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Government
of South Australia

Report

of the

Auditor-General

Annual Report

for the

year ended 30 June 2011

Tabled in the House of Assembly and ordered to be published, 18 October 2011

First Session, Fifty-Second Parliament

Part B: Agency audit reports

Volume 2

By Authority: B. Morris, Government Printer, South Australia

2011

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Part B

References to matters of significance

Issues of importance that are included in this Part of the Report include matters that arose during the course of audit which have been referred to senior agency management and other matters which are of public interest.

Those matters that are regarded as being more significant are listed below. This list is not exhaustive as many other issues are reported in Part B of this Report.

Reference should also be made to Part A – Audit overview which also contains comments on specific matters of importance and interest.

Environment Protection Authority

Functional responsibility

Establishment

The financial reporting entity, the Environment Protection Authority (EPA), includes the following:

- the Environment Protection Authority – a statutory authority with an appointed board established by the *Environment Protection Act 1993* (the EP Act)
- an administrative unit also named the Environment Protection Authority established under the PSA
- the Environment Protection Fund (EPF) as established under the EP Act.

Under the EP Act, the Chief Executive of the administrative unit is also taken to be the Chief Executive of the statutory authority. The Chief Executive is subject to the control and direction of the Minister in relation to the activities of the administrative unit, and is subject to the control and direction of the board in giving effect to its policies and decisions under the EP Act.

The EP Act permits the statutory authority to make use of the services of the administrative unit's employees and its facilities.

Functions

The EPA statutory authority is South Australia's primary environmental regulator for the control and minimisation of pollution and waste. It is responsible for the protection and enhancement of air and water quality, and control of pollution, waste and environmental noise.

The EPA statutory authority is also responsible for the EPF established under the EP Act. Note 31 outlines income and expenses of the EPF.

The EPA administrative unit provides administrative assistance and facilities to the statutory authority. The administrative unit also has responsibility for radiation protection functions under the *Radiation Protection and Control Act 1982*.

For details of the roles of both the statutory authority and administrative unit, refer note 1(a) to the financial statements.

Audit mandate and coverage

Audit authority

Audit of the financial report

Subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the EPA for each financial year.

Assessment of controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the EPA in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls.

During 2010-11, areas of review included:

- waste levies revenue
- licence fee revenue
- accounts payable
- payroll
- general ledger.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Environment Protection Authority as at 30 June 2011, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Environment Protection Authority in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to waste levies as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Environment Protection Authority have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in a management letter to the Chief Executive of the EPA. The EPA's response indicated that appropriate action would be taken to address the matters raised. The following outlines the notable matter that was raised with the EPA.

Waste levies

In 2009-10, Audit noted certain deficiencies in the conduct and documentation of waste levy audit activity. Audit follow-up in 2010-11 indicated the EPA has taken certain steps to address the issues raised. This includes filling vacancies in the waste levy audit area, the preparation of annual reports summarising prior year audit activity and documentation of 2010-11 site inspections and surveillance operations.

However, Audit review indicated further scope for improvement in the following areas:

- The waste levy risk based program and internal office policies and procedures do not specify the required nature and extent of certain key waste levy audit activities.

- Assessments of monthly returns and weighbridge audits have not been documented during 2010-11.

- Formal reporting on the progress and outcomes of waste levy audit activities could be prepared on a more regular basis during the year.
- Follow-up action on outstanding waste levy returns is not documented, including explanations for whether penalties should be applied.

The EPA responded that action will be taken to complete and document all outstanding monthly waste levy return assessments and weighbridge audits. The EPA will also implement formal monthly reporting on the waste levy audit program and formally document follow up action taken on outstanding waste levy returns.

