

# Urban Renewal Authority

Financial report  
for the year ended  
30 June 2019



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## To the Presiding Member Urban Renewal Authority

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 27(4) of the *Urban Renewal Act 1994*, I have audited the financial report of the Urban Renewal Authority 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 Urban Renewal Authority as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

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

## Basis for opinion

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

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

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

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

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

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

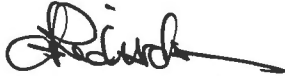
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an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

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

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

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

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

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

Andrew Richardson

**Auditor-General**

17 September 2019



# FINANCIAL STATEMENTS

## STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2019

	Note No.	2019 \$'000	2018 \$'000
<b>Income</b>			
Revenue from sales	9	66 755	87 033
Less: cost of sales	9	41 195	48 938
<b>Gross Profit from Sales</b>		<b>25 560</b>	<b>38 095</b>
Share of net profit in joint ventures	10	2 166	1 110
Revenues from SA Government	11	8 239	9 111
Interest revenues	12	975	268
Property income	13	81 141	79 957
Other revenues	14	2 216	20 635
Net gain from changes in value of non-current assets	26	-	2 442
Net gain from disposal of non-current assets	15	400	250
<b>Total Other Income</b>		<b>95 137</b>	<b>113 773</b>
Net gain from transferred functions		-	325
<b>Total Income</b>		<b>120 697</b>	<b>152 193</b>
<b>Expenses</b>			
Employee benefits expenses	7	15 780	31 675
Operating expenditure	16	49 939	50 550
Bad and doubtful debts expense	22	600	325
Borrowing costs	17	40 683	39 754
Depreciation and amortisation	25	518	495
Net loss from changes in value of non-current assets	26	219 500	-
<b>Total Expenses</b>		<b>327 020</b>	<b>122 799</b>
<b>Profit/(Loss) Before Income Tax Equivalent</b>		<b>( 206 323)</b>	<b>29 394</b>
Income tax equivalent	19	-	8 819
<b>Profit/(Loss) After Income Tax Equivalent</b>		<b>( 206 323)</b>	<b>20 575</b>
<b>Total Comprehensive Result</b>		<b>( 206 323)</b>	<b>20 575</b>

The Profit/Loss After Income Tax Equivalent and Total Comprehensive Result are attributable to the SA Government as owner.

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

# FINANCIAL STATEMENTS

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note No.	2019 \$'000	2018 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	21	21 083	42 050
Receivables	22	5 698	4 033
Inventories	23	68 402	73 837
Investment in joint ventures	10	3 345	2 736
<b>Total Current Assets</b>		<b>98 528</b>	<b>122 656</b>
<b>Non-Current Assets</b>			
Receivables	22	8 615	6 720
Inventories	23	178 920	241 230
Investment properties	24	706 530	716 160
Property, plant and equipment	25	1 832	1 874
Investment in joint ventures	10	716	159
<b>Total Non-Current Assets</b>		<b>896 613</b>	<b>966 143</b>
<b>Total Assets</b>		<b>995 141</b>	<b>1 088 799</b>
<b>Current Liabilities</b>			
Payables	28	21 702	21 375
Unearned income	30	3 554	6 287
Borrowings	29	270 552	174 218
Provisions	31	101 300	5 784
Employee benefits	8	2 247	4 143
Other liabilities	32	152	458
<b>Total Current Liabilities</b>		<b>399 507</b>	<b>212 265</b>
<b>Non-Current Liabilities</b>			
Payables	28	7 455	7 872
Unearned income	30	15 313	15 530
Borrowings	29	633 150	720 102
Provisions	31	37	23
Employee benefits	8	3 627	6 701
<b>Total Non-Current Liabilities</b>		<b>659 582</b>	<b>750 228</b>
<b>Total Liabilities</b>		<b>1 059 089</b>	<b>962 493</b>
<b>Net Assets</b>		<b>( 63 948)</b>	<b>126 306</b>
<b>Equity</b>			
Contributed capital		381 857	356 857
Retained earnings		( 445 805)	( 230 551)
<b>Total Equity</b>		<b>( 63 948)</b>	<b>126 306</b>
<b>The total equity is attributable to the SA Government as owner</b>			
Unrecognised contractual commitments	35		
Contingent assets and liabilities	36		

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



# FINANCIAL STATEMENTS

## STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2019

	Note No.	Contributed Capital '\$000	Retained Earnings '\$000	Total '\$000
<b>Balance as at 30 June 2017</b>		356 857	(241 976)	114 881
<b>Total Comprehensive Result for 2017-18</b>		-	20 575	20 575
Transactions with the SA Government in their capacity as owners:				
Dividends paid	20	-	(9 150)	(9 150)
<b>Balance as at 30 June 2018</b>		356 857	(230 551)	126 306
<b>Total Comprehensive Result for 2018-19</b>		-	(206 323)	(206 323)
Adjustment on adoption of new accounting standards	34	-	(1 798)	(1 798)
Transactions with the SA Government in their capacity as owners:				
Equity contribution		25 000	-	25 000
Net assets transferred from administrative restructure	3	-	3 812	3 812
Dividends paid	20	-	(10 945)	(10 945)
<b>Balance as at 30 June 2019</b>		<b>381 857</b>	<b>(445 805)</b>	<b>(63 948)</b>

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

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

# FINANCIAL STATEMENTS

## STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2019

	Note No.	2019 \$'000	2018 \$'000
<b>Cash Flows from Operating Activities</b>			
<b>Cash Inflows</b>			
Receipts from sales		67 452	96 766
Receipts from SA Government		26 301	28 045
Interest received		495	286
Receipts from tenants (rent and recoveries)		80 088	102 160
Recoveries and sundry receipts		4 638	22 217
Funds held in trust		-	4
Receipts for paid parental leave scheme		33	43
<b>Cash Generated from Operations</b>		<b>179 008</b>	<b>249 521</b>
<b>Cash Outflows</b>			
Payments for land purchase and development		( 104 168)	( 49 792)
Income tax equivalent paid		( 4 519)	( 4 300)
Land tax paid		( 21 955)	( 20 955)
Interest paid		( 41 044)	( 41 181)
Payments to suppliers		( 26 835)	( 36 399)
Payments for employee benefits payments		( 22 099)	( 33 826)
Payments of funds held in trust		( 306)	-
Payments for paid parental leave scheme		( 23)	( 46)
GST paid to the ATO		( 4 787)	( 9 052)
<b>Cash Used in Operations</b>		<b>( 225 736)</b>	<b>( 195 551)</b>
<b>Net Cash (Used In)/Provided by Operating Activities</b>	33	<b>( 46 728)</b>	<b>53 970</b>
<b>Cash Flows from Investing Activities</b>			
<b>Cash Inflows</b>			
Distributions of profit by joint ventures		1 000	875
Proceeds from the sale of investment properties		1 800	2 100
<b>Cash Generated from Investing Activities</b>		<b>2 800</b>	<b>2 975</b>
<b>Cash Outflows</b>			
Purchase of plant and equipment		( 476)	( 308)
<b>Cash Used in Investing Activities</b>		<b>( 476)</b>	<b>( 308)</b>
<b>Net Cash provided by Investing Activities</b>		<b>2 324</b>	<b>2 667</b>
<b>Cash Flows from Financing Activities</b>			
<b>Cash Inflows</b>			
Equity contributions received from the SA Government		25 000	-
Proceeds from borrowings		183 600	144 700
<b>Cash Generated from Financing Activities</b>		<b>208 600</b>	<b>144 700</b>
<b>Cash Outflows</b>			
Repayment of borrowings		( 174 218)	( 161 281)
Dividends paid to SA Government		( 10 945)	( 9 150)
<b>Cash Used in Financing Activities</b>		<b>( 185 163)</b>	<b>( 170 431)</b>
<b>Net Cash Provided by/(Used in) Financing Activities</b>		<b>23 437</b>	<b>( 25 731)</b>
<b>Net (Decrease)/Increase in Cash Held</b>		<b>( 20 967)</b>	<b>30 906</b>
Cash at the beginning of the financial year		42 050	11 144
<b>Cash at the End of the Financial Year</b>	21	<b>21 083</b>	<b>42 050</b>

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



# FINANCIAL STATEMENTS

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# FINANCIAL STATEMENTS

## Note 1 Objectives of the Urban Renewal Authority

The Urban Renewal Authority (trading as Renewal SA) is a statutory corporation established under the *Urban Renewal Act 1995* (the Act). In accordance with the Act, Renewal SA's Board of Management is appointed by His Excellency the Governor and comprises up to seven members, including a Presiding Member. The Presiding Member reports to the Minister for Transport, Infrastructure and Local Government (the Minister). Renewal SA's functions contained in the Act include;

- The development of residential, commercial and industrial land in the public interest, particularly for urban renewal purposes
- The facilitation of public and private sector investment, undertaking development activities which are attractive to potential investors and participating in the development of the State
- Managing the orderly development of areas through the management and release of land
- Holding land and other property to be made available as appropriate for commercial, industrial, residential or other purposes.

In undertaking its functions, Renewal SA will make a significant contribution to creating a vibrant city, safe communities, healthy neighbourhoods, an affordable place to live, and growing advanced manufacturing. Renewal SA has the responsibility for leading and coordinating urban renewal activity to ensure that our future housing needs are met through better planned, affordable and vibrant mixed use (residential and commercial) urban developments located near to transport, employment, education and other services.

