Urban Renewal Authority

Financial report
for the year ended
30 June 2020

INDEPENDENT AUDITOR'S REPORT

Government of South Australia
Auditor-General's Department

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To the Presiding Member
Urban Renewal Authority

Opinion

I have audited the financial report of Urban Renewal Authority for the financial year ended 30 June 2020.

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 2020, its financial performance and its cash flows for the year then ended in accordance with relevant 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 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member, the 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* (including Independence Standards) have been met.

I believe that the audit evidence I have 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 relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 27(4) of the *Urban Renewal Act 1995*, I have audited the financial report of Urban Renewal Authority for the financial year ended 30 June 2020.

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.

Andrew Richardson
Auditor-General
22 September 2020

RENEWAL SA

FINANCIAL STATEMENTS

For the year ended 30 June 2020

RenewalSA

Government of South Australia

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2020

	Note No.	2020 $'000	2019 $'000
Income			
Revenue from sales	9	**62 567**	66 755
Less: cost of sales	9	**36 489**	41 195
Gross Profit from Sales		**26 078**	25 560
Share of net profit in joint ventures	10	**844**	2 166
Revenues from SA Government	11	**6 267**	8 239
Interest revenues	12	**711**	975
Property income	13	**45 493**	81 141
Other revenues	14	**1 755**	2 216
Net gain from disposal of non-current assets	15	**-**	400
Total Other Income		**55 070**	95 137
Total Income		**81 148**	120 697
Expenses			
Employee benefits expenses	7	**14 573**	15 780
Operating expenditure	16	**49 559**	49 939
Bad and doubtful debts expense	20	**1 311**	600
Borrowing costs	17	**89 356**	40 683
Depreciation and amortisation	23	**1 903**	518
Net loss from changes in value of non-current assets/provision for development expenditure	24	**36 761**	219 500
Total Expenses		**193 463**	327 020
Profit/(Loss) Before Income Tax Equivalent		**(112 315)**	(206 323)
Total Comprehensive Result		**(112 315)**	(206 323)

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.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Note No.	2020 $'000	2019 $'000
Current Assets			
Cash and cash equivalents	19	**11 236**	21 083
Receivables	20	**5 080**	5 698
Inventories	21	**74 702**	68 402
Investment in joint ventures	10	**3 246**	3 345
Total Current Assets		**94 264**	98 528
Non-Current Assets			
Receivables	20	**13 142**	8 615
Inventories	21	**162 002**	178 920
Investment properties	22	**77 590**	706 530
Property, plant and equipment	23	**15 780**	1 832
Investment in joint ventures	10	**659**	716
Total Non-Current Assets		**269 173**	896 613
Total Assets		**363 437**	995 141
Current Liabilities			
Payables	26	**11 667**	21 702
Unearned income	28	**2 817**	3 554
Financial liabilities	27	**256 113**	270 552
Provisions	29	**27 137**	101 300
Employee benefits	8	**2 880**	2 247
Other liabilities	30	**152**	152
Total Current Liabilities		**300 766**	399 507
Non-Current Liabilities			
Payables	26	**9 119**	7 455
Unearned income	28	**14 865**	15 313
Financial liabilities	27	**86 357**	633 150
Provisions	29	**48**	37
Employee benefits	8	**2 963**	3 627
Total Non-Current Liabilities		**113 352**	659 582
Total Liabilities		**414 118**	1 059 089
Net Assets		**(50 681)**	(63 948)
Equity			
Contributed capital		**509 188**	381 857
Retained earnings		**(559 869)**	(445 805)
Total Equity		**(50 681)**	(63 948)
The total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	33		
Contingent assets and liabilities	34		

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

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2020

	Note No.	Contributed Capital '$000	Retained Earnings '$000	Total '$000
Balance as at 30 June 2018		356 857	(230 551)	126 306
Total Comprehensive Result for 2018-19		-	(206 323)	(206 323)
Adjustment on adoption of new accounting standards		-	(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		-	3 812	3 812
Dividends paid	18	-	(10 945)	(10 945)
Balance as at 30 June 2019		381 857	(445 805)	(63 948)
Total Comprehensive Result for 2019-20		**-**	**(112 315)**	**(112 315)**
Transactions with the SA Government in their capacity as owners:				
Equity contribution		**127 331**	**-**	**127 331**
Dividends paid	18	**-**	**(1 749)**	**(1 749)**
Balance as at 30 June 2020		**509 188**	**(559 869)**	**(50 681)**

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

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

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2020

	Note No.	2020 $'000	2019 $'000
Cash Flows from Operating Activities			
Cash Inflows			
Receipts from sales		**63 876**	67 452
Receipts from tenants (rent and recoveries)		**44 926**	80 088
Receipts from SA Government		**6 267**	26 301
Interest received		**270**	495
Recoveries and sundry receipts		**806**	4 672
Cash Generated from Operations		**116 145**	179 008
Cash Outflows			
Payments for land purchase and development		**(107 157)**	(104 168)
Payments in the course of operations for supplies and services		**(78 148)**	(71 218)
Interest paid		**(92 522)**	(41 044)
Income tax equivalent paid		**-**	(4 519)
GST paid to the ATO		**(58 780)**	(4 787)
Cash Used in Operations		**(336 607)**	(225 736)
Net Cash Used In Operating Activities	31	**(220 462)**	(46 728)
Cash Flows from Investing Activities			
Cash Inflows			
Distributions of profit by joint ventures		**1 000**	1 000
Proceeds from the sale of investment properties		**661 243**	1 800
Cash Generated from Investing Activities		**662 243**	2 800
Cash Outflows			
Purchase of plant and equipment		**(175)**	(476)
Cash Used in Investing Activities		**(175)**	(476)
Net Cash provided by Investing Activities		**662 068**	2 324
Cash Flows from Financing Activities			
Cash Inflows			
Equity contributions received from the SA Government		**127 331**	25 000
Proceeds from borrowings		**226 152**	183 600
Cash Generated from Financing Activities		**353 483**	208 600
Cash Outflows			
Repayment of borrowings		**(803 187)**	(174 218)
Dividends paid to SA Government		**(1 749)**	(10 945)
Cash Used in Financing Activities		**(804 936)**	(185 163)
Net Cash (Used in)/Provided by Financing Activities		**(451 453)**	23 437
Net (Decrease)/Increase in Cash Held		**(9 847)**	(20 967)
Cash at the beginning of the financial year		**21 083**	42 050
Cash at the End of the Financial Year	19	**11 236**	21 083

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.