Interpretation and analysis of the financial report

Highlights of the financial report	2011 $'million	2010 $'million
Expenses		
Employee benefits expenses	20.0	21.9
Grants and subsidies	13.2	12.3
Other expenses	8.1	8.7
Total expenses	41.3	42.9
Income		
Fees and charges	37.4	36.1
Other revenues	2.0	1.4
Total income	39.4	37.5
Net cost of providing services	1.9	5.4
Revenues from SA Government	2.4	7.4
Net result	0.5	2.0
Net cash provided by (used in) operating activities	1.7	4.0
Assets		
Current assets	12.6	11.9
Non-current assets	6.8	7.1
Total assets	19.4	19.0
Liabilities		
Current liabilities	3.3	3.9
Non-current liabilities	4.5	4.2
Total liabilities	7.8	8.1
Total equity	11.6	10.9

Statement of Comprehensive Income

Expenses

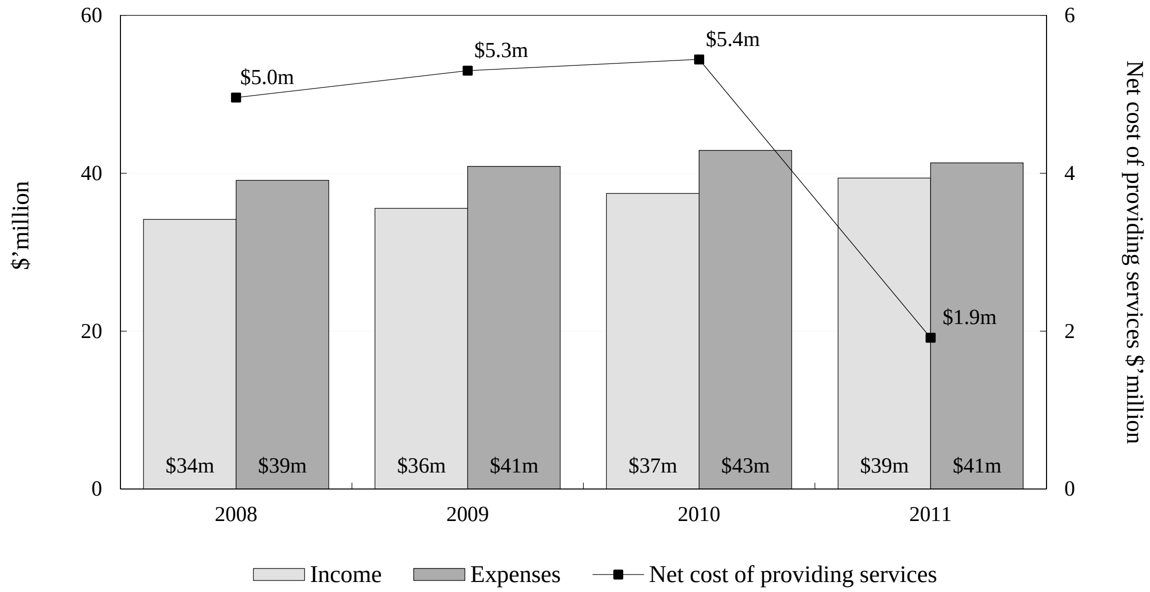
Total expenses decreased by $1.6 million (4 percent). This is primarily due to one-off TVSP expenses in 2009-10 of $2 million.

Income

Total income increased by $1.9 million (5 percent). This was due primarily to an increase in waste levies ($1.8 million) within fees and charges. Waste levies increased due mainly to an increase in the tonnages processed by waste depots during 2010-11. Waste levies also increased as a result of CPI increases in waste levy rates effective from 1 July 2010.

Net cost of providing services

The following chart shows the income, expenses and net cost of providing services for the four years to 2011.



The decrease in the net cost of providing services in 2011 is due mainly to an increase in fees and charges and reduction in TVSP expenses.

Statement of Financial Position

Current assets – cash

This item, $9.4 million ($8.4 million) represents 75 percent (70 percent) of total current assets and 48 percent (44 percent) of total assets. The main component of cash in 2010-11 is the Environment Protection Fund Deposit Account of $5.6 million (60 percent). This is further discussed below under Statement of Cash Flows.

Non-current assets – property, plant and equipment

In 2011 this item makes up 31 percent (32 percent) of total assets. Furniture and fittings is the dominant item of property, plant and equipment. Furniture and fittings includes leasehold improvements made to EPA premises in Victoria Square, Adelaide. Note 20 provides further details on this item and amounts.

Non-current liabilities – other liabilities

The EPA received a $1 million lease incentive in 2008-09 to occupy new rental premises in Victoria Square, Adelaide. This lease incentive liability is being amortised over the term of the lease (15 years). The portion of the lease incentive liability which is due to be amortised in 2011-12 has been classified as current.