In performing its functions, Renewal SA provides services to other State Government agencies. The provision of services to the South Australian Housing Trust and Riverbank Authority ceased during 2018-19 due to machinery of government changes.

## Note 2 Basis of Preparation

### Statement of Compliance

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

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

Renewal SA has applied Australian Accounting Standards that are applicable to for-profit entities, as Renewal SA is a for-profit entity.

### Basis of Preparation

Renewal SA's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets that have been revalued.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a twelve month reporting period and presented in Australian currency. The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2019 and the comparative information presented.

### Rounding

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

### Taxation

In accordance with *Treasurer's Instruction 22 Tax Equivalent Payments*, Renewal SA is required to pay to the SA Government an income tax equivalent. The income tax equivalent liability is based on the State Taxation Equivalent Regime, which applies the accounting profit method. This requires that the corporate income tax rate be applied to the net profit. The current income tax liability, if applicable, relates to the income tax expense outstanding for the current period (refer Note 31).

Renewal SA is liable for payroll tax, fringe benefits tax, goods and services tax (GST), emergency services levy, land tax and local government rate equivalents.



# FINANCIAL STATEMENTS

The financial statements are reported net of the amount of GST except:

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

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

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

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

## **Going Concern**

The financial statements have been prepared on a going concern basis.

As at 30 June 2019, the financial statements reported a net asset deficiency of \$63.9 million. This is due to the operating loss of \$206.3 million for the year ended 30 June 2019. The loss results principally from non-cash inventory valuation adjustments. The inventory adjustments arise from a change to the way Renewal SA is funded for development projects. From 1 July 2019, Government funding towards capital expenditure for Renewal SA's development projects will be provided in the form of equity contributions rather than as Community Service Obligations. This means that the balance date valuation of the relevant inventory balances no longer includes the cash flows related to the Community Service Obligations. As a result, the carrying amount of inventory has been written down.

While the form of the funding has changed and is no longer included in the valuation of inventory assets, the underlying cash is still expected to be provided to Renewal SA and has been included within the 2019-20 State Budget, covering the forward estimates period. The nature of the classification of the funding does not impact Renewal SA's future overall cash flow.

Renewal SA's inventory assets are recorded at the lower of cost and net realisable value, in accordance with *AASB 102 - Inventories*. If all land holdings were recorded at their net realisable value, Renewal SA's net asset position and gearing as at 30 June 2019 would be significantly improved. Additionally, the transfer of the TAFE properties back to the general government sector during the 2019-20 financial year, together with the reduction in the associated debt, will result in an improvement to Renewal SA's overall level of gearing.

## **Current and Non-Current Classification**

Assets and liabilities are characterised as either current or non-current in nature. Renewal SA has a clearly identifiable operating cycle of 12 months. 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, Renewal SA has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

## **Assets**

Assets have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

### *Acquisition and recognition of non-current assets (other than inventories)*

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

All non-current tangible assets with a value equal to or in excess of \$10,000 are capitalised.

All non-current assets, having limited useful life, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential. Depreciation is applied to tangible assets such as property, plant and equipment.

Where non-current assets are acquired at no, or minimal value, they are recorded at fair value in the Statement of Financial Position. However, if the non-current assets are acquired as part of a restructuring of administrative arrangements then the non-current assets are recognised at the book value recorded by the transferor, immediately prior to transfer.



# FINANCIAL STATEMENTS

## *Impairment (other than inventories)*

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

## *Non-financial assets*

In determining fair value, Renewal SA has considered the characteristics of the asset (for example condition and location of the asset and any restrictions on the sale or use of the asset) and the asset's highest and best use (that is physically possible, legally permissible and financially feasible). Renewal SA's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible within the next five years.

The carrying amount of non-financial assets with a 'fair value at the time of acquisition that was less than \$1.5 million or an estimated useful life that was less than three years' are deemed to approximate fair value.

Refer to Notes 24, 25 and 27 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurement for non-financial assets.

## **Liabilities**

Liabilities have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

## **Note 3 Transferred Functions**

Net assets assumed/transferred by Renewal SA as a result of the administrative restructure are the carrying amounts of those assets in the transferor's Statement of Financial Position immediately prior to the transfer. The net assets transferred were treated as a contribution by the government as an owner.

### **Transfers to the South Australian Housing Trust**

Under the *Public Sector (Reorganisation of Public Sector Operations - South Australian Housing Trust) Notice 2018*, Urban Renewal Authority employees were transferred to the South Australian Housing Trust on the same basis of engagement as applied before the transfer. The effective date of the transfer was 1 July 2018.

*The following liabilities were transferred to the South Australian Housing Trust:*

	2019
	\$'000
Transfer of employees	
Employee benefits liability	( 1 816)
Employee benefits provision	( 198)
<b>Total Liabilities Transferred Out</b>	<b>( 2 014)</b>
<b>Impact on Equity</b>	<b>2 014</b>



# FINANCIAL STATEMENTS

## Transfer from the Riverbank Authority

Under the *Urban Renewal (Riverbank Authority Dissolution) Regulations 2018*, the Riverbank Authority, established by the *Housing and Urban Development (Administrative Arrangements) (Riverbank Authority) Regulations 2014* was dissolved. The assets, rights and liabilities of the Riverbank Authority immediately before dissolution were transferred to the Urban Renewal Authority. The effective date of the transfer was 19 July 2018.

The following assets and liabilities were transferred from the Riverbank Authority:

	2019
	\$'000
Cash and cash equivalents	2075
<b>Total Assets</b>	<b>2075</b>
Payables	( 277)
<b>Total Liabilities</b>	<b>( 277)</b>
<b>Total Net Assets Transferred In</b>	<b>1 798</b>
<b>Impact on Equity</b>	<b>1 798</b>

## Transfer to the Department of Premier and Cabinet

In 2018 the Premier agreed to the intended machinery of government transfer of the Capital City Committee Directorate from Renewal SA to the Department of Premier and Cabinet by way of a funding and FTE transfer. The transfer was formally agreed between the two Chief Executives in November 2018, with the effective date being 1 July 2018.

The following assets and liabilities were transferred to the Department of Premier and Cabinet:

	2019
	\$'000
Cash	( 839)
<b>Total Assets Transferred Out</b>	<b>( 839)</b>
Administration and other expenditure	839
<b>Net Result</b>	<b>839</b>
<b>Impact on Equity</b>	<b>-</b>
<b>Total Impact on Equity</b>	<b>3 812</b>

## Note 4 Key Management Personnel

	2019	2018
	\$'000	\$'000
Salaries and other short-term employee benefits	1 817	1 708
Post-employment benefits	169	159
<b>Total Employee Benefits</b>	<b>1 986</b>	<b>1 867</b>

Key management personnel of Renewal SA include the Minister for Transport, Infrastructure and Local Government, members of the Urban Renewal Authority Board of Management, the Chief Executive and the members of the senior management team that have responsibility for the strategic direction and management of Renewal SA.

Total compensation for key management personnel was \$1.986 million in 2018-19 and \$1.867 million in 2017-18.

The compensation disclosed in this note excludes salaries and other benefits to the Minister. 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*.



# FINANCIAL STATEMENTS

## Note 5 Remuneration of Board and Committee Members

Members during the year ended 30 June 2019 were:

### Urban Renewal Authority Board of Management

Hon B J Pike, Presiding Member

P A Baker

H M Fulcher

T R Groom

G R Knight (to November 2018)

D J McArdle

J W McDowell\* (appointed December 2018)

C Tragakis (appointed December 2018)

Subsequent to the end of the financial year, the terms as members of the Urban Renewal Authority Board of Management of B J Pike, P A Baker, T R Groom and D J McArdle ceased on 31 July 2019. New appointments to the Urban Renewal Authority Board of Management were gazetted on 11 July 2019 for K A Skipper, J P Rundle and K Willits (Gillan), with terms commencing on 31 July 2019. C Tragakis was appointed as Presiding Member commencing 31 July 2019.

### Tonsley Steering Committee

T Burgess, Chair

D Coltman\*

J Connolly

M Devine\*

A Dickson\*

M Duffy\*

G R Knight (to November 2018)

A Skull\*

C Stirling\*

\*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 members whose remuneration received or receivable falls within the following bands:

	2019	2018
	No:	No:
\$0 to \$19 999	9	9
\$20 000 to \$39 999	5	6
\$60 000 to \$79 999	2	1
<b>Total Number of Members</b>	<b>16</b>	<b>16</b>

Total remuneration received and receivable by all members for the period they held office was \$0.333 million (2018: \$0.310 million). Remuneration of members includes sitting fees and superannuation contributions.

## Note 6 Related Party Disclosures

Related parties of Renewal SA include all key management personnel and their close family members, all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the South Australian Government.

### Transactions with Key Management Personnel and Other Related Parties

There were no reportable transactions between Renewal SA and any Key Management Personnel and other related parties during the financial year.

Remuneration of Key Management Personnel is described in Note 4.



