# Adelaide Venue Management Corporation

Financial report
for the year ended
30 June 2019

# INDEPENDENT AUDITOR'S REPORT

Government of South Australia
Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

**To the Chairman of the Board**
**Adelaide Venue Management Corporation**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and schedule 13(3) of the Public Corporations Act 1993, I have audited the financial report of the Adelaide Venue Management Corporation for the financial year ended 30 June 2019.

## Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Adelaide Venue Management Corporation 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
- a Certificate from the Chairman, the Chief Executive Officer and the Chief Financial Officer.

## Basis for opinion

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

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

## Responsibilities of the Chief Executive Officer and the members of the Board for the financial report

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

The 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 the Adelaide Venue Management Corporation's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members of the Board

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

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

I communicate with the Chief Executive Officer and the Board 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 September 2019

## Adelaide Venue Management Corporation
## ABN 50 676 936 954

## Certification of the Financial Statements

We certify that the:

- financial statements of the Adelaide Venue Management Corporation:
  - are in accordance with the accounts and records of the Corporation; and
  - comply with relevant Treasurer's instructions; and
  - comply with relevant accounting standards; and
  - present a true and fair view of the financial position of the Adelaide Venue Management Corporation at the end of the financial year and the result of its operations and cash flows for the financial year.

- Internal controls employed by the Adelaide Venue Management Corporation over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.

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**William Spurr AO**

CHAIRMAN

Adelaide Venue Management Corporation

Date: 4 September 2019

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**Anthony Kirchner**

CHIEF EXECUTIVE OFFICER

Adelaide Venue Management Corporation

Date: 4 September 2019

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**Marie Hannaford**

CHIEF FINANCIAL OFFICER

Adelaide Venue Management Corporation

Date: 4 September 2019

## Statement of Comprehensive Income

for the year ended 30 June 2019

| | Note No. | 2019 $'000 | 2018 $'000 |
|---|---|---|---|
| **Expenses from trading activities** | | | |
| Employee benefits expenses | 2.3 | 32 585 | 29 284 |
| Supplies and services | 3.1 | 16 832 | 15 976 |
| Depreciation and amortisation | 3.2 | 4 684 | 4 139 |
| Net loss from the disposal of property, plant and equipment | 3.3 | 18 | 195 |
| **Total expenses from trading activities** | | **54 119** | **49 594** |
| **Income from trading activities** | | | |
| Facility charges | 4.1 | 63 493 | 58 347 |
| Interest | | 512 | 580 |
| Other income | 4.2 | 2 038 | 2 032 |
| **Total income from trading activities** | | **66 043** | **60 959** |
| **Profit from trading activities** | | **11 924** | **11 365** |
| **Expenses from property management activities** | | | |
| Employee benefits expenses | 2.3 | 3 536 | 3 142 |
| Supplies and services | 3.1 | 10 550 | 9 422 |
| Depreciation and amortisation | 3.2 | 28 853 | 13 819 |
| Borrowing costs | 3.4 | 19 134 | 19 135 |
| **Total expenses from property management activities** | | **62 073** | **45 518** |
| **Income from property management activities** | | | |
| Interest | | 193 | 183 |
| Revenues from SA Government | 4.3 | 24 299 | 24 174 |
| Other income | 4.2 | 721 | 653 |
| **Total income from property management activities** | | **25 213** | **25 010** |
| **Loss from property management activities** | | **(36 860)** | **(20 508)** |
| **Net profit / (loss)** | | **(24 936)** | **(9 143)** |
| **Other comprehensive income** | | | |
| Change in asset revaluation surplus | | - | **9 614** |
| **Total other comprehensive income** | | - | **9 614** |
| **Total comprehensive result** | | **(24 936)** | **471** |

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

## Statement of Financial Position

as at 30 June 2019

| | Note No. | 2019 $'000 | 2018 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 6.1, 8.2 | 29 968 | 31 540 |
| Receivables | 6.3 | 5 211 | 6 169 |
| Inventories | 5.2 | 451 | 500 |
| **Total current assets** | | **35 630** | **38 209** |
| **Non-current assets** | | | |
| Specific purpose deposits | 6.2, 8.2 | 13 453 | 11 648 |
| Property, plant and equipment | 5.1 | 615 197 | 640 908 |
| **Total non-current assets** | | **628 650** | **652 556** |
| **Total assets** | | **664 280** | **690 765** |
| **Current liabilities** | | | |
| Payables | 7.1 | 6 877 | 6 296 |
| Employee benefits | 2.4 | 3 886 | 3 925 |
| Other current liabilities | 7.3 | 10 025 | 10 606 |
| **Total current liabilities** | | **20 788** | **20 827** |
| **Non-current liabilities** | | | |
| Payables | 7.1 | 111 | 99 |
| Employee benefits | 2.4 | 1 223 | 1 090 |
| Other non-current liabilities | 7.3 | 4 899 | 4 957 |
| Borrowings | 7.2 | 382 321 | 382 321 |
| **Total non-current liabilities** | | **388 554** | **388 467** |
| **Total liabilities** | | **409 342** | **409 294** |
| **Net assets** | | **254 938** | **281 471** |
| **Equity** | | | |
| Contributed capital | | 133 840 | 133 840 |
| Asset revaluation surplus | 8.1 | 63 481 | 63 481 |
| Accumulated surplus | | 57 617 | 84 150 |
| **Total equity** | | **254 938** | **281 471** |