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 2020 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.

Renewal SA recorded operating losses for the reporting periods ending 30 June 2019 and 30 June 2020 and therefore no income tax equivalent was paid/payable.

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.

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 2020, the financial statements reported a net asset deficiency of $50.6 million. 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 2020 would be significantly improved.

In accordance with Section 24 of the *Urban Renewal Act 1995*, all borrowings of Renewal SA are guaranteed by the Treasurer.

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.

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 22, 23 and 25 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.

Impact of Covid-19 Pandemic
Renewal SA has undertaken external valuations and/or undertaken impairment tests for its property holdings as at 30 June 2020. These valuations and impairment tests incorporate known impacts from the current economic conditions on the value of the properties as at that date. Limited evidence exists regarding the impact of the Covid-19 pandemic and resulting government stimulus measures on the Adelaide property market moving forward and the future impact on property values is uncertain.

In accordance with South Australian Government policy, Renewal SA provided rent relief to tenants that were severely impacted by the pandemic during the financial year. Renewal SA received funding from the State Government through the Business and Jobs Support Fund to compensate for rent relief provided, resulting in no net impact on Renewal SA's operating result.

In accordance with the *Covid-19 Emergency Response Act 2020*, Renewal SA was not able to recover land tax totaling $0.238 million from the tenants that were severely impacted by the pandemic, during the financial year.

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.

There were no transferred functions received/provided by Renewal SA for the financial year ending 30 June 2020.

Note 4 Significant Transactions with Government Related Entities

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

Rental income of $22.5 million was received from the Department of State Development relating to a portfolio of TAFE properties.

In November 2019, the portfolio of TAFE properties were sold to TAFE SA for $601.1 million. As part of the sale, the South Australian Treasurer assumed loans with a face value of $400 million from Renewal SA. These loans were revalued to market value of $469 million immediately prior to their assumption by the Treasurer, resulting in a debt revaluation expense for Renewal SA of $69 million. An equity contribution of $60 million was provided to Renewal SA by the Government to offset the increase in gearing resulting from this revaluation.

Equity contributions of $127.331 million and Community Service Obligation funding of $5.234 million (refer Note 11) were received from the Department of Treasury and Finance during the financial year.

In June 2020, the multistorey carpark on Lot Fourteen was transferred to Renewal SA from the Department of Health and Wellbeing. As part of the transfer, Renewal SA assumed responsibility for the contractual arrangements with the carpark financier and operator. A finance lease payable and right of use asset of $15.2 million has been recognised as at 30 June 2020, offset by a sublease asset to the carpark operator of $1.7 million, resulting in a net Right of Use asset of $13.513 million

A long term lease was entered into between Renewal SA and the then Department of Planning, Transport and Infrastructure (DPTI) for areas occupied by DPTI in the Adelaide Railway Station. The peppercorn nature and long term of the lease resulted in a reduction in the reported value of the property by $26.8 million, the value of which is based on its net income potential.

An allotment of land at Aldinga was sold to the Department of Education for $7.0 million.

Note 5 Key Management Personnel

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 $2.105 million (2019: $1.986 million).

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.*

	2020	2019
	$'000	$'000
Salaries and other short-term employee benefits	**1 969**	1 817
Post-employment benefits	**136**	169
Total Compensation	**2 105**	1 986

Transactions with Key Management Personnel and Other Related Parties
A Director is an employee of a company from which Renewal SA has leased space on a commercial basis. Additionally, that company has an option to purchase land from Renewal SA on commercial terms. Both arrangements were entered into prior to the director commencing with Renewal SA.

A Director is a shareholder of a company that leases space within a Renewal SA property. The lease arrangements were established on commercial terms and the Director did not take part in the decisions relating to the lease.

Note 6 Board and Committee Members

Members during the year ended 30 June 2020 were:

Urban Renewal Authority Board of Management
C Tragakis, Presiding Member (appointed Presiding Member 31 July 2019)
H M Fulcher
J W McDowell*
A Skipper (appointed 31 July 2019)
J P Rundle (appointed 31 July 2019)
K Willits (appointed 31 July 2019)
Hon B J Pike, Presiding Member (to 30 July 2019)
P A Baker (to 30 July 2019)
T R Groom (to 30 July 2019)
D J McArdle (to 30 July 2019)

Urban Renewal Authority Finance Risk and Audit Committee
H M Fulcher, Chair
C Tragakis (appointed 24 July 2019)
D Hughes (appointed 29 April 2020)
B Pike (to 30 July 2019)
P Baker (to 30 July 2019)

Tonsley Steering Committee
T Burgess, Chair
D Coltman*
J Connolly**
M Devine* (to 27 November, 2019)
A Dickson*
M Duffy*
A Skull*
C Stirling*

The Tonsley Steering Committee was dissolved on 29 April 2020.

Food Park Steering Committee
T Burgess, Chair
T Groom
R Kerin*
S Ashby*
M Hynda*
J Harry**
C Sayer**

The Food Park Steering Committee was dissolved on 29 April 2020.

*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.
** Non government employee, nil remuneration.

Board and Committee Remuneration

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

	2020	2019
	No:	No:
$0 to $19 999	**18**	14
$20 000 to $39 999	**4**	5
$60 000 to $79 999	**2**	2
Total Number of Members	**24**	21

Total remuneration received and receivable by all members for the period they held office was $0.300 million (2019: $0.333 million). Remuneration of members includes sitting fees and superannuation contributions.