# FINANCIAL STATEMENTS

## Significant Transactions with Government Related Entities

Renewal SA had the following significant transactions with South Australian Government entities:

Equity contributions of \$25 million and Community Service Obligation funding of \$25.2 million (refer Note 11) was received from the Department of Treasury and Finance.

Rental Income of \$55.3 million was received from the Department of State Development relating to the TAFE properties.

Inventory property sale of \$3.3 million was received from the Department of Planning, Transport and Infrastructure.

## Note 7 Employees Benefits Expense

	2019	2018
	\$'000	\$'000
Salaries and wages	14 088	27 098
Long service leave	839	470
Annual leave	1 128	1 661
Skills and experience retention leave	34	173
Employment on-costs - superannuation	1 463	2 888
Employment on-costs - other	949	1 656
Board and committee fees	305	282
Other employee related expenses	22	( 176)
<b>Gross Employee Benefits Expense</b>	<b>18 828</b>	<b>34 052</b>
Less: Employee benefits capitalised to inventories	( 3 048)	( 2 377)
<b>Total Employee Benefits Expenses</b>	<b>15 780</b>	<b>31 675</b>

## Employment on-costs - superannuation

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

## Executive remuneration

	2019	2018
	No:	No:
The number of employees whose remuneration received or receivable falls within the following bands:		
\$149 000 to \$151 000 <sup>^</sup>	n/a	1
\$151 001 to \$171 000	8	11
\$171 001 to \$191 000	4	6
\$191 001 to \$211 000	1	3
\$211 001 to \$231 000	6	4
\$231 001 to \$251 000	2	-
\$271 001 to \$291 000	1	2
\$291 001 to \$311 000	1	2
\$371 001 to \$391 000	1	-
\$391 001 to \$411 000	-	1
\$431 001 to \$451 000	1	-
<b>Total Number of Employees</b>	<b>25</b>	<b>30</b>

<sup>^</sup>This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2018-19.

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 \$5.402 million (2018: \$6.082 million).



# FINANCIAL STATEMENTS

## Targeted voluntary separation packages (TVSP)

The number of employees who received a TVSP during the reporting period was 1 (2018: 1).

	2019 \$'000	2018 \$'000
Amount paid to separated employees:		
Targeted Voluntary Separation Packages	78	7
Leave paid to separated employees	8	2
Recovery from the Department of Treasury and Finance	( 86)	-
<b>Net Cost to Renewal SA</b>	<b>-</b>	<b>9</b>

## Note 8 Employees Benefits Liability

	2019 \$'000	2018 \$'000
<b>Current</b>		
Accrued wages and salaries	274	505
Annual leave	1 784	2 940
Long service leave	142	544
Skills and experience retention leave	47	154
<b>Total Current Employee Benefits</b>	<b>2 247</b>	<b>4 143</b>
<b>Non-Current</b>		
Long service leave	3 627	6 701
<b>Total Non-Current Employee Benefits</b>	<b>3 627</b>	<b>6 701</b>
<b>Total Employee Benefits</b>	<b>5 874</b>	<b>10 844</b>

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, skills and experience retention leave (SERL) and sick leave

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

The annual leave liability and the SERL liability are 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 at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

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

The actuarial assessment performed by 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 period of service. These assumptions are based on employee data over SA Government entities.

AASB 119 Employee Benefits requires the use of the yield on high quality corporate or government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has been used, which has decreased to 1.25% in 2019 from 2.5% in 2018.

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.



# FINANCIAL STATEMENTS

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 \$0.382 million and employee benefits expense of \$0.572 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using several 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.

## Employee benefit on-costs

Employee benefit on-costs (payroll tax and superannuation) are recognised separately in payables. (refer Note 28)

## Note 9 Revenue from Sales and Cost of Sales

	2019	2018
	\$'000	\$'000
Sales revenue for the reporting period is summarised as follows:		
<i>Land sales to:</i>		
Joint ventures	7 283	7 689
Entities within the SA Government	3 524	5 085
Other - sales to general public and developers	55 948	74 259
<b>Total Sales Revenue</b>	<b>66 755</b>	<b>87 033</b>
<i>Cost of sales associated with:</i>		
Joint ventures	944	888
Entities within the SA Government	2 763	3 275
Other - sales to general public and developers	37 488	44 775
<b>Total Cost of Sales</b>	<b>41 195</b>	<b>48 938</b>

Sales revenue comprises revenue earned from the sale of land for residential, commercial and community purposes, including land made available for joint venture developments. Revenue for land sales is recognised when settlement is completed and legal title transfers to the purchaser.

Cost of sales comprise all direct material acquisition, development and relevant holding costs in respect of inventory sold during the reporting period. The carrying amount of inventories held for sale are expensed as cost of sales when settlement occurs. A portion of future development obligations in respect of land which has been sold is also recognised in cost of sales when settlement occurs, where applicable. Assumptions of future costs and revenues involve an element of professional judgement when estimating cost of sales for long life projects.



# FINANCIAL STATEMENTS

## Note 10 Joint Ventures

In July 2006 documentation was executed with CIC Northgate Pty Ltd, a wholly-owned subsidiary of CIC Australia Limited, to establish a joint venture to develop the land subdivision component of Precinct One at Northgate Stage 3. The project primarily comprises the subdivision and sale of residential allotments and integrated housing sites together with the development of reserves and associated community facilities.

Renewal SA has a 50% interest in the joint venture. Under the terms of the agreements for the joint venture, Renewal SA will make available to the joint venture land for development and receive progressive land payments as development proceeds.

Renewal SA's share of the profit from ordinary activities of the Northgate Stage 3 Joint Venture in which Renewal SA has a participating interest, is as follows:

	2019	2018
	\$'000	\$'000
Revenues	12 886	13 603
Expenses	( 10 720)	( 12 493)
<b>Profit from Ordinary Activities</b>	<b>2 166</b>	<b>1 110</b>

Movements in Renewal SA's investment in the joint venture during the reporting period is summarized as follows:

	2019	2018
	\$'000	\$'000
Share of investment in joint ventures:		
Carrying amount at the beginning of the period	2 895	2 660
Profit for the reporting period	2 166	1 110
Distribution of profit	( 1 000)	( 875)
<b>Total Carrying Amount of Investment in Joint Ventures</b>	<b>4 061</b>	<b>2 895</b>

Renewal SA's investment in joint ventures is represented by its share of assets and liabilities as follows:

	2019	2018
	\$'000	\$'000
Current assets:		
Cash	4 340	5 053
Receivables	351	493
Inventories	8 272	10 765
<b>Total Current Assets</b>	<b>12 963</b>	<b>16 311</b>
Non current assets:		
Property, plant and equipment	716	159
<b>Total Non Current Assets</b>	<b>716</b>	<b>159</b>
<b>Total Assets</b>	<b>13 679</b>	<b>16 470</b>
Current liabilities:		
Creditors and other payables	9 618	13 575
<b>Total Liabilities</b>	<b>9 618</b>	<b>13 575</b>
<b>Net Assets</b>	<b>4 061</b>	<b>2 895</b>
<b>Net Assets after Impairment</b>	<b>4 061</b>	<b>2 895</b>

Renewal SA's interest in the Northgate Stage 3 Joint Venture is measured by applying the equity method. Renewal SA's share of the assets and liabilities of the joint venture in which it has a participating interest is included in the Statement of Financial Position as investment in joint ventures. Renewal SA's share of net profit from the joint venture is included as revenue in the Statement of Comprehensive Income as share of net profit/(loss) in joint ventures.

Joint venture income is recognised when the right to receive payment is established.



# FINANCIAL STATEMENTS

## Note 11 Revenues from SA Government

	2019	2018
	\$'000	\$'000
Community service obligations from SA Government	25 188	27 631
Other SA Government revenues	1 113	423
<b>Gross Revenues from SA Government</b>	<b>26 301</b>	<b>28 054</b>
Less: Revenue deferred for inventory development costs	( 18 062)	( 18 943)
<b>Total Revenues from SA Government</b>	<b>8 239</b>	<b>9 111</b>

### Community Service Obligations

Renewal SA is required under its Charter to provide a number of non-commercial services to the community on behalf of the SA Government. The SA Government provides Renewal SA with funding to compensate for these non-commercial activities. Non-commercial activities include the provision of infrastructure, sustainable energy development and precinct and urban planning works.

Community service obligations are recognised at their fair value where there is a reasonable assurance that the funding will be received and Renewal SA will comply with all attached conditions.

Community service obligations relating to costs are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate. Inventory development costs funded by community service obligations are capitalised against inventories and recognised in the Statement of Comprehensive Income as cost of sales when inventory is sold during the reporting period.

The Government announced as part of the 2019-20 State Budget, that from 1 July 2019, funding towards capital expenditure for Renewal SA's development projects will be provided in the form of equity contributions rather than as Community Service Obligations. As a result, revenues deferred for inventory development costs will reduce significantly in future years.

### Other SA Government Revenues

SA Government revenues relating to costs are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate.

Grants from SA Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and Renewal SA will comply with all attached conditions.

## Note 12 Interest Revenues

	2019	2018
	\$'000	\$'000
Interest from operating accounts	479	268
Finance debtor interest	496	-
<b>Total Interest Revenues</b>	<b>975</b>	<b>268</b>

Interest revenue includes interest received on bank term deposits, interest from investments and interest on finance lease receivables.