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

## Statement of Changes in Equity

for the year ended 30 June 2019

| | Note No. | Contributed capital $'000 | Asset revaluation surplus $'000 | Accumulated surplus $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Balance at 1 July 2017** | | **133 840** | **53 867** | **94 893** | **282 600** |
| Net profit / (loss) for 2017-18 | | - | - | (9 143) | **(9 143)** |
| Gain / (loss) on revaluation of land and buildings during 2017-18 | | - | 9 614 | - | **9 614** |
| Total comprehensive result for 2017-18 | | - | 9 614 | (9 143) | **471** |
| **Transactions with SA Government as owner** | | | | | |
| Dividends paid | | - | - | (1 600) | **(1 600)** |
| **Balance at 30 June 2018** | | **133 840** | **63 481** | **84 150** | **281 471** |
| Net profit / (loss) for 2018-19 | | - | - | (24 936) | **(24 936)** |
| Total comprehensive result for 2018-19 | | - | - | (24 936) | **(24 936)** |
| **Transactions with SA Government as owner** | | | | | |
| Dividends paid | 8.4 | - | - | (1 600) | **(1 600)** |
| **Balance at 30 June 2019** | | **133 840** | **63 481** | **57 614** | **254 935** |

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 No. | 2019 $'000 | 2018 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Cash outflows** | | | |
| Employee benefit payments | | 36 032 | 31 913 |
| Supplies and services | | 30 156 | 28 826 |
| Borrowing costs | | 19 093 | 19 094 |
| GST remitted to the ATO | | 3 667 | 1 678 |
| **Cash used in operations** | | **88 948** | **81 511** |
| **Cash inflows** | | | |
| Receipts from the sale of goods and services | | 72 974 | 67 399 |
| Interest received | | 711 | 779 |
| **Cash generated from operations** | | **73 685** | **68 178** |
| **Cash flows from SA Government** | | | |
| Receipts from SA Government | | 24 258 | 24 133 |
| **Cash generated from SA Government** | | **24 258** | **24 133** |
| **Net cash provided by operating activities** | 8.2 | **8 995** | **10 800** |
| **Cash flows from investing activities** | | | |
| **Cash outflows** | | | |
| Purchase of property, plant and equipment | | 7 230 | 20 209 |
| **Cash used in investing activities** | | **7 230** | **20 209** |
| **Cash inflows** | | | |
| Proceeds from the sale of property, plant and equipment | | 68 | 37 |
| **Cash generated from investing activities** | | **68** | **37** |
| **Net cash (used in) / provided by investing activities** | | **(7 162)** | **(20 172)** |
| **Cash flows from financing activities** | | | |
| **Cash outflows** | | | |
| Dividends paid to SA Government | | 1 600 | 1 600 |
| **Cash used in financing activities** | | **1 600** | **1 600** |
| **Net cash (used in) / provided by financing activities** | | **(1 600)** | **(1 600)** |
| **Net increase / (decrease) in cash and cash equivalents** | | **233** | **(10 972)** |
| Cash and cash equivalents at the beginning of the financial year | | 43 188 | 54 160 |
| **Cash and cash equivalents at the end of the financial year** | 8.2 | **43 421** | **43 188** |

The accompanying notes form part of these financial statements.

## Notes to the Financial Statements

## 1. About Adelaide Venue Management Corporation

Adelaide Venue Management Corporation, (the Corporation), is a not-for-profit statutory authority of the State of South Australia, established on 4 February 1999 as a subsidiary of the Minister for Tourism by Regulations under the *Public Corporations Act 1993*.

The Corporation is governed by a Board of Directors and operates under a charter approved pursuant to the provisions of the *Public Corporations Act 1993.*

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

### 1.1. Basis of preparation

The financial statements are general purpose financial statements prepared in accordance 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.

For the 2018-19 financial statements the Corporation 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.

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; 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.

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.

### 1.2. Objectives and activities

The objectives of the Corporation are to:

1. manage and operate the Corporation's sites/venues;
2. manage, promote and sponsor events at the Corporation's sites/venues or elsewhere;
3. foster and assist the commercial development of the Corporation's sites/venues in order to complement and enhance the commercial potential; and
4. carry out any other functions conferred on the Corporation by the Minister.

The principal activities of the Corporation are to manage and operate the Adelaide Convention Centre, Adelaide Entertainment Centre and Coopers Stadium.

### 1.3. Significant transactions with government related entities

The Corporation does not have any significant transactions with government related entities which are not disclosed elsewhere in the financial statements.

## 2. Board and employees

### 2.1. Key Management Personnel

Key management personnel of the Corporation include the Minister, the Board, the Chief Executive Officer and the six members of the Executive Team. Total compensation for key management personnel was $2 016 000 in 2018-19 and $2 034 000 in 2017-18.

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

| Compensation | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Salaries and other short-term employee benefits | 2 016 | 1 965 |
| Termination benefits | - | 69 |
| **Total** | **2 016** | **2 034** |

***Transactions with key management personnel and other related parties***

Unless otherwise disclosed, transactions between key management personnel and other related parties 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.

### 2.2. Board Members

The following persons held the position of governing board member during the financial year:

William Spurr (Chair)
Gay Wallace (Deputy Chair)
Robert Debelle (concluded 31st July 2018)
Pauline Denley
Fiona Hele
Jim Kouts
Leah Manuel *
Catherine King
Denise Von Wald (commenced 1st August 2018)

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

***Board remuneration***

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

| | 2019 | 2018 |
|---|---|---|
| $0 to $19 999 | 2 | 2 |
| $20 000 to $39 999 | 6 | 6 |
| $40 000 to $59 999 | 1 | 1 |
| **Total number of governing board members** | **9** | **9** |

The total remuneration received or receivable by Board members was $203 000 ($203 000). Remuneration of Board members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