Note 7 Employee Benefits Expenses

	2020	2019
	$'000	$'000
Salaries and wages	**13 736**	14 010
Targeted Voluntary Separation Packages	**103**	78
Long service leave	**132**	839
Annual leave	**1 242**	1 128
Skills and experience retention leave	**118**	34
Employment on-costs - superannuation	**1 589**	1 463
Employment on-costs - other	**818**	949
Board and committee fees	**286**	305
Other employee related expenses	**8**	22
Gross Employee Benefits Expenses	**18 032**	18 828
Less: Employee benefits capitalised to inventories	**(3 459)**	(3 048)
Total Employee Benefits Expenses	**14 573**	15 780

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

	2020 No:	2019 No:
The number of employees whose remuneration received or receivable falls within the following bands:		
$151 000 to $154 000^	n/a	3
$154 001 to $174 000	7	6
$174 001 to $194 000	4	3
$194 001 to $214 000	2	2
$214 001 to $234 000	4	6
$234 001 to $254 000	3	1
$254 001 to $274 000	1	-
$274 001 to $294 000	1	1
$294 001 to $314 000	1	1
$374 001 to $394 000	-	1
$434 001 to $454 000	-	1
$514 000 to $534 000	1	-
Total Number of Employees	**24**	25

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

The total remuneration received by these employees for the year was $5.250 million (2019: $5.402 million).

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 paid to the employee, 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. Remuneration includes the payment of accumulated leave entitlements upon separation.

Targeted Voluntary Separation Packages
The number of employees who received a TVSP during the reporting period was 1 (2019: 1)

	2020 $'000	2019 $'000
Amount paid to separated employees:		
Targeted Voluntary Separation Packages	103	78
Leave paid to separated employees	5	8
Recovery from the Department of Treasury and Finance	(108)	(86)
Net Cost to Renewal SA	-	-

Note 8 Employee Benefits Liabilities

	2020 $'000	2019 $'000
Current		
Accrued wages and salaries	**931**	274
Annual leave	**1 618**	1 784
Long service leave	**257**	142
Skills and experience retention leave	**74**	47
Total Current Employee Benefits	**2 880**	2 247
Non-Current		
Long service leave	**2 963**	3 627
Total Non-Current Employee Benefits	**2 963**	3 627
Total Employee Benefits	**5 843**	5 874

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 decreased to 0.75% in 2020 from 1.25% in 2019.

The actuarial assessment performed by the Department of Treasury and Finance reduced the salary inflation rate from 4% in 2018-19 to 2.5% in 2019-20 for long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of $0.284 million and employee benefits expense of $0.390 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions - including the long-term discount rate.

Employee Benefit On-Costs
Employee benefit on-costs (payroll tax and superannuation) are recognised separately in payables (refer Note 26).

Note 9 Revenue from Sales and Cost of Sales

	2020 $'000	2019 $'000
Sales revenue for the reporting period is summarised as follows:		
Land sales to:		
Joint ventures	**4 620**	7 283
Entities within the SA Government	**7 055**	3 524
Other - sales to general public and developers	**50 892**	55 948
Total Sales Revenue	**62 567**	66 755
Cost of sales associated with:		
Joint ventures	**752**	944
Entities within the SA Government	**13**	2 763
Other - sales to general public and developers	**35 724**	37 488
Total Cost of Sales	**36 489**	41 195

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.

Note 10 Joint Ventures

In July 2006 documentation was executed with CIC Northgate Pty Ltd, a wholly-owned subsidiary of PEET 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 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 the 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:

	2020 $'000	2019 $'000
Revenues	**8 834**	12 886
Expenses	**(7 990)**	(10 720)
Profit from Ordinary Activities	**844**	2 166

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

	2020 $'000	2019 $'000
Share of investment in joint ventures:		
Carrying amount at the beginning of the period	**4 061**	2 895
Profit for the reporting period	**844**	2 166
Distribution of profit	**(1 000)**	(1 000)
Total Carrying Amount of Investment in Joint Ventures	**3 905**	4 061

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

	2020 $'000	2019 $'000
Current assets:		
Cash	**2 655**	4 340
Receivables	**276**	351
Inventories	**5 579**	8 272
Total Current Assets	**8 510**	12 963
Non current assets:		
Property, plant and equipment	**659**	716
Total Non Current Assets	**659**	716
Total Assets	**9 169**	13 679
Current liabilities:		
Creditors and other payables	**5 264**	9 618
Total Liabilities	**5 264**	9 618
Net Assets	**3 905**	4 061
Net Assets after Impairment	**3 905**	4 061

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.

Note 11 Revenues from SA Government

	2020 $'000	2019 $'000
Community service obligations from SA Government	**5 234**	25 188
Funding from Business & Job Support Fund	**1 552**	-
Other SA Government revenues	**506**	1 113
Gross Revenues from SA Government	**7 292**	26 301
Less: Revenue deferred for development costs	**(1 025)**	(18 062)
Total Revenues from SA Government	**6 267**	8 239

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 services obligations are provided for both capital and operating purposes.

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 capital 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.

Business and Support Fund
As part of the Government's Business and Support Job Fund, funding of $1.552 million was received to reimburse rent relief provided to Renewal SA's tenants that were severely impacted by the Covid-19 pandemic.

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

	2020 $'000	2019 $'000
Interest from cash and cash equivalents	**252**	479
Finance debtor interest	**459**	496
Total Interest Revenues	**711**	975

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

Note 13 Property Income

	2020 $'000	2019 $'000
Rental income	**36 035**	70 467
Recoveries	**10 556**	10 650
Rent relief provided	**(1 552)**	-
Other property income	**454**	24
Total Property Income	**45 493**	81 141

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. Rental income from investment properties was $34.135 million (2018-19 $70.093 million).