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## Note 13 Property Income

	2019	2018
	\$'000	\$'000
Rental income	70 467	69 707
Recoveries	10 650	10 249
Other property income	24	1
<b>Total Property Income</b>	<b>81 141</b>	<b>79 957</b>

Property income arising from investment properties is accounted for on a straight line basis over the lease term. Income received in advance is disclosed as unearned income to the extent that it relates to future accounting periods.

Property income from the portfolio of TAFE properties was \$58 million for the year ended 30 June 2019. These properties are expected to be transferred to the general government sector in 2019-20 (refer Note 39).

## Note 14 Other Revenues

	2019	2018
	\$'000	\$'000
Consulting revenue	677	5 698
Employee services	-	11 160
Recoveries	53	126
Other revenues	1 486	3 651
<b>Total Other Revenues</b>	<b>2 216</b>	<b>20 635</b>

Consulting revenue represents the recovery of costs incurred by Renewal SA on a fee for service basis for services provided to various State Government entities including the South Australian Housing Trust.

Recoveries represents the direct recovery of goods and/or services provided predominately to the South Australian Housing Trust. Employee services revenue represents the direct recovery of employee costs from the South Australian Housing Trust, which ceased on 1 July 2018.

Other revenue is derived from the provision of goods and services to the public and other SA Government agencies. This revenue is recognised upon delivery of the service or by reference to the stage of completion and is brought to account when earned.

## Note 15 Net Gain/(Loss) from Disposal of Non-Current Assets

	2019	2018
	\$'000	\$'000
Investment properties:		
Proceeds from disposal	1 800	2 100
Less net book value of assets disposed	( 1 400)	( 1 850)
<b>Net Gain from Disposal of Completed Non- Current Assets</b>	<b>400</b>	<b>250</b>
<b>Total Net Gain from Disposal of Non-Current Assets</b>	<b>400</b>	<b>250</b>

Income from the disposal of investments is recognised when control of the asset has passed to the buyer and is determined by comparing proceeds with carrying amount.

Sales revenue from the disposal of investment properties is recognised when settlement is completed and legal title transfers to the purchaser.

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## Note 16 Operating Expenditure

	2019	2018
	\$'000	\$'000
Property expenditure	15 645	14 369
Land tax	21 955	20 955
Contractors and consultants	1 515	2 155
Accommodation costs	2 207	1 769
Administration and other expenditure	11 705	13 424
<b>Gross Supplies and Service Expenditure</b>	<b>53 027</b>	<b>52 672</b>
Less: Land tax capitalised to inventories	( 3 088)	( 2 122)
<b>Total Operating Expenditure</b>	<b>49 939</b>	<b>50 550</b>

### External Consultants

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

	2019	2019	2018	2018
	Number	\$'000	Number	\$'000
Below \$10 000	19	76	7	28
Above \$10 000	17	594	8	503
<b>Total Paid/Payable to the Consultants Engaged</b>	<b>36</b>	<b>670</b>	<b>15</b>	<b>531</b>

## Note 17 Borrowing Costs

	2019	2018
	\$'000	\$'000
Borrowing costs on Premises SA Scheme loans	428	467
Borrowing costs on other loans	26 279	26 706
Borrowing costs on overdraft	6	10
Guarantee fees on Premises SA Scheme loans	106	116
Guarantee fees on other loans	14 212	14 349
Guarantee fees on overdraft	5	10
<b>Gross Borrowing Costs</b>	<b>41 036</b>	<b>41 658</b>
Less: Borrowing costs capitalised to inventories	( 353)	( 1 904)
<b>Total Borrowing Costs</b>	<b>40 683</b>	<b>39 754</b>

Borrowing costs include interest expense and guarantee fees paid to the South Australian Government.

In accordance with *AASB 123 Borrowing Costs*, borrowing costs attributable to the construction of a qualifying asset are capitalised if they are expected to result in a future economic benefit. Borrowing costs are expensed where it is expected that the costs incurred will not be recovered. All other borrowing costs are expensed when incurred.

A qualifying asset is an asset that takes a substantial period of time to be ready for its intended use or sale.



# FINANCIAL STATEMENTS

## Note 18 Auditors Remuneration

	2019	2018
	\$'000	\$'000
Audit fees paid/payable to the Auditor-General's Department	212	345
<b>Total Audit Fees</b>	<b>212</b>	<b>345</b>

Audit fees paid/payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987*.

## Note 19 Income Tax Equivalent

	2019	2018
	\$'000	\$'000
Income tax equivalent	-	8 819
<b>Total Income Tax Equivalent</b>	<b>-</b>	<b>8 819</b>

In accordance with Treasurer's Instructions issued under the *Public Finance and Audit Act 1987*, Renewal SA is required to pay to the SA Government an income tax equivalent. The income tax equivalent liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate (presently 30%) be applied to the profit for the reporting period. Renewal SA reported a financial loss in 2018-19 and therefore no income tax equivalent is payable.

Renewal SA reported an operating profit in 2017-18 and therefore an income tax equivalent was payable in that reporting period.

## Note 20 Dividends Paid to SA Government

	2019	2018
	\$'000	\$'000
Dividends paid	10 945	9 150
<b>Total Dividends Paid to SA Government</b>	<b>10 945</b>	<b>9 150</b>

Pursuant to the *Urban Renewal Act 1995*, Renewal SA must make a recommendation to the Minister before the end of each year regarding the payment of a dividend for that financial year. In 2018-19 the Minister approved a dividend payment of \$9.917 million relating to profit earned in 2017-18 in excess of the budget. The dividend paid in 2017-18 was based on 90% of budgeted profit due to final sales and property valuation outcomes not being available at the time the dividend was settled. In 2017-18 the Minister approved a dividend payment of \$7.588 million. Dividend recommendations are based on budgeted or forecast profit for the financial year.

Renewal SA is required to make special dividend payments associated with the Adelaide Station and Environs Redevelopment (ASER) site. In 2018-19 the Minister approved a dividend payment of \$1.028 million. This payment comprised \$1.506 million related to profit for 2018-19, reduced by \$0.478 million to reflect an overpayment of dividend in 2017-18. In 2017-18 the Minister approved a dividend payment of \$1.562 million.



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## Note 21 Cash and Cash Equivalents

	2019	2018
	\$'000	\$'000
<b>Current</b>		
Deposits with the Treasurer	18 657	21 372
Short-term deposits with SAFA	-	18 097
Cash held in Cheltenham trust account	-	306
Cash at bank and on hand	2 426	2 275
<b>Total Cash and Cash Equivalents</b>	<b>21 083</b>	<b>42 050</b>

Cash assets include short-term highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value. For the purposes of the Statement of Cash Flows, cash and equivalents consists of cash and cash equivalents as defined above.

Cash is measured at nominal value.

### Deposits with the Treasurer

Includes funds held in Renewal SA's operating account.

### Short-term Deposits

Short-term deposits are made for varying periods of between one day and three months. These deposits are lodged with SAFA and earn the respective short-term deposit rates.

### Cash at Bank and on Hand

Cash at bank and on hand include petty cash and cash received from property managers for net rental income on Renewal SA properties.

### Interest Rate Risk

Cash at bank and on hand is non-interest bearing. Deposits at call and with the Treasurer, and cash held in the Cheltenham Trust Account, earn a floating interest rate based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

## Note 22 Receivables

	2019	2018
	\$'000	\$'000
<b>Current</b>		
Trade and other receivables	3 855	2 013
Lease receivables	5 237	4 152
Employee related services recoverable	-	1 650
GST receivable	737	-
Provision for doubtful debts	( 4 139)	( 3 794)
Prepayments	8	12
<b>Total Current Receivables</b>	<b>5 698</b>	<b>4 033</b>
<b>Non-Current</b>		
Lease receivables	8 864	3 874
Employee related services recoverable	-	2 846
Provision for doubtful debts	( 249)	-
<b>Total Non-Current Receivables</b>	<b>8 615</b>	<b>6 720</b>
<b>Total Receivables</b>	<b>14 313</b>	<b>10 753</b>

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## Movement in the Allowance for Doubtful Debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. An allowance for impairment loss has been recognised for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2019	2018
	\$'000	\$'000
Carrying amount at the beginning of the period	3 794	3 469
Increase in the allowance	594	325
<b>Carrying Amount at the End of the Period</b>	<b>4 388</b>	<b>3 794</b>
<i>Bad debts written off:</i>		
Trade debtors	6	-
<i>Transfer to provision for doubtful debts:</i>		
Trade debtors	345	325
Lease receivables	249	-
<b>Total Bad and Doubtful Debts Expense</b>	<b>600</b>	<b>325</b>

Receivables include amounts receivable from goods and services, GST input tax credits recoverable, prepayments and other accruals, measured at historical cost.

Receivables arise in the normal course of selling goods and services to the public and other SA Government agencies. Receivables are generally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that Renewal SA will not be able to collect the debt. Bad debts are written off when identified.

## Interest Rate and Credit Risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing. 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.

## Categorisation and Maturity Analysis of Financial Instruments

Refer to table in Note 38.

## Ageing Analysis of Financial Assets

Refer to table in Note 38.

## Risk Exposure Information

Refer to table in Note 38.