## 2.3. Employee benefits expenses

| | 2019 | 2018 |
|---|---|---|
| **Trading activities** | **$'000** | **$'000** |
| Salaries and wages | 26 041 | 23 638 |
| Long service leave | 816 | 478 |
| Annual leave | 980 | 959 |
| Skills and experience retention leave (SERL) | 65 | 54 |
| Employment on-costs - superannuation | 2 628 | 2 337 |
| Employment on-costs - other | 1 869 | 1 632 |
| Board fees | 186 | 186 |
| **Total employee benefits expenses from trading activities** | **32 585** | **29 284** |
| **Property management activities** | | |
| Salaries and wages | 2 831 | 2 568 |
| Long service leave | 97 | 52 |
| Annual leave | 147 | 113 |
| Skills and experience retention leave (SERL) | 6 | 8 |
| Employment on-costs - superannuation | 289 | 255 |
| Employment on-costs - other | 166 | 146 |
| **Total employee benefits expenses from property management activities** | 3 536 | 3 142 |
| **Total employee benefits expenses** | **36 121** | **32 426** |

***Employment on-costs - superannuation***

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

### *Executive remuneration*

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

| | 2019 | 2018 |
|---|---|---|
| $149 000 to $151 000 | na | 2 |
| $151 001 to $171 000 | 5 | 2 |
| $171 001 to $191 000 | 1 | 2 |
| $191 001 to $211 000 | 1 | - |
| $211 001 to $231 000 | 1 | 1 |
| $231 001 to $251 000 | 1 | - |
| $371 001 to $391 000 | - | 1 |
| $391 001 to $411 000 | - | 1 |
| $471 001 to $491 000 | 1 | - |
| **Total number of employees** | **10** | **9** |

The $149 000 to $151 000 band has been included for the purposes of reporting comparative figures based on the executive base remuneration rate for 2017-18.

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. The total remuneration received by these employees for the year was $2 136 000 ($1 994 000).

### 2.4. Employee benefits liability

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| **Current** | | |
| Annual leave | 878 | 1 210 |
| Long service leave | 2 353 | 2 118 |
| Skills and experience retention leave (SERL) | 69 | 58 |
| Accrued salaries and wages | 586 | 539 |
| **Total current employee benefits** | **3 886** | **3 925** |
| **Non-current** | | |
| Long service leave | 1 223 | 1 090 |
| **Total non-current employee benefits** | **1 223** | **1 090** |
| **Total employee benefits** | **5 109** | **5 015** |

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, time off in lieu, SERL and sick leave*

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

The annual leave liability (including time off in lieu) and the SERL liability 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 of 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 as note 11.1.

## 3. Expenses

Employee benefits expenses are disclosed in note 2.3.

### 3.1. Supplies and services

| | 2019 | 2018 |
|---|---|---|
| **Trading activities** | **$'000** | **$'000** |
| Administration expenses and sundries | 3 643 | 3 486 |
| Direct materials | 10 766 | 9 936 |
| Building services costs | 54 | 50 |
| Repairs and maintenance | 137 | 153 |
| Marketing and promotions | 2 232 | 2 351 |
| **Total supplies and services from trading activities** | **16 832** | **15 976** |
| **Property management activities** | | |
| Administration expenses and sundries | 108 | 75 |
| Direct materials | 765 | 35 |
| Building services costs | 7 001 | 6 979 |
| Repairs and maintenance | 2 676 | 2 333 |
| **Total supplies and services from property management activities** | **10 550** | **9 422** |
| **Total supplies and services** | **27 382** | **25 398** |

***Operating Leases Payments***

Operating lease payments are recognised on a straight-line basis over the lease term. These payments totalled $432 600 ($589 900).

***Consultants***

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

| | | 2019 | | 2018 |
|---|---|---|---|---|
| | **No** | **$'000** | **No** | **$'000** |
| Below $10 000 | - | - | 1 | 4 |
| $10 000 or above | 1 | 25 | 1 | 35 |
| **Total** | **1** | **25** | **2** | **39** |

***Audit Fees***

Audit fees paid / payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were $80 700 ($80 100). No other services were provided by the Auditor-General's Department.

### 3.2. Depreciation and amortisation

| | 2019 | 2018 |
|---|---|---|
| **Trading activities** | **$'000** | **$'000** |
| Plant and equipment | 4 684 | 4 139 |
| **Total depreciation and amortisation for trading activities** | **4 684** | **4 139** |
| **Property management activities** | | |
| Buildings | 28 566 | 13 515 |
| Leasehold improvements | 287 | 304 |
| **Total depreciation and amortisation for property management activities** | **28 853** | **13 819** |
| **Total depreciation and amortisation** | **33 537** | **17 958** |

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

The value of leasehold improvements is amortised over the useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

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

***Review of accounting estimates***

Assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, on an annual basis. Changes in the expected 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 over the estimated useful life of the following classes of assets as follows:

| Class of asset | Depreciation method | Useful life (years) |
|---|---|---|
| Buildings & Improvements | Straight Line & Diminishing Value | 12-147 |
| Leasehold Improvements | Straight Line | 3-15 |
| Plant and Equipment | Straight Line | 2-32 |

### 3.3. Net loss from the disposal of property, plant and equipment

| | 2019 | 2018 |
|---|---|---|
| | **$'000** | **$'000** |
| **Plant and equipment** | | |
| Proceeds from disposal | 68 | 37 |
| Less carrying amount of assets disposed | ( 86) | ( 232) |
| Net loss from the disposal of plant and equipment | ( 18) | ( 195) |
| **Total net loss from the disposal of property, plant and equipment** | **( 18)** | **( 195)** |

### 3.4. Borrowing costs

| | 2019 | 2018 |
|---|---|---|
| | **$'000** | **$'000** |
| Guarantee fees on long term borrowings | 6 103 | 6 103 |
| Interest expense on long term borrowings | 13 031 | 13 032 |
| **Total borrowing costs** | **19 134** | **19 135** |

***Borrowings***

The Corporation has an agreement with the South Australian Financing Authority (SAFA) to source debt funding for the extension and redevelopment of the Adelaide Convention Centre.
Treasury and Finance provide grant payments to the Corporation for interest and guarantee fees associated with the borrowings. Refer note 4.3.