Property income from the portfolio of TAFE properties was $22.5 million for the year ended 30 June 2020. These properties were transferred to the general government sector in November 2019.

In accordance with South Australian Government policy, Renewal SA provided rent relief of $1.552 million to tenants that were severely impacted by the Covid-19 pandemic. Funding to reimburse the rent relief was provided to Renewal SA from the Business and Jobs Support Fund (refer Note 11).

Note 14 Other Revenues

	2020 $'000	2019 $'000
Consulting revenue	**614**	677
Recoveries	**13**	53
Other revenues	**1 128**	1 486
Total Other Revenues	**1 755**	2 216

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 represent the direct recovery of goods and services provided to external parties.

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

	2020 $'000	2019 $'000
Investment properties:		
Proceeds from disposal	**601 130**	1 800
Less net book value of assets disposed	**(601 130)**	(1 400)
Net Gain from Disposal of Completed Non- Current Assets	**-**	400
Total Net Gain from Disposal of Non-Current Assets	**-**	400

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.

Note 16 Operating Expenditure

	2020 $'000	2019 $'000
Property expenditure	**13 348**	15 645
Land tax	**19 801**	21 955
Contractors and consultants	**2 254**	1 515
Accommodation costs	**1 337**	2 207
Administration and other expenditure	**14 508**	11 705
Gross Operating Expenditure	**51 248**	53 027
Less: Land tax capitalised to inventories	**(1 689)**	(3 088)
Total Operating Expenditure	**49 559**	49 939

External Consultants

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

	2020 Number	2020 $'000	2019 Number	2019 $'000
Below $10 000	**30**	**109**	19	76
Above $10 000	**22**	**1 310**	17	594
Total Paid/Payable to the Consultants Engaged	**52**	**1 419**	36	670

Auditor General Remuneration
Audit fees paid/payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act* 1987 included in administration and other expenditure total $0.217 million (2018-19 $0.212 million).

Note 17 Borrowing Costs

	2020 $'000	2019 $'000
Borrowing costs on Premises SA Scheme loans	**83**	428
Borrowing costs on other loans	**81 858**	26 279
Borrowing costs on overdraft	**71**	6
Interest expense on lease liabilities	**43**	-
Guarantee fees on Premises SA Scheme loans	**64**	106
Guarantee fees on other loans	**7 448**	14 212
Guarantee fees on overdraft	**71**	5
Gross Borrowing Costs	**89 638**	41 036
Less: Borrowing costs capitalised to inventories	**(282)**	(353)
Total Borrowing Costs	**89 356**	40 683

Borrowing costs include interest expense and guarantee fees paid to the South Australian Government. The debt costs for 2019-20 includes a market rate adjustment of $69 million as a result of novation of fixed rate debt assumed by the Treasurer as part of the sale of TAFE SA properties.

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.

Note 18 Dividends Paid to SA Government

	2020 $'000	2019 $'000
Dividends paid	**1 749**	10 945
Total Dividends Paid to SA Government	**1 749**	10 945

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.

Due to the operating loss for the year ended 30 June 2020, Renewal SA did not pay a dividend for its overall activities. In 2018-19 a dividend payment of $9.917 million was made relating to profit earnt in 2017-18 in excess of that declared in the previous financial year.

Renewal SA is required to make special dividend payments associated with the Adelaide Station and Environs Redevelopment (ASER) site. In 2019-20 the Minister and Treasurer approved a dividend payment of $1.749 million. In 2018-19 a dividend payment of $1.028 million was made related to the ASER site.

Note 19 Cash and Cash Equivalents

	2020	2019
	$'000	$'000
Deposits with the Treasurer	**8 216**	18 657
Short-term deposits with SAFA	**203**	-
Cash at bank and on hand	**2 817**	2 426
Total Cash and Cash Equivalents	**11 236**	21 083

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 earn a floating interest rate based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

Note 20 Receivables

	2020	2019
	$'000	$'000
Current		
Trade and other receivables	**2 452**	3 855
Lease receivables	**6 311**	5 237
GST receivable	**1 900**	737
Provision for doubtful debts	**(5 699)**	(4 139)
Prepayments	**116**	8
Total Current Receivables	**5 080**	5 698
Non-Current		
Lease receivables	**13 142**	8 864
Provision for doubtful debts	**-**	(249)
Total Non-Current Receivables	**13 142**	8 615
Total Receivables	**18 222**	14 313

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

Lease receivables include receivables from property leases and finance leases. Finance lease receivables are measured at the present value of minimum lease payments.

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.

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 customer debtors and customer debtors assessed on a collective basis for which such evidence exists.

	2020	2019
	$'000	$'000
Carrying amount at the beginning of the period	**4 388**	3 794
Increase in the allowance	**1 311**	594
Carrying Amount at the End of the Period	**5 699**	4 388

Bad debts written off:		
Trade debtors	-	6
Transfer to provision for doubtful debts:		
Trade debtors	**298**	345
Lease receivables	**1 013**	249
Total Bad and Doubtful Debts Expense	**1 311**	600

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 36.

Ageing Analysis of Financial Assets
Refer to table in Note 36.

Risk Exposure Information
Refer to table in Note 36.