# FINANCIAL STATEMENTS

## Note 23 Inventories

	2019	2018
	\$'000	\$'000
<b>Current</b>		
Land held for sale	23 870	28 860
Development projects	44 532	44 977
<b>Total Current Inventories</b>	<b>68 402</b>	<b>73 837</b>
<b>Non-Current</b>		
Land held for sale	171 934	179 388
Development projects	6 986	61 842
<b>Total Non-Current Inventories</b>	<b>178 920</b>	<b>241 230</b>
<b>Total Inventories</b>	<b>247 322</b>	<b>315 067</b>

### Movements in Carrying Amounts:

	2019	2018
	\$'000	\$'000
Carrying amount at the beginning of the period	315 067	314 158
Land purchases	-	9 487
Development costs capitalised	108 816	55 367
Community service obligations for development costs	( 18 062)	( 18 943)
Cost of sales	( 41 195)	( 48 938)
Transfer to finance receivable	( 3 756)	-
Inventory write down	( 125 833)	( 4 754)
Reversal of inventory write down	12 285	8 690
<b>Carrying Amount at the End of the Period</b>	<b>247 322</b>	<b>315 067</b>

Inventories include land and other property held for sale in the ordinary course of business. It excludes depreciating assets and investment properties.

Inventories are measured at the lower of cost or their net realisable value (NRV). NRV is determined using the estimated sales proceeds less costs incurred in producing, marketing and selling to customers. NRV is determined on each individual asset/project by independent valuation or via an internal cash flow valuation.

Inventories were reviewed at 30 June 2019 to ensure they are carried at the lower of cost and NRV.

The amount of any inventory write-down to NRV or inventory losses are recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are recognised as an expense reduction.

The write-downs of \$125.833 million and reversal of previous write downs of \$12.285 million in 2018-19 are as a result of the annual review of the recoverable values of inventory and future cash flows for projects.

Renewal SA uses a discounted cash flow methodology to value its inventory balances associated with the Tonsley, Bowden and Lot Fourteen projects. In past years the cash flows used in these valuations included the CSO funding from Government as a positive cash flow. The Government has announced that from 1 July 2019, funding towards capital expenditure for Renewal SA's development projects will be provided in the form of contributions of equity rather than as Community Service Obligations (CSO). Equity contributions are not included in the discounted cash flow valuation as the nature of the payment is of the form of an owner's contribution to the organisation as a whole rather than being of the nature of funding to offset the capital cost of the particular project. The change in the nature of funding has resulted in a significant reduction in the carrying value of the Tonsley, Bowden and Lot Fourteen projects, which is reflected as a write down of inventory.

The year end valuation for the Lot Fourteen project as at 30 June 2019 has been assessed as negative \$99.872 million due to the demolition and remediation requirements for the site. Consequently, the inventory asset has been recorded as a zero value and a provision for future expenditure totalling \$99.872 million has been recorded (refer Note 31). The total impact on operating profit from the value change for this project is \$163.219 million for the financial year ended 30 June 2019.



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The total operating profit impact of the cessation of project CSOs in the financial year ending 30 June 2019 is \$194.8 million reported as inventory write down of \$94.928 million and recognition of provision for future development expenditure of \$99.872 million.

The following are specific recognition criteria:

## Land held for sale

Land held for sale is carried at the lower of cost or NRV. Costs comprise all direct material acquisition, development and holding costs offset by deferred Government grants relating to these costs. NRV is the estimated selling price in the ordinary course of business less both the estimated costs of completion and the estimated cost necessary to make the sale. Renewal SA reviews its inventory balances at balance date and writes off inventory where the NRV is less than the carrying amount. The NRV for land holdings at risk of being carried in excess of NRV was determined by an independent valuation of its market value less selling costs.

All land inventory is classified as a non-current asset unless its value is anticipated to be realised through sale within 12 months.

Where inventory was acquired at no or nominal consideration as part of a restructuring of administrative arrangements, the inventory was recorded at the value recorded by the transferor, immediately prior to transfer or fair value.

## Development Projects

Development Projects are large projects that require significant capital investment in order to realise revenue over an extended period of time. Development Projects are carried at the lower of cost or NRV. Costs comprise all direct material acquisition, development and holding costs offset by deferred Government grants relating to these costs. NRV is the estimated selling price in the ordinary course of business less both the estimated costs of completion and the estimated cost necessary to make the sale. Renewal SA reviews its inventory balances at balance date and writes off inventory where the NRV is less than the carrying amount. The NRV for land holdings at risk of being carried in excess of net realisable value was determined by an internal cash flow valuation based on the current delivery strategy for each project.

In determining the NRV via an internal valuation, the expected net cash flows from the development and sale of land, buildings and improvements in the ordinary course of business are discounted to their present values using a risk-adjusted discount rate. The rate is assessed annually having regard to appropriate risk factors.

The ordinary course of business delivery method and assumptions for each project could change due to market conditions or a change in policy or project strategy which could change the NRV. Where the NRV of a project is below the current inventory value, the difference is recognised as write down of inventory and an expense in the Statement of Comprehensive Income.

All development projects are classified as a non-current asset unless its value is anticipated to be realised through sale within 12 months.

## Note 24 Investment Properties

	2019 \$'000	2018 \$'000
<b>Freehold Land at Fair Value:</b>		
Independent valuation	234 600	193 739
<b>Total Freehold land at Fair Value</b>	<b>234 600</b>	<b>193 739</b>
<b>Buildings at Fair Value:</b>		
Independent valuation	471 930	522 421
<b>Total Buildings at Fair Value</b>	<b>471 930</b>	<b>522 421</b>
<b>Total Investment Properties</b>	<b>706 530</b>	<b>716 160</b>



# FINANCIAL STATEMENTS

## Movements in Carrying Amounts

	2019 \$'000	2018 \$'000
Freehold land at fair value:		
Carrying amount at the beginning of the period	193 739	198 099
Transfer from buildings at fair value	42 471	-
Transfer to finance receivable	( 2 150)	-
Disposals	( 1 200)	( 850)
Net gain / (loss) on fair value adjustments	1 740	( 3 510)
<b>Carrying Amount at the End of the Period</b>	<b>234 600</b>	<b>193 739</b>
Buildings at fair value:		
Carrying amount at the beginning of the period	522 421	521 406
Transfer to freehold land at fair value	( 42 471)	-
Disposals	( 200)	( 1 000)
Net gain / (loss) on fair value adjustments	( 7 820)	2 015
<b>Carrying Amount at the End of the Period</b>	<b>471 930</b>	<b>522 421</b>
<b>Total Carrying Amount at the End of the Period</b>	<b>706 530</b>	<b>716 160</b>

## Amounts Recognised in the Statement of Comprehensive Income

Property Income (refer to Note 13)	70 093	68 912
Direct operating expenses arising from investment properties that generated rental income (refer Note 16)	( 4 677)	( 4 529)
Direct operating expenses arising from investment properties that did not generate rental income (refer Note 16)	( 12)	( 11)
<b>Total Amount Recognised in the Statement of Comprehensive Income</b>	<b>65 404</b>	<b>64 372</b>

Investment properties are held to earn rentals and/or for capital appreciation purposes.

Investment properties are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to Renewal SA.

Subsequent to initial recognition at cost, investment properties are revalued to fair value with changes in the fair value recognised as income or expense in the period that they arise. Investment properties are not depreciated.

Rental income from the leasing of investment properties is recognised in the Statement of Comprehensive Income as part of property income, on a straight line basis over the lease term.

Any gains or losses on the sale of investment property are recognised in the Statement of Comprehensive Income in the year of sale.

The reallocation between land and buildings of \$42.471 million relates to a correction of the allocation of prior year movements in asset values for the TAFE properties.

TAFE SA properties with a value of \$601.1 million are expected to be transferred to the general government sector in 2019-20. Refer to note 39.

## Valuation Basis

An independent valuation of all Renewal SA's investment properties was conducted as at 30 June 2019. Valuations of all investment properties were undertaken by qualified Certified Practising Valuers with extensive experience in the local market with equivalent properties. Valuations were carried out in accordance with the relevant provisions of the *Australian Property Institute of Australia and New Zealand's Valuation and Property Standards* and as per *AASB 140 Investment Property*. The valuer arrived at fair value using either the direct comparison, capitalisation of net income, depreciated replacement cost or discounted cash flow approach.



# FINANCIAL STATEMENTS

## Note 25 Property, Plant and Equipment

	2019	2018
	\$'000	\$'000
<b>Leasehold Improvements</b>		
At cost (deemed fair value)	3 162	3 162
Accumulated amortisation	( 2 445)	( 2 107)
<b>Total Leasehold Improvements</b>	<b>717</b>	<b>1 055</b>
<b>Plant and Equipment</b>		
At cost (deemed fair value)	1 703	1 277
Accumulated depreciation	( 588)	( 458)
<b>Total Plant and Equipment</b>	<b>1 115</b>	<b>819</b>
Total property, plant and equipment at cost (deemed fair value)	4 865	4 439
Total accumulated depreciation	( 3 033)	( 2 565)
<b>Total Property, Plant and Equipment</b>	<b>1 832</b>	<b>1 874</b>
<b>Movements in Carrying Amounts</b>		
	2019	2018
	\$'000	\$'000
Leasehold Improvements:		
Carrying amount at the beginning of the period	1 055	1 392
Amortisation	( 338)	( 337)
<b>Carrying Amount at the End of the Period</b>	<b>717</b>	<b>1 055</b>
Plant and Equipment:		
Carrying amount at the beginning of the period	819	669
Additions	476	308
Depreciation	( 180)	( 158)
<b>Carrying Amount at the End of the Period</b>	<b>1 115</b>	<b>819</b>
<b>Total Property, Plant and Equipment</b>	<b>1 832</b>	<b>1 874</b>

### Carrying Amount of Leasehold Improvements and Plant and Equipment

The carrying value of these items are deemed to approximate fair value. These assets are classified in level 3, of the fair value hierarchy, as there has been no subsequent adjustments to their value, except for management assumptions about the assets' condition and remaining useful life.