Statement of Cash Flows

The following table summarises the net cash flows since 2008.

	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Net cash flows				
Operating	1.7	4.0	(0.4)	0.3
Investing	(0.8)	(0.7)	(4.7)	(0.6)
Financing	0.1	-	3.1	-
Change in cash	1.0	3.3	(2.0)	(0.3)
Cash at 30 June	9.4	8.4	5.1	7.1

EPA's cash at 30 June 2011 comprises an operating deposit account ($3 million), an accrual appropriation excess funds account ($800 000) and the EPF ($5.6 million).

Further commentary on operations

Transfer of solid waste levies to the Waste to Resources Fund

The EPA receives solid waste levies from waste depots under section 113 of the EP Act. These amounts are included within fees and charges. In order to comply with section 17 of the *Zero Waste SA Act 2004* the EPA is required to transfer 50 percent of these levies to the Waste to Resources Fund. This fund may be applied by Zero Waste SA in accordance with the approved Zero Waste SA business plan or in any other manner authorised by the responsible Minister for the purposes of the *Zero Waste SA Act 2004.*

The EPA transferred $12.6 million to the Waste to Resources Fund during the year. This transfer is reflected within grants and subsidies.

The balance of the Waste to Resources Fund at 30 June 2011 is $23.5 million.

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Expenses:			
Employee benefits expenses	5	19 953	21 939
Supplies and services	6	6 925	7 401
Depreciation and amortisation	7	940	932
Grants and subsidies	8	13 210	12 319
Other expenses	9	270	304
Total expenses		41 298	42 895
Income:			
Fees and charges	11	37 398	36 058
Grants and contributions	12	1 696	1 371
Interest revenue	13	232	139
Net gain (loss) from the disposal of non-current assets	14	8	(149)
Other income	15	58	33
Total income		39 392	37 452
Net cost of providing services		1 906	5 443
Revenues from SA Government:			
Revenues from SA Government	16	2 404	7 449
Total revenues from SA Government		2 404	7 449
Net result		498	2 006
Other comprehensive income:			
Changes in property, plant and equipment asset revaluation surplus		-	174
Total other comprehensive income		-	174
Total comprehensive result		498	2 180

Net result and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash and cash equivalents	17	9 374	8 395
Receivables	18	3 101	3 454
Other current assets	19	87	75
Total current assets		12 562	11 924
Non-current assets:			
Receivables	18	3	4
Property, plant and equipment	20	5 987	6 001
Intangible assets	21	832	1 087
Total non-current assets		6 822	7 092
Total assets		19 384	19 016
Current liabilities:			
Payables	22	1 375	1 462
Employee benefits	23	1 652	2 239
Provisions	24	33	29
Other liabilities	25	221	108
Total current liabilities		3 281	3 838
Non-current liabilities:			
Payables	22	277	327
Employee benefits	23	3 385	2 966
Provisions	24	113	97
Other liabilities	25	778	844
Total non-current liabilities		4 553	4 234
Total liabilities		7 834	8 072
Net assets		11 550	10 944
Equity:			
Contributed capital		3 195	3 087
Asset revaluation surplus		437	437
Retained earnings		7 918	7 420
Total equity		11 550	10 944

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	26
Contingent assets and liabilities	27

Statement of Changes in Equity
for the year ended 30 June 2011

	Contributed capital $'000	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2009	3 087	266	3 184	6 537
Change in accounting policy for recognition of environmental authorisation fee revenue	-	-	2 405	2 405
Asset capitalisation threshold change	-	(3)	(175)	(178)
Restated balance at 1 July 2009	3 087	263	5 414	8 764
Net result for 2009-10	-	-	2 006	2 006
Gain on revaluation of land, buildings and infrastructure	-	174	-	174
Total comprehensive result for 2009-10	-	174	2 006	2 180
Balance at 30 June 2010	3 087	437	7 420	10 944
Net result for 2010-11	-	-	498	498
Total comprehensive result for 2010-11	-	-	498	498
Transactions with SA Government as owner:				
Equity contribution received	108	-	-	108
Balance at 30 June 2011	3 195	437	7 918	11 550