Note 21 Inventories

	2020	2019
	$'000	$'000
Current		
Land held for sale	**38 752**	23 870
Development projects	**35 950**	44 532
Total Current Inventories	**74 702**	68 402
Non-Current		
Land held for sale	**140 570**	171 934
Development projects	**21 432**	6 986
Total Non-Current Inventories	**162 002**	178 920
Total Inventories	**236 704**	247 322

Movements in Carrying Amounts:

	2020 $'000	2019 $'000
Carrying amount at the beginning of the period	**247 322**	315 067
Development costs capitalised	**29 316**	108 816
Community service obligations for development costs	**-**	(18 062)
Cost of sales	**(36 489)**	(41 195)
Transfer to finance receivable	**(2 478)**	(3 756)
Inventory write down	**(5 942)**	(125 833)
Reversal of inventory write down	**4 975**	12 285
Carrying Amount at the End of the Period	**236 704**	247 322

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 2020 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 $5.942 million and reversals of previous write downs of $4.975 million in 2019-20 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, Woodville West, Playford Alive and Lot Fourteen projects. In past years the cash flows used in these valuations included the Community Service Obligation (CSO) funding from Government as a positive cash flow. From 1 July 2019, funding towards capital expenditure for Renewal SA's development projects is provided in the form of contributions of equity rather than as 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 in 2018-19 resulted in significant reductions 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 2020 has been assessed as negative $27.114 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 $27.114 million has been recorded (refer Note 29). The total impact on operating profit from the value change for this project is $7.857 million loss for the financial year ended 30 June 2020.

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 a 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 22 Investment Properties

	2020 $'000	2019 $'000
Freehold Land at Fair Value:		
Independent valuation	**55 473**	234 600
Total Freehold land at Fair Value	**55 473**	234 600
Buildings at Fair Value:		
Independent valuation	**22 117**	471 930
Total Buildings at Fair Value	**22 117**	471 930
Total Investment Properties	**77 590**	706 530

Movements in Carrying Amounts

	2020 $'000	2019 $'000
Freehold land at fair value:		
Carrying amount at the beginning of the period	**234 600**	193 739
Transfer from buildings at fair value	**-**	42 471
Transfer to finance receivable	**-**	(2 150)
Disposals	**(178 267)**	(1 200)
Net gain / (loss) on fair value adjustments	**(860)**	1 740
Carrying Amount at the End of the Period	**55 473**	234 600
Buildings at fair value:		
Carrying amount at the beginning of the period	**471 930**	522 421
Transfer to freehold land at fair value	**-**	(42 471)
Capitalised grants received	**(1 025)**	-
Capitalised expenditure	**1 152**	-
Disposals	**(422 863)**	(200)
Net gain / (loss) on fair value adjustments	**(27 077)**	(7 820)
Carrying Amount at the End of the Period	**22 117**	471 930
Total Carrying Amount at the End of the Period	**77 590**	706 530

Amounts Recognised in the Statement of Comprehensive Income

	2020 $'000	2019 $'000
Property Income (refer to Note 13)	**34 135**	70 093
Direct operating expenses arising from investment properties that generated rental income (refer Note 16)	**(4 635)**	(4 677)
Direct operating expenses arising from investment properties that did not generate rental income (refer Note 16)	**(1)**	(12)
Total Amount Recognised in the Statement of Comprehensive Income	**29 499**	65 404

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 net loss on fair value adjustments primarily relates to a decrease in the reported value of the Adelaide Railway Station building by $26.8 million. A long term lease was entered into between Renewal SA and the then Department of Planning, Transport and Infrastructure (DPTI) for areas occupied by DPTI in the Adelaide Railway Station. The peppercorn nature and long term lease resulted in a reduction in the reported value of the property, the value of which is based on its net income potential.

TAFE SA properties with a value of $601.1 million were sold to TAFE SA in 2019-20 (refer Note 4).

Valuation Basis

An independent valuation of all Renewal SA's investment properties was conducted as at 30 June 2020. Valuations of all investment properties were undertaken by qualified Certified Practicing 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.

Note 23 Property, Plant and Equipment

	2020 $'000	2019 $'000
Right-of-use Buildings		
At cost	**13 513**	-
Accumulated amortisation	**(41)**	-
Total Buildings	**13 472**	-
Accommodation and Leasehold Improvements		
At cost (deemed fair value)	**3 264**	3 162
Right-of-use asset at cost	**2 146**	-
Accumulated amortisation	**(4 027)**	(2 445)
Total Accommodation and Leasehold Improvements	**1 383**	717
Plant and Equipment		
At cost (deemed fair value)	**1 775**	1 703
Right-of-use asset at cost	**16**	-
Accumulated depreciation	**(866)**	(588)
Total Plant and Equipment	**925**	1 115
Total property, plant and equipment at cost (deemed fair value)	**5 039**	4 865
Total property, plant and equipment at cost	**15 675**	-
Total accumulated depreciation	**(4 934)**	(3 033)
Total Property, Plant and Equipment	**15 780**	1 832

Movements in Carrying Amounts

	2020 $'000	2019 $'000
Buildings:		
Right of use asset	**13 513**	-
Amortisation	**(41)**	-
Carrying Amount at the End of the Period	**13 472**	-
Accommodation and Leasehold Improvements:		
Carrying amount at the beginning of the period	**717**	1 055
Additions	**102**	-
Right of use asset	**2 146**	-
Amortisation	**(1 582)**	(338)
Carrying Amount at the End of the Period	**1 383**	717
Plant and Equipment:		
Carrying amount at the beginning of the period	**1 115**	819
Additions	**73**	476
Right of use asset	**31**	-
Disposals	**(14)**	-
Depreciation	**(280)**	(180)
Carrying Amount at the End of the Period	**925**	1 115
Total Property, Plant and Equipment	**15 780**	1 832

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 right of use assets and 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.

Depreciation/Amortisation of $1.903 million (2018-19 $0.518 million) 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)
Buildings	Straight Line	Life of lease
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

Property, plant and equipment leased by the department is recorded at cost.

Right of use assets of $2.177 million were recognised on adoption of AASB 16 Leases from 1 July 2019 (refer Note 32). A net right of use asset of $13.513 million was also recognised in June 2020 relating to the multistorey carpark on Lot Fourteen (refer Note 4).

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than $15,000 are not recognised as right-of-use assets.