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

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

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimate.



# FINANCIAL STATEMENTS

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	Depreciation Method	Useful Life (Years)
Leasehold improvements	Straight Line	Life of lease
Plant and equipment	Straight Line	5 - 10 years
Furniture and fittings	Straight Line	5 - 10 years
Computer equipment	Straight Line	5 years

## Impairment

There were no indications of impairment of leasehold improvements or plant and equipment as at 30 June 2019.

## Note 26 Net Gain/(Loss) from Changes in Value of Non-Current Assets

A reconciliation of the net (loss)/gain from changes in the values of non-current assets as follows:

	Note	2019 \$'000	2018 \$'000
<b>Inventories</b>			
Inventory write down	23	( 125 833)	( 4 754)
Reversal of inventory write down	23	12 285	8 690
Provision for future development expenditure	31	( 99 872)	-
<b>Total Gain/(Loss) from Changes in Value of Inventories</b>		<b>( 213 420)</b>	<b>3 936</b>
<b>Investment property</b>			
Net gain/(loss) on freehold land fair value adjustments	24	1 740	( 3 509)
Net gain/(loss) on building fair value adjustments	24	( 7 820)	2 015
<b>Total Gain/(Loss) from Changes in Value of Investment Property</b>		<b>( 6 080)</b>	<b>( 1 494)</b>
<b>Total Net Gain/(Loss) from Changes in Value of Non-Current Assets</b>		<b>( 219 500)</b>	<b>2 442</b>

## Note 27 Fair Value Measurement

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

Renewal SA classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 - traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 - not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3 - not traded in an active market and are derived from unobservable inputs.



# FINANCIAL STATEMENTS

## Fair Value Hierarchy

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

### Fair Value Measurements at 30 June 2019

	2019 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Recurring Fair Value Measurement</b>			
Investment properties (Note 24)	706 530	706 530	-
Leasehold improvements (Note 25)	717	-	717
Plant and equipment (Note 25)	1 115	-	1 115
<b>Total Recurring Fair Value Measurements</b>	<b>708 362</b>	<b>706 530</b>	<b>1 832</b>

### Fair Value Measurements at 30 June 2018

	2018 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Recurring Fair Value Measurement</b>			
Investment properties (Note 24)	716 160	716 160	-
Leasehold improvements (Note 25)	1 055	-	1 055
Plant and equipment (Note 25)	819	-	819
<b>Total Recurring Fair Value Measurements</b>	<b>718 034</b>	<b>716 160</b>	<b>1 874</b>

Renewal SA's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. During 2018 and 2019, Renewal SA had no valuations categorised into level 1 and there were no transfers of assets between level 1 and 2 fair value hierarchy levels during the financial year.

## Valuation Techniques and Inputs

Refer to Notes 24 and 25 for valuation techniques and inputs used to derive level 2 and 3 fair values. During 2018 and 2019 there were no changes in valuation techniques. Although unobservable inputs were used in determining fair value, and are subjective, Renewal SA considers that the overall valuation would not be materially affected by changes to the existing assumptions. The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3).

### Reconciliation of Level 3 Recurring Fair Value Measurements as at 30 June 2019

	Leasehold Improvements \$'000	Plant & Equipment \$'000
<b>Opening Balance at the Beginning of the Period</b>	1 055	819
Acquisitions	-	476
Total gains (losses) for the period recognised in net result:		
Depreciation and amortisation expenses	( 338)	( 180)
<b>Carrying Amount at the End of the Period</b>	<b>717</b>	<b>1 115</b>

### Reconciliation of Level 3 Recurring Fair Value Measurements as at 30 June 2018

	Leasehold Improvements \$'000	Plant & Equipment \$'000
<b>Opening Balance at the Beginning of the Period</b>	1 392	669
Acquisitions	-	308
Total gains (losses) for the period recognised in net result:		
Depreciation and amortisation expenses	( 337)	( 158)
<b>Carrying Amount at the End of the Period</b>	<b>1 055</b>	<b>819</b>



# FINANCIAL STATEMENTS

## Note 28 Payables

	2019	2018
	\$'000	\$'000
<b>Current</b>		
Trade creditors	2 899	5 470
Sundry creditors and accrued expenses	18 385	11 741
GST payable	-	3 455
Parental leave scheme	10	-
Employment on costs	408	709
<b>Total Current Payables</b>	<b>21 702</b>	<b>21 375</b>
<b>Non-Current</b>		
Employment on costs	333	617
Sundry creditors and accrued expenses	7 122	7 255
<b>Total Non-Current Payables</b>	<b>7 455</b>	<b>7 872</b>
<b>Total Payables</b>	<b>29 157</b>	<b>29 247</b>

Payables include creditors, accrued expenses, employment on-costs and Paid Parental Leave Scheme payable.

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of Renewal SA.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received. The balance of Sundry creditors and accrued expenses has increased this year primarily due to an increase in the level of expenditure on development projects.

The Paid Parental Leave Scheme payable represents amounts which Renewal SA has received from the Commonwealth Government to forward onto eligible employees via Renewal SA's standard payroll processes. Renewal SA acts as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

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

Renewal SA makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to various superannuation schemes.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave was 41% (2018: 41%) and the average factor for the calculation of employer superannuation on-costs was 9.8% (2018: 9.9%). These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is an increase in the employment on-cost and employee benefits expense of \$0.003 million.

### Interest Rate and Credit Risk

Creditors and accruals are raised for all amounts incurred but unpaid. Sundry creditors are normally settled within 30 days. Employment on-costs are settled when the respective employee benefits that they relate to are discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

### Categorisation of Financial Instruments and Maturity Analysis of Payables

Refer to table in Note 38.

### Risk Exposure Information

Refer to table in Note 38.



# FINANCIAL STATEMENTS

## Note 29 Borrowings

	2019 \$'000	2018 \$'000
<b>Current</b>		
Loans - South Australian Government Financing Authority (a)	6 401	618
Loans - South Australian Government Financing Authority (b)	264 151	173 600
<b>Total Current Borrowings</b>	<b>270 552</b>	<b>174 218</b>
<b>Non-Current</b>		
Loans - South Australian Government Financing Authority (a)	-	6 401
Loans - South Australian Government Financing Authority (b)	633 150	713 701
<b>Total Non-Current Borrowings</b>	<b>633 150</b>	<b>720 102</b>
<b>Total Borrowings</b>	<b>903 702</b>	<b>894 320</b>

Renewal SA measures financial liabilities including borrowings/debt at historical cost. Financial liabilities that are due to mature within 12 months after the reporting date have been classified as current liabilities. All other financial liabilities are classified as non-current.

(a) Comprises borrowings from the South Australian Government Financing Authority (SAFA) in respect of funding for industrial and commercial construction projects under the Premises SA Scheme.

(b) Comprises borrowings from SAFA in respect of other activities of Renewal SA.

Borrowings are recognised at cost and have fixed maturity dates. The interest rate is determined by the Treasurer. The interest rate varied between 1.65% and 6.2% in 2019. (1.9% and 6.2% in 2018).

### Categorisation of Financial Instruments and Maturity Analysis of Borrowings

Refer to table in Note 38.

### Risk Exposure Information

Refer to Note 38.

### Defaults and Breaches

There were no defaults or breaches on any of the above borrowings during the year.

## Note 30 Unearned Income

	2019 \$'000	2018 \$'000
<b>Current</b>		
Unearned income	3 554	6 287
<b>Total Current Unearned Income</b>	<b>3 554</b>	<b>6 287</b>
<b>Non-Current</b>		
Unearned income	15 313	15 530
<b>Total Non-Current Unearned Income</b>	<b>15 313</b>	<b>15 530</b>
<b>Total Unearned Income</b>	<b>18 867</b>	<b>21 817</b>

Unearned income includes rental income and revenues from SA Government received in advance. Rental income from the leasing of inventories and investment properties is recognised in the Statement of Comprehensive Income as part of property income, on a straight-line basis or a constant periodic rate of return. Government grants relating to costs are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate.

Unearned income includes rental income of \$14.143 million (2018: \$21.554 million) and revenues from SA Government of \$4.724 million (2018: \$0.263 million) received in advance.



