific to the land such as size and location.

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 less than three years. Plant and equipment has not been revalued in accordance with AASB 116.D. The carrying value of these items are deemed to approximate fair value.

10.3 Financial instruments

Financial risk management
Risk management is managed by the TechInSA Board and the Board'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.*

TechInSA's exposure to financial risk (liquidity, credit and market) is low due to the nature of the financial instruments held.

Liquidity risk
TechInSA is funded principally from grants from the SA Government. TechInSA works with the Department of Innovation and Skills to determine the cash flows associated with its Government approved programs 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.

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:

- Receivables
- Financial liabilities measured at cost

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 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.

TechInSA measures all financial instruments at amortised cost.

Category of financial asset and financial liability	2019 $'000	2018 $'000
Financial assets		
Cash and cash equivalent		
Cash and cash equivalent	558	3 421
Loans and receivables		
Receivables	834	175
Total financial assets	1 392	3 596
Financial liabilities		
Financial liabilities at cost		
Payables	222	847
Other liabilities	103	92
Total financial liabilities	325	939

Receivables and payables
Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (eg 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 contracts as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

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