Note 24 Net Gain/(Loss) from Changes in Value of Non-Current Assets/Provision for Development Expenditure

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

	Note	2020 $'000	2019 $'000
Inventories			
Inventory write down	21	**(5 942)**	(125 833)
Reversal of inventory write down	21	**4 975**	12 285
Provision for future development expenditure	29	**(7 857)**	(99 872)
Total Gain/(Loss) from Changes in Value of Inventories		**(8 824)**	(213 420)
Investment property			
Net gain/(loss) on freehold land fair value adjustments	22	**(860)**	1 740
Net gain/(loss) on building fair value adjustments	22	**(27 077)**	(7 820)
Total Gain/(Loss) from Changes in Value of Investment Property		**(27 937)**	(6 080)
Total Net Gain/(Loss) from Changes in Value of Non-Current Assets		**(36 761)**	(219 500)

Note 25 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.

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 2020

	2020	Level 2	Level 3
	$'000	$'000	$'000
Recurring Fair Value Measurement			
Investment properties (Note 22)	**77 590**	**77 590**	-
Buildings (Note 23)	**13 472**	-	**13 472**
Leasehold improvements (Note 23)	**1 383**	-	**1 383**
Plant and equipment (Note 23)	**925**	-	**925**
Total Recurring Fair Value Measurements	**93 370**	**77 590**	**15 780**

Fair Value Measurements at 30 June 2019

	2019	Level 2	Level 3
	$'000	$'000	$'000
Recurring Fair Value Measurement			
Investment properties (Note 22)	706 530	706 530	-
Leasehold improvements (Note 23)	717	-	717
Plant and equipment (Note 23)	1 115	-	1 115
Total Recurring Fair Value Measurements	708 362	706 530	1 832

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 2019-20, 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 22 and 23 for valuation techniques and inputs used to derive level 2 and 3 fair values. During 2019-20 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 2020

	Buildings	Leasehold Improvements	Plant & Equipment
	$'000	$'000	$'000
Opening Balance at the Beginning of the Period	-	717	1 115
Acquisitions	-	102	73
Right of use asset	13 513	2 146	31
Disposals	-	-	(14)
Depreciation and amortisation expenses	(41)	(1 582)	(280)
Carrying Amount at the End of the Period	13 472	1 383	925

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

	Buildings	Leasehold Improvements	Plant & Equipment
	$'000	$'000	$'000
Opening Balance at the Beginning of the Period	-	1 055	819
Acquisitions	-	-	476
Depreciation and amortisation expenses	-	(338)	(180)
Carrying Amount at the End of the Period	-	717	1 115

Note 26 Payables

	2020	2019
	$'000	$'000
Current		
Trade creditors	**2 581**	2 899
Sundry creditors and accrued expenses	**8 626**	18 385
Parental leave scheme	**10**	10
Employment on costs	**450**	408
Total Current Payables	**11 667**	21 702
Non-Current		
Employment on costs	**275**	333
Sundry creditors and accrued expenses	**8 844**	7 122
Total Non-Current Payables	**9 119**	7 455
Total Payables	**20 786**	29 157

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 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. That is, Renewal SA is acting 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, ReturnToWorkSA 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 42% (2019: 41%) and the average factor for the calculation of employer superannuation on-costs was 9.8% (2019: 9.8%). These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is an increase in the employment on-cost and employee benefits expense of $0.03 million.

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

Categorisation of Financial Instruments and Maturity Analysis of Payables
Refer to table in Note 36.

Risk Exposure Information
Refer to table in Note 36.

Note 27 Financial Liabilities

	2020 $'000	2019 $'000
Current		
Loans - South Australian Government Financing Authority (a)	-	6 401
Loans - South Australian Government Financing Authority (b)	**253 050**	264 151
Lease Liabilities	**3 063**	-
Total Current Borrowings	**256 113**	270 552
Non-Current		
Loans - South Australian Government Financing Authority (a)	**6 401**	-
Loans - South Australian Government Financing Authority (b)	**66 851**	633 150
Lease Liabilities	**13 105**	-
Total Non-Current Borrowings	**86 357**	633 150
Total Borrowings	**342 470**	903 702

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.

Borrowings from SA Government
These are unsecured loans which bear interest. The terms of the loans were agreed by the Minister/Governing body at the time the loan was provided.

(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 0.43% and 2.52% in 2020 (1.65% and 6.2% in 2019).

Categorisation of Financial Instruments and Maturity Analysis of Borrowings
Refer to table in Note 36.

Risk Exposure Information
Refer to Note 36.

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

Lease Liabilities
Lease liabilities are finance leases relating to accommodation and have been recognised in accordance with AASB 16. All material cash flows are reflected in the lease liabilities disclosed above.

Note 28 Unearned Income

	2020 $'000	2019 $'000
Current		
Unearned income	**2 817**	3 554
Total Current Unearned Income	**2 817**	3 554
Non-Current		
Unearned income	**14 865**	15 313
Total Non-Current Unearned Income	**14 865**	15 313
Total Unearned Income	**17 682**	18 867

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 $14.116 million (2019: $14.143 million) and revenues from SA Government of $3.566 million (2019: $4.724 million) received in advance.

Movements in Carrying Amounts

	2020 $'000	2019 $'000
Carrying amount at the beginning of the period	**18 867**	21 817
Received during the year	**273**	5 243
Recognised in the statement of comprehensive income	**(1 458)**	(8 193)
Carrying Amount at the End of the Period	**17 682**	18 867

Note 29 Provisions

	2020 $'000	2019 $'000
Current		
Provision for workers compensation	**23**	24
Provision for future development expenditure	**27 114**	101 276
Total Current Provisions	**27 137**	101 300
Non-Current		
Provision for workers compensation	**48**	37
Total Non-Current Provisions	**48**	37
Total Provisions	**27 185**	101 337

Movements in Carrying Amounts

	2020 $'000	2019 $'000
Provision for workers compensation		
Carrying amount at the beginning of the period	**61**	38
Increase/(Decrease) in provisions recognised	**10**	23
Carrying Amount at the End of the Period	**71**	61
Provision for income tax equivalent		
Carrying amount at the beginning of the period	**-**	4 519
Reductions arising from payments	**-**	(4 519)
Carrying Amount at the End of the Period	**-**	-
Provision for future development expenditure and legal claim		
Carrying amount at the beginning of the period	**101 276**	1 250
Reductions arising from payments for development expenditure	**(80 615)**	-
Increase in provision for inventory development expenditure	**7 857**	99 872
(Decrease)/Increase in provision for lease development expenditure	**(1 404)**	1 404
Reductions arising from payments for legal claim	**-**	(1 250)
Carrying Amount at the End of the Period	**27 114**	101 276
Total Provisions	**27 185**	101 337

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. 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.