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## Movements in Carrying Amounts

	2019	2018
	\$'000	\$'000
Carrying amount at the beginning of the period	21 817	10 995
Received during the year	5 243	16 844
Recognised in the statement of comprehensive income	( 8 193)	( 6 022)
<b>Carrying Amount at the End of the Period</b>	<b>18 867</b>	<b>21 817</b>

## Note 31 Provisions

	2019	2018
	\$'000	\$'000
<b>Current</b>		
Provision for workers compensation	24	15
Provision for income tax equivalent	-	4 519
Provision for future development expenditure	101 276	-
Provision for legal claim	-	1 250
<b>Total Current Provisions</b>	<b>101 300</b>	<b>5 784</b>
<b>Non-Current</b>		
Provision for workers compensation	37	23
<b>Total Non-Current Provisions</b>	<b>37</b>	<b>23</b>
<b>Total Provisions</b>	<b>101 337</b>	<b>5 807</b>

## Movements in Carrying Amounts

	2019	2018
	\$'000	\$'000
<b>Provision for workers compensation</b>		
Carrying amount at the beginning of the period	38	360
Increase/(Decrease) in provisions recognised	23	( 266)
Reductions arising from payments	-	( 56)
<b>Carrying Amount at the End of the Period</b>	<b>61</b>	<b>38</b>
<b>Provision for income tax equivalent</b>		
Carrying amount at the beginning of the period	4 519	-
Additional provisions recognised	-	4 519
Reductions arising from payments	( 4 519)	-
<b>Carrying Amount at the End of the Period</b>	<b>-</b>	<b>4 519</b>
<b>Provision for future development expenditure and legal claim</b>		
Carrying amount at the beginning of the period	1 250	-
increase in provision for legal claim	-	1 250
Increase in provision for inventory development expenditure	99 872	-
Increase in provision for lease development expenditure	1 404	-
Reductions arising from payments	( 1 250)	-
<b>Carrying Amount at the End of the Period</b>	<b>101 276</b>	<b>1 250</b>
<b>Total Provisions</b>	<b>101 337</b>	<b>5 807</b>

Provisions are recognised when Renewal SA has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation, consistent with the requirements of AASB 137 – Provisions, Contingent Liabilities and Contingent Assets.



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Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

Renewal SA has recognised a provision of \$99.872 million being the discounted future negative cash flows relating to its obligations under the Lot Fourteen development project. This is because it is probable that an outflow of resources will be required, evidenced by the State Government's public commitments to developing the Lot Fourteen site. This commitment to developing the site is supported by the City Deal between the State Government, Commonwealth Government and the City of Adelaide. As at 30 June 2019 the carrying balance recorded in inventory for Lot Fourteen is zero. The business delivery method and assumptions for estimating the Lot Fourteen provision could change due to market conditions, government policy or delivery strategy.

Renewal SA uses a discounted cash flow methodology to value its inventory balances associated with the Lot Fourteen project. In past years the cash flows used in project the valuation included the CSO funding from Government as a positive cash flow. The Government has announced that from 1 July 2019 funding towards capital expenditure for Renewal SA's development projects will be provided in the form of contributions of equity rather than as Community Service Obligations (CSO). Equity contributions are not included in the discounted cash flow valuation as the nature of the payment is of the form of an owner's contribution to the organisation as a whole rather than being of the nature of funding to offset the capital cost of the particular project. The change in the nature of funding has resulted in a significant reduction in the carrying value of the Lot Fourteen project, and the subsequent recognition of a provision for future development expenditure.

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2019 provided by a consulting actuary engaged through the Office of the Commissioner for the Public Sector. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

In accordance with Treasurer's Instructions issued under the *Public Finance and Audit Act 1987*, Renewal SA is required to pay to the SA Government an income tax equivalent. The income tax equivalent liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate (presently 30%) be applied to the profit for the reporting period. Renewal SA made an operating loss for the year ended 30 June 2019 and therefore no income tax equivalent was payable in that reporting period.

A provision of \$1.404 million has been recognised for future development expenditure relating to finance leased assets.

Renewal SA has settled the provision raised in June 2018 for \$1.25 million relating to a legal claim.

## Note 32 Other Liabilities

	2019 \$'000	2018 \$'000
<b>Current</b>		
Funds held in trust	-	306
Security deposits	152	152
<b>Total Current Other Liabilities</b>	<b>152</b>	<b>458</b>
<b>Total Other Liabilities</b>	<b>152</b>	<b>458</b>

In October 2018, the Minister for Transport, Infrastructure and Local Government approved the transfer of funds held in trust relating to the Cheltenham Open Space Trust account to Renewal SA for specified projects.

Security deposits are cash bonds held relating to property leases.



# FINANCIAL STATEMENTS

## Note 33 Cash Flow Reconciliation

	2019	2018
	\$'000	\$'000
<b>Reconciliation of Cash and Cash Equivalents at the End of the Reporting Period:</b>		
Statement of Cash Flows	21 083	42 050
Statement of Financial Position	21 083	42 050
<b>Reconciliation of profit/(loss) after income tax equivalent to net cash provided by/(used in) operating activities:</b>		
(Loss)/Profit after income tax equivalent	( 206 323)	20 575
	( 206 323)	20 575
<b>Add/Less Non Cash Items</b>		
Inventories write down	125 833	4 754
Transfers from inventories	3 756	-
Adjustments from administrative restructure	2 014	( 325)
Depreciation and amortisation	518	495
Provision for doubtful debts	594	325
Transfers from investment properties	2 150	-
Share of net profits of joint ventures	( 2 166)	( 1 110)
Provision adjustment	-	5 503
Net gain on disposal of investment property	( 400)	( 250)
Reversal of inventories write-down	( 12 285)	( 8 690)
Investment property net loss on fair value adjustments	6 080	1 495
	126 094	2 197
<b>Movements in Assets / Liabilities</b>		
(Increase)/Decrease in other receivables	( 4 158)	4 119
(Increase)/Decrease in prepayments	4	4 452
(Increase)/Decrease in inventories	( 49 559)	3 352
Increase/(Decrease) in payables	( 90)	7 942
Increase/(Decrease) in unearned income	( 2 950)	10 822
Increase/(Decrease) in provisions	95 530	( 56)
Increase/(Decrease) in employee benefits	( 4 970)	411
Increase/(Decrease) in other liabilities	( 306)	156
	33 501	31 198
<b>Net Cash (Used in)/Provided by Operating Activities</b>	<b>( 46 728)</b>	<b>53 970</b>

## Note 34 Changes in Accounting Policy

### 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



# FINANCIAL STATEMENTS

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 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 37.

## **AASB 15 Revenue from Contracts with Customers**

AASB 15 Revenue from Contracts with Customers is applied for the first time beginning 1 July 2018 and replaces AASB 18 Revenue and related interpretations. The objective of AASB 15 is that the recognition of revenue depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which Renewal SA expects to be entitled in exchange for those goods and services. It provides extensive guidance as to how to apply this revenue recognition approach to a range of scenarios.

AASB 15 allows a cumulative approach instead of a full retrospective application. The cumulative effect of applying the standard was \$1.798 million and is recognised as a reduction to retained earnings at the date of initial application and a corresponding increase to unearned revenue.

## **AASB 9 Financial Instruments**

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

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

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

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

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

## **Impairment of Financial Assets**

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

- trade receivables from provisions of services

## **Trade Receivables**

New impairment requirements result in a provision being applied to all receivables rather than only on those receivables that are credit impaired. Renewal SA has adopted the simplified approach under AASB 9 Financial Instruments and measured lifetime expected credit losses on all trade receivables.

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



# FINANCIAL STATEMENTS

## Note 35 Unrecognised Contractual Commitments

	2019	2018
	\$'000	\$'000
<b>Operating Lease Receivables</b>		
Future minimum rental revenues under non-cancellable operating property leases held but not provided for:		
Due within one year	66 785	64 326
Due later than one year not longer than five years	248 295	257 391
Due later than five years	509 898	567 300
<b>Total Operating Lease Receivables</b>	<b>824 978</b>	<b>889 017</b>

These amounts comprise of property leases including TAFE SA. In 2019-20, a number of TAFE SA properties will transfer from Renewal SA which is expected to significantly reduce the operating lease receivables in that year. Refer to Note 39.

	2019	2018
	\$'000	\$'000
<b>Operating Lease Payables</b>		
Non-cancellable operating leases contracted but not provided for:		
Payable within one year	1 458	1 462
Payable later than one year not longer than five years	6 064	2 417
Payable later than five years	2 349	-
<b>Total Operating Lease Payables</b>	<b>9 871</b>	<b>3 879</b>

These amounts comprise of property leases and leases for motor vehicles. The property leases are non-cancellable over varying terms up to seven years, with rent payable monthly in advance. Motor vehicles are leased over varying terms up to three years.

	2019	2018
	\$'000	\$'000
<b>Capital and Operating Expenditure Commitments</b>		
Payable within one year	96 187	14 371
Payable later than one year not longer than five years	17 095	340
Payable later than five years	286	2 793
<b>Total Capital and Operating Expenditure Commitments:</b>	<b>113 568</b>	<b>17 504</b>

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

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

## Note 36 Contingent Assets and Liabilities

### Contingents Assets

There were no contingent assets as at balance date.

### Contingent Liabilities

Renewal SA has a potential liability to a developer of up to \$0.3 million (being maximum of \$0.1 million for each of the three stages of the development) for soil disposal costs if the soil on site is discovered to be unsuitable for the Renewal SA Soil Bank.