## 4. Income

### 4.1. Facility charges

| | 2019 | 2018 |
|---|---|---|
| | **$'000** | **$'000** |
| Car park | 6 409 | 6 009 |
| Catering | 31 985 | 29 104 |
| Corporate | 2 147 | 2 224 |
| Recoveries | 6 519 | 5 408 |
| Technical services | 4 609 | 4 635 |
| Venue hire | 11 824 | 10 967 |
| **Total facility charges** | **63 493** | **58 347** |

Revenues from facility charges are derived from the provision of goods and services to the public and other SA Government agencies.

### 4.2. Other income

| | 2019 | 2018 |
|---|---|---|
| **Trading activities** | **$'000** | **$'000** |
| Merchandise commission | 427 | 274 |
| Ticketing | 822 | 758 |
| Other | 789 | 1 000 |
| **Total other income from trading activities** | **2 038** | **2 032** |
| **Property management activities** | | |
| Leased properties | 482 | 455 |
| Other | 239 | 198 |
| **Total other income from property management activities** | **721** | **653** |
| **Total other income** | **2 759** | **2 685** |

***Rental income from leased properties***

Rental income from leased properties is recognised on a straight-line basis over the lease term.

## 4.3. Revenues from SA Government

| | 2019 | 2018 |
|---|---|---|
| | **$'000** | **$'000** |
| Appropriation | 5 165 | 5 039 |
| Grant payments | 19 134 | 19 135 |
| **Total revenues from SA Government** | **24 299** | **24 174** |

### *Appropriation*

Total appropriation revenues from the Government (through the Minister for Trade, Tourism and Investment) provide funding to the Corporation for expenses relating to the Adelaide Convention Centre site maintenance of the Common Areas and the Riverbank Precinct, Exhibition Hall land rent, office accommodation rent and for replacement of Corporation assets.

The funding for asset replacement is transferred by the Department of Treasury and Finance into an interest bearing Special Deposit Account titled 'Adelaide Venue Management Future Asset Replacement Account'. With the approval of the Treasurer, these funds are available for the replacement and upgrade of assets and minor works.

### *Grant payments*

Treasury and Finance provide grant payments to the Corporation for interest and guarantee fees associated with borrowings sourced for the extension and redevelopment of the Adelaide Convention Centre. Refer note 3.4.

### *Equity contributed by the SA Government*

Contributions made by the SA Government through its role as owner of the Corporation, which increase the net assets of the entity, are treated as contributions of equity.

## 5. Non-financial assets

### 5.1. Property, plant and equipment

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| **Land and buildings** | | |
| Land at fair value | 32 630 | 32 630 |
| Buildings at fair value | 584 803 | 584 803 |
| Improvements at cost | 4 128 | - |
| Accumulated depreciation | (28 567) | - |
| **Total land and buildings** | **592 994** | **617 433** |
| **Leasehold improvements** | | |
| Leasehold improvements at cost | 3 853 | 3 721 |
| Accumulated amortisation | (1 297) | (1 010) |
| **Total leaseholdimprovements** | **2 556** | **2 711** |
| **Work in progress** | - | 40 |
| **Total work in progress** | **-** | **40** |
| **Plant and equipment** | | |
| Plant and equipment at cost | 49 766 | 47 878 |
| Accumulated depreciation | (30 119) | (27 154) |
| **Total plant and equipment** | **19 647** | **20 724** |
| **Total property, plant and equipment** | **615 197** | **640 908** |

Property, plant and equipment with a value equal to or in excess of $3 000 is capitalised, otherwise it is expensed.

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

The Corporation capitalises costs associated with projects to work in progress. On completion of a project the capitalised costs are transferred to the relevant non-current asset account. The balance of work in progress reflects costs for projects which are at various stages of completion as at 30 June.

***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.

| | Land | Buildings and improvements | Leasehold improvements | Work in Progress | Plant & equipment | Non-current assets total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Carrying amount 1 July 2018** | **32 630** | **584 803** | **2 711** | **40** | **20 724** | **640 908** |
| Additions | - | - | - | 7 912 | - | **7 912** |
| Transfers in / (out) | - | 4 128 | 132 | (7 952) | 3 692 | - |
| Disposals e.g. sales, write off | - | - | - | - | ( 86) | **( 86)** |
| Depreciation and amortisation | - | (28 567) | ( 287) | - | (4 683) | **(33 537)** |
| **Carrying amount at 30 June 2019** | **32 630** | **560 364** | **2 556** | **-** | **19 647** | **615 197** |

***Reconciliation 2017-18***

| | Land | Buildings and improvements | Leasehold improvements | Work in Progress | Plant & equipment | Non-current assets total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Carrying amount 1 July 2017** | **27 055** | **407 627** | **2 983** | **180 101** | **15 649** | **633 415** |
| Additions | - | - | - | 16 069 | - | **16 069** |
| Transfers in / (out) | - | 186 652 | 32 | (196 130) | 9 446 | - |
| Disposals e.g. sales, write off | - | - | - | - | ( 232) | **( 232)** |
| Revaluation increment/ (decrement) | 5 575 | 4 039 | - | - | - | **9 614** |
| Depreciation and amortisation | - | (13 515) | ( 304) | - | (4 139) | **(17 958)** |
| **Carrying amount at 30 June 2018** | **32 630** | **584 803** | **2 711** | **40** | **20 724** | **640 908** |

### 5.2. Inventories

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| **Current - Inventories held for resale** | | |
| Beverages | 293 | 331 |
| Food | 158 | 169 |
| **Total inventories held for resale** | **451** | **500** |

Inventories are measured at the lower of cost or their net realisable value. Cost is allocated in accordance with the average cost and standard cost methods. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

***Cost of inventories***

The Corporation recognised an expense for raw materials and consumables of $8 076 000 ($7 412 000).