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

Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011 Inflows (Outflows) $'000	2010 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefit payments		(20 121)	(22 041)
Payments for supplies and services		(6 794)	(7 461)
Payments of grants and subsidies		(13 210)	(12 319)
Other payments		(220)	(310)
Cash used in operations		(40 345)	(42 131)
Cash inflows:			
Fees and charges		37 619	37 104
Grant and contribution receipts		1 696	1 371
Interest received		226	132
Other receipts		58	33
Cash generated from operations		39 599	38 640
Cash flows from SA Government:			
Receipts from SA Government		2 404	7 449
Cash generated from SA Government		2 404	7 449
Net cash provided by (used in) operating activities	29	1 658	3 958
Cash flows from investing activities:			
Cash outflows:			
Purchase of property, plant and equipment		(787)	(686)
Cash used in investing activities		(787)	(686)
Net cash provided by (used in) investing activities		(787)	(686)
Cash flows from financing activities:			
Cash inflows:			
Capital contributions from government		108	-
Cash generated from financing activities		108	-
Net cash provided by (used in) financing activities		108	-
Net increase (decrease) in cash and cash equivalents		979	3 272
Cash and cash equivalents at 1 July		8 395	5 123
Cash and cash equivalents at 30 June	17	9 374	8 395

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Environment Protection Authority (the Authority)

(a) Reporting entity

The Authority reporting entity includes the following:

- the Environment Protection Authority – a statutory authority with an appointed board established by the *Environment Protection Act 1993*
- an administrative unit also named the Environment Protection Authority established under the PSA
- the Environment Protection Fund established under the *Environment Protection Act 1993*.

(a) Reporting entity (continued)

Under the *Environment Protection Act 1993*, the Chief Executive of the administrative unit is also taken to be the Chief Executive of the statutory authority. The Chief Executive is subject to the control and direction of the Minister in relation to the activities of the administrative unit, and is subject to the control and direction of the Board in relation to giving effect to its policies and decisions under the *Environment Protection Act 1993*.

The statutory authority is South Australia's primary environmental regulator for the protection, restoration and enhancement of our environment. The statutory authority makes use of the services of the administrative unit's employees and facilities in performing its statutory obligations.

The administrative unit also has responsibility for radiation protection functions under the *Radiation Protection and Control Act 1982*. The Authority's financial statements include assets, liabilities, revenues and expenses attributable to radiation protection. The income and expenses (excluding overheads) attributable to radiation protection are disclosed in note 32. However assets and liabilities have not been separately disclosed as they cannot be reliably attributed to radiation protection functions.

The Environment Protection Fund (the Fund) meets the accounting criteria of a controlled entity of the Authority and consequently the assets and liabilities of the Fund are recognised by the Authority in the Statement of Financial Position, the Fund's revenues and expenses have been recognised in the Authority's Statement of Comprehensive Income and the Fund's changes in equity have been recognised in the Authority's Statement of Changes in Equity. The transactions of the Fund are disclosed in note 31.

(b) Strategic context

The Authority promotes the principles of ecologically sustainable development and works with government, industry and the people of South Australia, with key roles to:

- review, develop and draft environmental protection policies and national environment protection measures
- authorise activities of environmental significance through an authorisation system aimed at the control and minimisation of pollution and waste
- conduct compliance investigations and institute environmental monitoring and evaluation programmes
- provide advice and assistance regarding best environmental management practice.

The Authority has a key advocacy and engagement role across government and with the people of South Australia, business and communities throughout South Australia, to achieve a healthy and valued environment.

(c) Financial arrangements

The Department of Environment and Natural Resources (DENR) provides some professional, technical and administrative support to the Authority. The identifiable direct costs of providing these services are met by the Authority. In addition, certain services are provided by DENR at no charge to the Authority and have not been recognised in the financial statements as it is impractical to determine a value for these items. The costs of these services include salaries and overheads relating to the provision of various administrative services.

A Memorandum of Understanding was signed on 31 May 2004 between DENR and the Authority relating to the provision of these services. The Authority is currently engaging with DENR in revising the service level agreement and to date has made substantial progress towards its finalisation.

The statutory authority's sources of funds consist of income derived primarily from fees, levies and licences. These fees, levies and licences include:

- waste levies from landfill depots
- environmental authorisation fees
- radiation license fees
- fines and penalties
- Section 7 enquiries.