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 2020 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment (a division of the Department Treasury and Finance). The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

Renewal SA has recognised a provision of $27.114 million being the discounted future negative cash flows relating to its obligations under the Lot Fourteen development project. The State Government's equity contributions towards this project are not included in the determination of the discounted future cash flows.

The obligation for lease development expenditure was extinguished as at 30 June 2020, resulting in a reversal of the previous year's provision of $1.404 million.

Note 30 Other Liabilities

	2020 $'000	2019 $'000
Security deposits	**152**	152
Total Current Other Liabilities	**152**	152
Total Other Liabilities	**152**	152

Security deposits are cash bonds held relating to property leases.

Note 31 Cash Flow Reconciliation

	2020	2019
	$'000	$'000
Reconciliation of Cash and Cash Equivalents at the End of the Reporting Period:		
Statement of Cash Flows	**11 236**	**21 083**
Statement of Financial Position	**11 236**	**21 083**
Reconciliation of profit/(loss) after income tax equivalent to net cash provided by/(used in) operating activities:		
Loss after income tax equivalent	**(112 315)**	(206 323)
Add/Less Non Cash Items		
Inventories write down	**5 942**	125 833
Transfers from inventories	**2 478**	3 756
Adjustments from administrative restructure	**-**	2 014
Depreciation and amortisation	**1 903**	518
Provision for doubtful debts	**1 311**	594
Provision for development expenditure	**6 463**	95 530
Transfers from investment properties	**-**	2 150
Share of net profits of joint ventures	**(844)**	(2 166)
Net gain on disposal of investment property	**-**	(400)
Reversal of inventories write-down	**(4 975)**	(12 285)
Investment property net loss on fair value adjustments	**27 937**	6 080
	40 215	221 624
Movements in Assets / Liabilities		
(Increase)/Decrease in other receivables	**(5 112)**	(4 158)
(Increase)/Decrease in prepayments	**(108)**	4
(Increase)/Decrease in inventories	**7 173**	(49 559)
Increase/(Decrease) in investment property GST	**(60 113)**	-
Increase/(Decrease) in payables	**(8 371)**	(90)
Increase/(Decrease) in unearned income	**(1 185)**	(2 950)
Increase/(Decrease) in provisions	**(80 615)**	-
Increase/(Decrease) in employee benefits	**(31)**	(4 970)
Increase/(Decrease) in other liabilities	**-**	(306)
	(148 362)	(62 029)
Net Cash (Used in)/Provided by Operating Activities	**(220 462)**	(46 728)

Note 32 Changes in Accounting Policy

AASB 16 Leases

AASB 16 sets out a comprehensive model for lessee accounting that addresses recognition, measurement, presentation and disclosure of leases. Lessor accounting is largely unchanged. AASB 16 *Leases* replaces AASB 117 *Leases* and related interpretations.

The adoption of AASB 16 *Leases* from 1 July 2019 resulted in adjustments to the amounts recognised form a lessee perspective in the financial statements.

- AASB 117 *Leases* only required the recognition of an asset and lease liability in relation to finance leases. AASB 16 *Leases* applies a comprehensive model to all leases. Applying AASB 16 will result in leases previously being classified as operating leases having right of use assets and related lease liabilities being recognised in the Statement of Financial Position.
- AASB 117 *Leases* resulted in operating lease payments being recognised as an expense under supplies and services. AASB 16 *Leases* largely replaces this with depreciation expenses that represent the right of use asset and borrowing costs that represent the cost associated with financing the right of use asset.

Impact on retained earnings
The total impact on Renewal SA's retained earnings as at 1 July 2019 is as follows:

	as at 1 July 2019 $'000
Assets	
Right of Use Assets	**2 177**
Total Assets	**2 177**
Liabilities	
Lease liabilities	**2 177**
Total Liabilities	**2 177**
Net Impact on Equity	**-**

Accounting policies on transition
AASB 16 sets out accounting policies on transition in its transitional provisions. The *Treasurer's Instructions (Accounting Policy Statements)* requires certain choices in those transitional provisions to be taken. Renewal SA has adopted the following accounting policies:

- To apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard was recognised at 1 July 2019. Comparatives have not been restated.
- At 1 July 2019 AASB 16 was applied only to contracts that were previously identified as containing a lease under AASB 117 and related interpretations.
- The initial measurement of lease liability was the present value of the remaining lease payments discounted using the relevant incremental borrowing rate published by the Department of Treasury and Finance as at 1 July 2019 based on the SA Government's cost of borrowing.
- The initial measurement of right-of-use assets has been calculated as an amount equal to the lease liability on transition adjusted for prepaid or accrued lease payments and lease incentive liabilities.
- The initial measurement of lease liabilities and right-of-use assets excludes all leases that ended by 30 June 2020, except for vehicles leased from SAFA.

Ongoing accounting policies
The Treasurer's Instructions (Accounting Policy Statements) specify required accounting policies for public authorities in applying AASB 16. These requirements are reflected in Renewal SA's accounting policies as follows:
- AASB 16 is not applied to leases of intangible assets.
- Right-of-us assets and lease liabilities are not recognised for leases of low value assets, being assets which have a value of $15,000 or less, nor short-term leases, being those with a lease term of 12 months or less.
- Renewal SA, in the capacity of a lessee, does not include non-lease components in lease amounts.
- Right-of-use assets are not measured at fair value on initial recognition or leases that have significantly below-market terms and conditions principally to enable Renewal SA to further its objectives.
- Right-of-use assets are subsequently measured applying a cost model.