## 6. Financial assets

### 6.1. Cash and cash equivalents

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| Cash at bank and Cash on hand | 29 968 | 31 540 |
| **Total cash and cash equivalents** | **29 968** | **31 540** |

***Cash deposits***

Cash at bank is comprised of funds held in an operating account at a commercial banking institution. Cash at bank deposits are on-call and carry an average variable interest rate of 1.35% (1.35%). Interest is accrued daily and distributed monthly and quarterly.

### 6.2. Specific purpose deposits

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| **Specific purpose deposits with SA Government entities** | | |
| Investments with SA Financing Authority | 2 851 | 2 797 |
| Future asset replacement deposit account | 10 602 | 8 851 |
| **Total specific purpose deposits** | **13 453** | **11 648** |

***Deposits with SA Government entities***

Specific purpose deposits are lodged with SAFA and include funds held in a Cash Management Facility and Deposit Account. The balance of these funds are not available for general use. The SAFA Cash Management Fund is a pooled investment portfolio comprising cash and short term money market securities of high credit quality and marketability. The SAFA Cash Management Funds carry an average variable interest rate of 1.9% (1.9%). Interest is accrued daily and distributed monthly. The Future Asset Replacement Deposit Account is a pooled investment portfolio comprising cash and short term money market securities of high credit quality and marketability. The Future Asset Replacement Account funds carry an average variable interest rate of 1.35% (1.35%). Interest is accrued daily and distributed quarterly.

### 6.3. Receivables

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| **Current** | | |
| Trade receivables from government entities | 229 | 521 |
| Trade receivables from non-government entities | 2 214 | 2 646 |
| Less allowance for doubtful debts | - | ( 12) |
| Accrued revenues | 2 254 | 2 258 |
| GST input tax recoverable | - | 78 |
| Prepayments | 514 | 678 |
| **Total current receivables** | **5 211** | **6 169** |

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.

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 11.3 for further information on risk management.

***Impairment of receivables***

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| **Carrying amount at the beginning of the period** | ( 12) | ( 5) |
| Increase in the allowance | - | ( 7) |
| Amounts written off | 12 | - |
| **Carrying amount at the end of the period** | **0** | **( 12)** |

Refer to note 11.3 for details regarding credit risk and the methodology for determining impairment.

## 7. Liabilities

Employee benefits liabilities are disclosed in note 2.4.

### 7.1. Payables

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Current** | | |
| Trade payables | 3 881 | 3 092 |
| Accrued expenses | 1 068 | 1 312 |
| GST payable | 24 | - |
| Employment on-costs | 443 | 459 |
| Interest accrued | 1 461 | 1 433 |
| **Total current payables** | **6 877** | **6 296** |
| **Non-current** | | |
| Employment on-costs | 111 | 99 |
| **Total non-current payables** | **111** | **99** |
| **Total payables** | **6 988** | **6 395** |

Payables and accruals are raised for all amounts owing but unpaid. 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.

***Employment on-costs***

Employment on-costs include payroll tax, Return to Work SA levy and superannuation contributions, and are settled when the respective employee benefit that they relate to is discharged.

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 balance date relates to any contributions due but not yet paid.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave remains unchanged for 2019 from the 2018 rate (41%). This rate is used in the employment on-cost calculation.

### 7.2. Borrowings

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Non-current** | | |
| Borrowings from SA Government | 382 321 | 382 321 |
| **Total borrowings** | **382 321** | **382 321** |

The Corporation measures borrowings at amortised cost.

The Corporation has a Client Services Agreement with SAFA for the Adelaide Convention Centre extension and redevelopment project. Under the arrangement, the Corporation has fully drawn down the approved borrowings limit of $382.321 million from SA Government. The interest rates were in the range of 2.33% and 4.35%.

### 7.3. Other liabilities

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Current** | | |
| Income received in advance | 9 967 | 10 548 |
| Unearned lease revenue | 58 | 58 |
| **Total current other liabilities** | **10 025** | **10 606** |
| **Non-current** | | |
| Unearned lease revenue | 4 899 | 4 957 |
| **Total non-current other liabilities** | **4 899** | **4 957** |
| **Total other liabilities** | **14 924** | **15 563** |

Income received in advance includes amounts invoiced in relation to events and car parking which relate to future periods, amounts invoiced under Corporate Suite Licensing and Advertising Agreements and security deposits.

Event and car parking related monies are recognised as income as the provision of services are supplied.

Corporate Suite Licencing and Advertising Agreements payments received are recognised as income over the term of the agreement as the provision of services are supplied.

Unearned lease revenue represents payment received for a section of land leased on a 99 year lease agreement during 2007. The payments received for the lease are being recognised as income over the life of the lease.

### 7.4. Provisions

***Workers Compensation***

The Corporation is deemed to be an exempt employer by virtue of the *Return To Work Act 2014* and as such is liable for all medical, income and other day to day type expenses associated with a claim. The Corporation is also liable for any lump sum, redemption or permanent disability type payments for claims. Given the immaterial nature of the claims existing as at 30 June 2019, no provision has been recognised in the Statement of Financial Position.

## 8. Other disclosures

### 8.1. Equity

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

For information about equity contributions refer to note 4.3.