# FINANCIAL STATEMENTS

## Note 37 Impact of Standards and Statements not yet Effective

Renewal SA 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. There are no Accounting Policy Statements that are not yet effective.

The material impacts on Renewal SA are outlined below.

### AASB 16 – Leases

Renewal SA 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 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

#### Impact on 2019-20 Statements

Renewal SA 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.

AASB 16 is expected to have a material impact on the Statement of Financial Position. Renewal SA 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 Renewal SA prior to 1 July 2019. The incremental borrowing rates applied to estimate the lease liability are the Department of Treasury and Finance's incremental borrowing rates at 1 July 2019.

The estimated impact is set out below.

	as at 1 July 2019 \$'000
<b>Assets</b>	
Right of Use Assets	8,277
<b>Total Assets</b>	<b>8,277</b>
<b>Liabilities</b>	
Lease liabilities	8,277
<b>Total Liabilities</b>	<b>8,277</b>
<b>Net Impact on Equity</b>	<b>-</b>



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The amounts disclosed are current estimates only. Renewal SA is continuing to refine its calculations of lease assets and liabilities for 2019-20 financial reporting purposes and expects that those 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-of-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
Interest	206
Depreciation	1,324
<b>Gross impact on net cost of providing services</b>	<b>1,530</b>
Existing operating lease treatment	1,281
<b>Net impact on net cost of providing services</b>	<b>( 249)</b>

## Related Accounting Policies

The *Treasurer's Instructions (Accounting Policy Statements) 2019* sets out the key requirements that Renewal SA must adopt for the transition from AASB 117 Leases to AASB 16 Leases. These requirements include that Renewal SA 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 Renewal SA 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 Renewal SA to further its objectives, unless they have already been recorded at fair-value prior to 1 July 2019.



# FINANCIAL STATEMENTS

## Note 38 Financial Instruments Disclosure/Financial Risk Management

### Financial Risk Management

Renewal SA is exposed to a variety of financial risks, i.e. market risk, credit risk and liquidity risk. There have been no changes to risk exposure since the last reporting period, and due to the nature of financial instruments held, the financial risks are low.

Renewal SA's risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the *Australian Standard Risk Management Principles and Guidelines*.

### Liquidity Risk

Renewal SA has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (deposits with the Treasurer and SAFA) and interest bearing liabilities (borrowings from the SA Government).

Liquidity risk arises from the possibility that Renewal SA is unable to meet its financial obligations as they fall due. Renewal SA settles undisputed accounts within 30 days from the date of the invoice or the date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

Renewal SA's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

### Market Risk

Renewal SA does not trade in foreign currency, nor enter into transactions for speculative purposes, nor for hedging. Market risk for Renewal SA is primarily through price risk. Prices for residential, industrial and commercial property have been depressed as a consequence of slow market conditions within the local South Australian and Adelaide markets.

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

### Credit Risk

Renewal SA has no significant concentration of credit risk. Renewal SA has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. No collateral is held as security and no credit enhancements relate to financial assets held by Renewal SA.

### Impairment of Financial Assets

Loss allowances for receivables are measured at an amount equal to the lifetime expected credit loss using the simplified approach in AASB 9.

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

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



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

	Overdue < 30 Days \$'000	Overdue 30 - 60 Days \$'000	Overdue > 60 Days \$'000	Carrying Amount \$'000
<b>2019</b>				
Not impaired:				
Receivables	668	1 319	815	2 802
Impaired:				
Receivables	46	68	3 961	4 075
<b>Receivables at 30 June 2019</b>	<b>714</b>	<b>1 387</b>	<b>4 776</b>	<b>6 877</b>
<b>2018</b>				
Not impaired:				
Receivables	664	9	296	969
Impaired:				
Receivables	86	2	3 664	3 752
<b>Receivables at 30 June 2018</b>	<b>750</b>	<b>11</b>	<b>3 960</b>	<b>4 721</b>

The following table discloses information about the exposure to credit risk and ECL for non-government debtors.

	Gross carrying amount \$'000	Loss %	Lifetime expected losses \$'000
Current (not past due)	1 109	0.5	6
1 - 30 days past due	301	0.5	2
31 - 60 days past due	307	0.5	6
61 - 90 days past due	732	0.5	4
More than 90 days past due	82	0.5	0
<b>Loss Allowance</b>	<b>2 531</b>		<b>18</b>

Loss rates are based on actual history of credit loss, these rates have been adjusted to reflect the differences between previous economic conditions, current economic conditions, and Renewal SA's view on the forecast economic conditions over the expected life of the receivable.

Impairment losses are presented as net impairment losses within net resulted, subsequent recoveries of amounts previously written off are credited against the same line item.

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 a payment plan and failure to make contractual payments.

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

## 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 respective notes.

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

The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these.

Borrowings are initially recognised at fair value plus any transaction costs attributable to the borrowings, and subsequently held at amortised cost. For the majority of borrowings, their fair values are not materially different from their carrying amounts, since the interest payable on these borrowings is either close to current market rates or the borrowings are of a short-term nature.



# FINANCIAL STATEMENTS

## Classification Applicable from 1 July 2018 under AASB 9 Financial Instruments

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

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

- It is held within a business 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 and interest only on the principal amount outstanding.

Renewal SA measures all financial instruments at amortised cost.

		Carrying Amount	2019 Contractual Maturities			Fair Value
	Note	\$'000	< 1 year \$'000	1-5 years \$'000	> 5 years \$'000	\$'000
<b>2019</b>						
<b>Financial Assets:</b>						
Cash and cash equivalents	21	21 083	21 083	-	-	21 083
Loans and receivables:						
Receivables	22	17 956	9 092	8 864	-	17 956
Allowance for doubtful debts	22	(4 388)	(4 139)	(249)	-	(4 388)
<b>Total Financial Assets</b>		<b>34 651</b>	<b>26 036</b>	<b>8 615</b>	<b>-</b>	<b>34 651</b>
<b>Financial Liabilities:</b>						
Financial liabilities at cost:						
Payables	28	28 194	21 072	7 122	-	28 194
Borrowings	29	903 702	270 552	283 150	350 000	815 276
<b>Total Financial Liabilities</b>		<b>931 896</b>	<b>291 624</b>	<b>290 272</b>	<b>350 000</b>	<b>843 470</b>
<b>Net Financial Assets/(Liabilities)</b>		<b>(897 245)</b>	<b>(265 588)</b>	<b>(281 657)</b>	<b>(350 000)</b>	<b>(808 819)</b>

		Carrying Amount	2018 Contractual Maturities			Fair Value
	Note	\$'000	< 1 year \$'000	1-5 years \$'000	> 5 years \$'000	\$'000
<b>2018</b>						
<b>Financial Assets:</b>						
Cash and cash equivalents	21	42 050	42 050	-	-	42 050
Loans and receivables:						
Receivables	22	10 040	6 165	697	3 178	9 406
Allowance for doubtful debts	22	(3 794)	(3 794)	-	-	(3 794)
<b>Total Financial Assets</b>		<b>48 296</b>	<b>44 421</b>	<b>697</b>	<b>3 178</b>	<b>47 662</b>
<b>Financial Liabilities:</b>						
Financial liabilities at cost:						
Payables	28	24 268	17 013	7 255	-	24 268
Borrowings	29	894 320	174 218	370 102	350 000	758 775
<b>Total Financial Liabilities</b>		<b>918 588</b>	<b>191 231</b>	<b>377 357</b>	<b>350 000</b>	<b>783 043</b>
<b>Net Financial Assets/(Liabilities)</b>		<b>(870 292)</b>	<b>(146 810)</b>	<b>(376 660)</b>	<b>(346 822)</b>	<b>(735 381)</b>



# FINANCIAL STATEMENTS

## **Receivables and Payables**

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

## **Note 39 Events After Reporting Period**

### **Transfer of TAFE SA Properties to the General Government Sector**

As part of the 2019-20 State Budget the Government announced the transfer of a number of TAFE properties owned by Renewal SA to the general government sector for a value of \$601.1 million, which is Renewal SA's carrying value as at 30 June 2019. This transfer is expected to be completed in the 2019-20 financial year and will result in a reduction of borrowings for the same amount.

# FINANCIAL STATEMENTS

## CERTIFICATION OF THE FINANCIAL STATEMENTS

We certify that the attached general purpose financial statements for the Urban Renewal Authority (trading as Renewal SA):

- comply with relevant Treasurer's Instructions issued under Section 41 of the *Public and Finance Audit Act 1987*, and relevant Australian Accounting Standards;
  - are in accordance with the accounts and records of the Urban Renewal Authority; and
  - present a true and fair view of the financial position of the Urban Renewal Authority as at 30 June 2019 and the results of its operations and cash flows for the financial year.
- Internal controls employed by the Urban Renewal Authority for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the financial year and there are reasonable grounds to believe the Urban Renewal Authority will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Urban Renewal Authority Audit and Risk Committee.



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M DEVINE  
A/ CHIEF EXECUTIVE

10 September 2019



.....  
D DE LUCA  
GENERAL MANAGER,  
CORPORATE SERVICES

10 September 2019



.....  
C TRAGAKIS  
PRESIDING MEMBER

10 September 2019