Ongoing accounting policies
The *Treasurer's Instructions (Accounting Policy Statements)* specify requirements for public authorities in applying AASB 15. These requirements are reflected in Renewal SA's accounting policies as follows:
- AASB 15 is applied to a portfolio of contracts with similar characteristics
- There is no adjustment to the promised amount of consideration for the effects of a significant financing component if the period between the transfer of goods/services and the payment date is one year or less.
- For measuring progress towards satisfaction of performance obligations when the output method is applied, revenue is recognised in the amount to which there is a right to invoice corresponding directly to the value of the customers of Renewal SA's performance completed to date.

Note 33 Unrecognised Contractual Commitments

	2020 $'000	2019 $'000
Operating Lease Receivables		
Future minimum rental revenues under non-cancellable operating property leases held but not provided for:		
Due within one year	**12 228**	66 785
Due later than one year not longer than five years	**30 884**	248 295
Due later than five years	**22 833**	509 898
Total Operating Lease Receivables	**65 945**	824 978

These amounts comprise of property leases reducing significantly in 2019-20, as the TAFE SA properties were sold to TAFE SA.

	2020 $'000	2019 $'000
Operating Lease Payables		
Non-cancellable operating leases contracted but not provided for:		
Payable within one year	-	1 458
Payable later than one year not longer than five years	-	6 064
Payable later than five years	-	2 349
Total Operating Lease Payables	-	9 871

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.

	2020 $'000	2019 $'000
Capital and Operating Expenditure Commitments		
Payable within one year	**48 524**	96 187
Payable later than one year not longer than five years	**16 772**	17 095
Payable later than five years	**793**	286
Total Capital and Operating Expenditure Commitments:	**66 089**	113 568

Commitments include operating, capital and outsourcing arrangements 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 34 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 $0.2 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.

Note 35 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. AASB 1059 *Service Concession Arrangements: Grantors* does not apply to Renewal SA.

Note 36 Financial Instruments Disclosure and 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.

Renewal SA undertakes all its borrowings from South Australian Government Financing Authority (SAFA) therefore its market and liquidity risk for new and maturing borrowings is aligned to that of the South Australian Government.

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.

Exposure to interest rate risk may arise through interest bearing liabilities, including borrowings. Renewal SA's borrowings are managed through the 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.

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

	Gross carrying amount	Loss	Lifetime expected losses
	$'000	%	$'000
Current (not past due)	1 794	0.5	9
1 - 30 days past due	521	0.5	3
31 - 60 days past due	210	0.5	1
61 - 90 days past due	1 382	0.5	7
More than 90 days past due	-	0.5	0
Loss Allowance	3 907		20

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. In addition to the expected loss of $0.02 million there are expected losses of $5.679 million for specifically identified customers.

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 their short-term nature.

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.

Renewal SA measures all financial instruments at amortised cost.

	Note	Carrying Amount $'000	2020 Contractual Maturities < 1 year $'000	1-5 years $'000	> 5 years $'000	Fair Value $'000
2020						
Financial Assets:						
Cash and cash equivalents	19	**11 236**	**11 236**	**-**	**-**	**11 236**
Loans and receivables:						
Receivables	20	**21 905**	**8 763**	**4 403**	**8 739**	**21 905**
Allowance for doubtful debts	20	**(5 699)**	**(5 699)**	**-**	**-**	**(5 699)**
Total Financial Assets		**27 442**	**14 300**	**4 403**	**8 739**	**27 442**
Financial Liabilities:						
Financial liabilities at cost:						
Payables	26	**19 834**	**10 990**	**8 844**	**-**	**19 834**
Borrowings	27	**326 302**	**253 050**	**73 252**	**-**	**324 697**
Lease Liabilities	27	**16 168**	**3 063**	**7 824**	**5 281**	**16 168**
Total Financial Liabilities		**362 304**	**267 103**	**89 920**	**5 281**	**360 699**
Net Financial Assets/(Liabilities)		**(334 862)**	**(252 803)**	**(85 517)**	**3 458**	**(333 257)**

	Note	Carrying Amount $'000	2019 Contractual Maturities < 1 year $'000	1-5 years $'000	> 5 years $'000	Fair Value $'000
2019						
Financial Assets:						
Cash and cash equivalents	19	21 083	21 083	-	-	21 083
Loans and receivables:						
Receivables	20	17 956	9 092	8 864	-	17 956
Allowance for doubtful debts	20	(4 388)	(4 139)	(249)	-	(4 388)
Total Financial Assets		34 651	26 036	8 615	-	34 651
Financial Liabilities:						
Financial liabilities at cost:						
Payables	26	28 194	21 072	7 122	-	28 194
Borrowings	27	903 702	270 552	283 150	350 000	815 276
Total Financial Liabilities		931 896	291 624	290 272	350 000	843 470
Net Financial Assets/(Liabilities)		(897 245)	(265 588)	(281 657)	(350 000)	(808 819)

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 37 Covid-19 Pandemic Outlook

The Covid-19 pandemic is likely to continue to impact the Adelaide property market in 2020-21. To the date of reporting, the various financial arrangements provided to businesses by the State and Commonwealth Governments has resulted in minimal adverse impacts on Renewal SA's rental income and property sales income as a result of the Covid-19 pandemic.

Note 38 Events After Reporting Period

There are no events to report.

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 2020 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 Finance Risk and Audit Committee.

C MENZ CHIEF EXECUTIVE	D DE LUCA GENERAL MANAGER, CORPORATE SERVICES	C TRAGAKIS PRESIDING MEMBER
16 September 2020	16 September 2020	16 September 2020

DELIVERING AN INSPIRING URBAN FUTURE

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