### 8.2. 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.

***Cash flow reconciliation***

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| **Reconciliation of cash and cash equivalents at the end of the reporting period:** | | |
| **Statement of Financial Position** | | |
| **Current** | | |
| Cash and cash equivalents | 29 968 | 31 540 |
| **Non-current** | | |
| Specific purpose deposits | 13 453 | 11 648 |
| **Cash and cash equivalents as recorded in the Statement of Cash Flows** | 43 421 | 43 188 |
| **Reconciliation of profit / (loss) to net cash provided by operating activities:** | | |
| Net profit / (loss) for the year | (24 936) | (9 143) |
| **Add / (less) non-cash items** | | |
| Depreciation and amortisation expense | 33 537 | 17 958 |
| Leased land income | ( 58) | ( 58) |
| Net (gain) / loss on disposal of assets | 18 | 195 |
| **Movement in assets / liabilities** | | |
| (Increase) / decrease in receivables | 958 | ( 339) |
| (Increase) / decrease in inventories | 49 | ( 93) |
| (Decrease) / increase in payables | ( 86) | 610 |
| (Decrease) / increase in other liabilities | ( 581) | 1 221 |
| (Decrease) / increase in employee benefits | 94 | 449 |
| **Net cash provided by operating activities** | **8 995** | **10 800** |

## 8.3. Administered items

The Corporation includes a schedule of administered items as a note to the accounts as it is considered that administered transactions and balances are insignificant in relation to the Corporation's overall financial performance and position in accordance with APS 1050.B.

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Event funds** | | |
| **Administered revenues** | | |
| Net box office receipts | 27 244 | 34 719 |
| Interest earned on event funds | 144 | 254 |
| **Total administered revenues** | **27 388** | **34 973** |
| **Administered expenses** | | |
| Settlements paid | 31 387 | 27 256 |
| **Total administered expenses** | **31 387** | **27 256** |
| **Movement in administered items during the year** | **(3 999)** | **7 717** |
| **Administered assets** | | |
| Cash at bank | 11 056 | 15 048 |
| Receivable - interest | 14 | 21 |
| **Total administered assets** | **11 070** | **15 069** |
| **Administered liabilities** | | |
| Funds held in trust | 11 056 | 15 048 |
| Accrued interest payable | 14 | 21 |
| **Total administered liabilities** | **11 070** | **15 069** |
| **Movement in administered items during the year** | **(3 999)** | **7 717** |
| Total administered assets held at the beginning of the financial year | 15 069 | 7 352 |
| **Total administered assets held at the end of the financial year** | **11 070** | **15 069** |

The Corporation receives gross box office receipts from its ticketing agency, and holds those receipts in a separate Event Funds bank account. In any instance where an event does not proceed, those monies are returned to the ticketing agency and refunded to patrons. Alternatively, the monies are paid to promoters, the Corporation and other service providers.

***Cash deposits***

Cash at bank is comprised of funds held in a bank account at a commercial banking institution. Funds are on-call and carry an average variable interest rate of 1.68% (1.70%). Interest is accrued daily and distributed monthly.

## 8.4. Dividends

A current period dividend of $1 600 000 was paid to SA Government during the financial year as determined by the Treasurer, pursuant to Section 22(2) of the *Public Corporations (Adelaide Venue Management Corporation) Regulations 2013*.

## 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.

The Accounting Policy Statements also set out requirements in relation to Accounting Standards and Statements not yet effective. This is further discussed in note 10.3.

### 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.

As part of the adoption of AASB 9, the Corporation 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 the prior year, this information was presented as part of supplies and services 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.

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

On 1 July 2018, the Corporation 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.

***Reclassification of financial instruments on adoption of AASB 9***

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

| | Measurement category | | | | |
|---|---|---|---|---|---|
| | AASB 139 | AASB 9 | AASB 139 at 30 June 2018 $'000 | Carrying amount Re-measurement $'000 | AASB 9 at 1 July 2018 $'000 |
| ***Current financial assets*** | | | | | |
| Trade receivables | Loans and receivables | Amortised cost | 3 155 | - | 3 155 |
| ***Current financial liabilities*** | | | | | |
| Trade payables | Amortised cost | Amortised cost | 3 092 | - | 3 092 |
| ***Non-current financial liabilities*** | | | | | |
| Borrowings | Amortised cost | Amortised cost | 382 321 | - | 382 321 |

***Impairment of financial assets***

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' model. The Corporation's trade receivables from provision of goods and services are subject to AASB 9's new expected credit loss model. 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. The Corporation 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 has resulted in the Corporation providing for a nil loss allowance for trade receivables.

Trade 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 and capital arising from contractual sources and are disclosed at their nominal value.

***Capital Commitments***

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial statements, are payable as follows: | | |
| Within one year | 1 053 | 497 |
| **Total capital commitments** | **1 053** | **497** |

***Expenditure Commitments***

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| Within one year | 358 | 418 |
| Later than one year but not longer than five years | 193 | 349 |
| Later than five years | - | 8 |
| **Total expenditure commitments** | **551** | **775** |

The Corporation's expenditure commitments are associated with ongoing business operations.

***Operating lease commitments payable***

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| Future minimum lease payments payable under non-cancellable operating leases contracted for at reporting date but not recognised as liabilities are: | | |
| Within one year | 440 | 433 |
| Later than one year but not longer than five years | 1 758 | 1 730 |
| Later than five years | 25 936 | 25 975 |
| **Total operating lease expenditure commitments** | **28 134** | **28 138** |

The Corporation has entered into an operating lease with Renewal SA for the land on which the Adelaide Convention Centre buildings are situated. The lease is reviewed each year for adjustments in the consumer price index.

***Operating lease commitments receivable***

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| Future minimum lease payments receivable under non-cancellable operating leases contracted for at reporting date but not recognised as receivables are: | | |
| Within one year | 352 | 351 |
| Later than one year but not longer than five years | 913 | 759 |
| **Total operating lease revenue commitments** | **1 265** | **1 110** |

The Corporation's operating lease commitments as lessor are for the lease of shops, offices and site space located on sites owned or leased by the Corporation. The Corporation also leases a section of land. As rental in relation to the lease of this land was received in advance, there are no minimum lease payments receivable in relation to this lease.

### 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.

The Corporation is not aware of any contingent assets.

The Corporation is not aware of any contingent liabilities.

## 10.3. Impact of standards and statements not yet effective

The Corporation 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 below in relation to Standards not yet effective and in note 9.1. There are no Accounting Policy Statements that are not yet effective.

The material impacts on the Corporation are outlined below.

### *AASB 15 – Revenue from Contracts with Customers and AASB 1058 – Income of Not for Profit Entities*

The Corporation will adopt *AASB 15 – Revenue from Contracts with Customers* and *AASB 1058 – Income of Not for Profit Entities* from 1 July 2019.

#### *Objective*

AASB 15 introduces a 5-step approach to revenue recognition. The objective of AASB 15 is that recognition of revenue depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. It provides extensive guidance as to how to apply this revenue recognition approach to a range of scenarios. *AASB 15 – Revenue from Contracts* replaces *AASB 111 – Construction Contracts* and *AASB 118 – Revenue.*

AASB 1058 introduces consistent requirements for the accounting of non-reciprocal transactions by not-for-profit entities, in conjunction with AASB 15. These requirements closely reflect the economic reality of not-for-profit entity transactions that are not contracts with customers. AASB 1058 replaces parts of *AASB 1004 – Contributions.*

#### *Impact on 2019-20 financial statements*

Adopting AASB 15 and AASB 1058 is not expected to have a material impact on the timing of recognition of revenue by the Corporation.

#### *Related accounting policies*

The *Treasurer's Instructions (Accounting Policy Statements) 2019* sets out key requirements that the Corporation must adopt for the transition to *AASB 15 – Revenue from Contracts with Customers* and *AASB 1058 – Income of Not for Profit Entities*. These requirements include that the Corporation will:

- apply AASB 15 and AASB 1058 retrospectively. The cumulative effect of initially applying the Standards will be recognised at 1 July 2019. Comparatives will not be restated.
- not apply the AASB 15 and the AASB 1058 completed contracts practical expedient.
- apply the AASB 15 practical expedient for all contract modifications that occur before the date of initial application.

***AASB 16 – Leases***

The Corporation 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 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

***Impact on 2019-20 financial statements***

The Corporation 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 having right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position for the first time. Lease incentive liabilities previously recognised will be written off against the right-of-use assets or retained earnings depending on the nature of the incentive.

The Corporation has entered into a long term operating lease with Renewal SA for the land on which the Adelaide Convention Centre buildings are situated.

AASB 16 is expected to have a material impact on the Statement of Financial Position. The Corporation 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 the Corporation prior to 1 July 2019. The incremental borrowing rates applied to estimate the lease liability were SAFA's forecast interest rates for principal and interest loans to SA Government agencies for 1 July 2019 as at 6 June 2019.

The estimated impact is set out below.

| | **as at 1 July 2019 $'000** |
|---|---|
| **Assets** | |
| Right-of-use assets | 9 952 |
| **Liabilities** | |
| Lease liabilities | 9 952 |
| **Net impact on equity** | - |

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

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

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

| | 2020 |
|---|---|
| | $'000 |
| Depreciation and amortisation | 156 |
| Supplies and services | ( 440) |
| Borrowing costs | 407 |
| **Net impact on net cost of providing services** | 123 |

***Related accounting policies***

The *Treasurer's Instructions (Accounting Policy Statements) 2019* sets out key requirements that the Corporation must adopt for the transition from *AASB 117 Leases* to *AASB 16 Leases*. These requirements include that the Corporation 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 the Corporation 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.
- apply the short-term leases recognition exemption for all classes of underlying asset.
- 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 the Corporation to further its objectives, unless they have already been recorded at fair-value prior to 1 July 2019.

## 10.4. Events after the reporting period

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years. The Corporation is not aware of any such events arising.

## 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 submitted data from the payroll system and assessed against actuarial data.

*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 $270 000 and employee benefits expense of $295 000. 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 unconditional portion of the long service leave provision is classified as current as the Corporation does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after 7 years of service for staff employed under the Adelaide Venue Management Corporation/United Voice Enterprise Agreement and 10 years of service for all other staff.

### 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.

Where assets are acquired at no value, 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 recorded at book value (i.e. the amount recorded by the transferor immediately prior to transfer).

***Revaluation***

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

The revaluation process is reviewed by the Chief Financial Officer and the Corporation's Board each year.

Non-current tangible assets are valued at fair value and revaluation 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.

***Fair value hierarchy***

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:

a) 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.

b) 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.

c) Level 3 – not traded in an active market and are derived from unobservable inputs.

The Corporation's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

During 2019 and 2018, the Corporation had no valuations categorised into level 1; there were no transfers of assets between level 1 and 2 fair value hierarchy levels and there were no changes in valuation technique.

***Fair value classification – non-financial assets at 30 June 2019***

| | Note | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Recurring fair value measurements** | | **$'000** | **$'000** | **$'000** |
| Land | 5.1 | 32 630 | - | 32 630 |
| Buildings and improvements | 5.1 | 848 | 559 516 | 560 364 |
| Leasehold improvements | 5.1 | - | 2 556 | 2 556 |
| Work in progress | 5.1 | - | - | - |
| Plant and equipment | 5.1 | - | 19 647 | 19 647 |
| **Total recurring fair value measurements** | | **33 478** | **581 719** | **615 197** |

***Fair value classification – non-financial assets at 30 June 2018***

| | Note | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Recurring fair value measurements** | | **$'000** | **$'000** | **$'000** |
| Land | 5.1 | 32 630 | - | 32 630 |
| Buildings and improvements | 5.1 | 890 | 583 913 | 584 803 |
| Leasehold improvements | 5.1 | - | 2 711 | 2 711 |
| Work in progress | 5.1 | - | 40 | 40 |
| Plant and equipment | 5.1 | - | 20 724 | 20 724 |
| **Total recurring fair value measurements** | | **33 520** | **607 388** | **640 908** |

***Land and buildings***

Every six years the Corporation revalues its land, buildings and building improvements, with the valuation appraisal performed by an independent Certified Practising Valuer. The most recent independent valuation of land and buildings was performed in June 2018 by a Certified Practising Valuer from Liquid Pacific Holdings Pty Ltd, as at 30 June 2018.

The valuer used depreciated replacement cost for specialised buildings, due to there not being an active market for such buildings. The depreciated replacement cost considered the need for ongoing provision of government services; specialised nature of the assets, including the restricted use of the assets; the size, condition, location and current use of the assets. The valuation was based on a combination of specialised knowledge and the acquisition/transfer costs.

The valuer arrived at fair value for land and non-specialised buildings using the market approach. The valuation was based on recent market transactions for similar land and buildings (non-specialised) in the area and includes adjustment for factors specific to the land and building being valued 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 or had an estimated useful life that was less than three years, and have not been revalued in accordance with APS 116.D. The carrying value of these items are deemed to approximate fair value.

***Reconciliation of Level 3 recurring fair value measurements at 30 June 2019***

The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3).

| | Buildings and improvements $'000 | Leasehold improvements $'000 | Work in progress $'000 | Plant and equipment $'000 |
|---|---|---|---|---|
| **Opening balance at the beginning of the period** | **583 913** | **2 711** | **40** | **20 724** |
| Acquisitions | - | - | 7 912 | - |
| Transfers in / (out) | 4 128 | 132 | (7 952) | 3 692 |
| Total gains / (losses) for the period in profit and loss: | | | | |
| Depreciation | (28 525) | ( 287) | - | (4 683) |
| Disposals | - | - | - | ( 86) |
| **Closing balance at the end of the period** | **559 516** | **2 556** | **-** | **19 647** |

***Reconciliation of Level 3 recurring fair value measurements at 30 June 2018***

The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3).

| | Buildings and improvements $'000 | Leasehold improvements $'000 | Work in progress $'000 | Plant and equipment $'000 |
|---|---|---|---|---|
| **Opening balance at the beginning of the period** | **406 780** | **2 983** | **180 101** | **15 649** |
| Acquisitions | - | - | 16 035 | - |
| Transfers in / (out) | 186 618 | 32 | (196 096) | 9 446 |
| Total gains / (losses) for the period in profit and loss: | | | | |
| Depreciation | (13 475) | ( 304) | - | (4 139) |
| Disposals | - | - | - | ( 232) |
| Total gains / (losses) for the period recognised in other comprehensive income: | | | | |
| Revaluation increment / (decrement) | 3 990 | - | - | - |
| **Closing balance at the end of the period** | **583 913** | **2 711** | **40** | **20 724** |

## 11.3. Financial instruments

### *Financial risk management*

Risk management is carried out by the corporate services section and risk management policies and practices are in accordance with Australian Risk Management Standards and internal written policies approved by the Board.

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

### *Credit risk*

The Corporation has no significant concentration of credit risk. The Corporation has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

### *Impairment of financial assets*

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. The Corporation uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors.

To measure the expected credit losses, receivables are grouped based on shared risks characteristics and the days past due. When estimating expected credit loss, the Corporation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Corporation's historical experience and informed credit assessment, including forward-looking information.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Corporation is exposed to credit risk.

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

Loss rates are calculated based on the probability of a receivable progressing through stages to write off based on the common risk characteristics of the transaction and debtor.

As a result of the Corporation's assessment for non-government debtors a nil loss allowance for trade receivables has been provided for based on negligible bad debt write offs over the past 10 years, due to the Corporation's practices of holding the gross box office receipts for publically ticketed events, from which the Corporation then deducts monies owed to it post event, requiring payment in advance of an event in most other instances and stringent credit management policies.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with the Corporation and a failure to make contractual payments for a period of greater than 90 days past due.

The Corporation considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and therefore the expected credit loss is nil.

In the comparative period, the impairment of receivables was assessed based on the incurred loss model. The allowance was recognised when there was objective evidence that a receivable was impaired. The allowance for impairment was recognised in 'supplies and services expense' for specific debtors and debtors assessed on a collective basis for which such evidence existed.

### *Market risk*

The Corporation does not trade in foreign currency, nor enter into transactions for speculative purposes, nor for hedging.

The Corporation has no exposure to foreign exchange risk in relation to its financial assets or liabilities.

Exposure to interest rate risk may arise through interest earned on cash and cash equivalent balances, which earn a floating interest rate.

There is no interest rate risk on Borrowings, as while movements in interest rates will affect the fair value of the loan, the contracted repayments remain the same due to the fixed interest rate. The Corporation has minimal exposure to liquidity risk in relation to interest repayments as the Department of Treasury and Finance provides funding to the Corporation for interest and fees.

The Corporation's exposure to cash flow interest rate risk is minimal.

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