The financial activities of the Authority are primarily conducted through deposit accounts with DTF pursuant to sections 8 and 21 of the PFAA. The deposit accounts are used for funds provided by Parliamentary appropriation together with revenues from services provided and from fees and charges.

2. Summary of significant accounting policies

(a) Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs, and TIs and APSs promulgated under the provisions of the PFAA.

(a) Statement of compliance (continued)

Except for the amendments to AASB 2009-12, which the Authority has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Authority for the reporting period ending 30 June 2011.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and management to exercise its judgment in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes
- the selection and application of accounting policies in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, that have been included in these financial statements:

  (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items applies

  (b) expenses incurred as a result of engaging consultants

  (c) employee TVSP information

  (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees

  (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Authority'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 historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

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

The financial statements have been prepared based on a 12 month 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 2011 and the comparative information presented.

(c) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or APSs have required a change.

Where presentation or classification of items in the financial statements has been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

The restated comparative amounts do not replace the original financial statements for the preceding period.

(d) Rounding

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

(e) Taxation

The Authority is not subject to income tax. The Authority is liable for payroll tax, FBT, GST, Emergency Services levy, land tax equivalents and local government rate equivalents.

Shared Services SA prepares a Business Activity Statement on behalf of the Authority under the grouping provisions of the GST legislation. Under these provisions, DENR is liable for the payments and entitled to the receipts associated with GST. Therefore, the Authority's net GST receivable/payable is recorded in DENR's Statement of Financial Position. GST cash flows applicable to the Authority are recorded in DENR's Statement of Cash Flows.

(f) Events after balance date

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June.

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

(g) Income and expenses

Income and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from the Authority will occur and can be reliably measured.

Income and expenses 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.

Income

The following are specific recognition criteria:

Fees and charges

Environmental authorisation fees received under the *Environment Protection Act 1993* are recognised as revenue when invoiced. All other license fees, including those received under the *Radiation Protection and Control Act 1982*, are recognised as revenue upon receipt.

Waste levies are recognised by the Authority on an accrual basis.

Contributions received

Contributions are recognised as an asset and income when the Authority obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met (ie the amount can be reliably measured and the flow of resources is probable).

Generally, the Authority has obtained control or the right to receive for:

- contributions with unconditional stipulations - this will be when the agreement becomes enforceable ie the earlier of when the receiving entity has formally been advised that the contribution (eg grant application) has been approved; agreement/contract is executed; and/or the contribution is received
- contributions with conditional stipulations - this will be when the enforceable stipulations specified in the agreement occur or are satisfied; that is income would be recognised for contributions received or receivable under the agreement.

All contributions received by the Authority have been contributions with unconditional stipulations attached and have been recognised as an asset and income upon receipt.

Revenues from SA Government

Appropriations for program funding are recognised as revenues when the Authority obtains control over the funding. Control over appropriations is normally obtained upon receipt.

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the Authority and the appropriation is recorded as contributed equity. The Authority received a $108 000 equity contribution in 2010-11.

Net gain (loss) on non-current assets

Income from the disposal of non-current assets is recognised when the control of the asset has passed to the buyer and is determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation increments are transferred to retained earnings.

Other income

Other income consists of sundry expense reimbursements.

Expenses

The following are specific recognition criteria:

Employee benefits

Employee benefits include all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

Superannuation
The amount charged to the Statement of Comprehensive Income represents the contributions made by the Authority to the superannuation plan in respect of current services of current Authority staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

Depreciation and amortisation
All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to tangible assets such as property, 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.

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

Land assets are not depreciated.

Depreciation/Amortisation is calculated on a straight-line basis over the estimated useful life of the following classes of assets as follows:

Class of asset	*Useful life (years)*
Computing equipment	3-10
Intangibles	3-15
Infrastructure	5-50
Plant and equipment	3-30
Moveable vehicles	10-25
Furniture and fittings	10-15
Buildings and improvements	30-50
Other	7-10

Grants and subsidies
For contributions payable, the contribution will be recognised as a liability and expense when the Authority has a present obligation to pay the contribution and the expense recognition criteria are met.

All contributions paid by the Authority have been contributions with unconditional stipulations attached.

(h) Current and non-current classification
Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Authority has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(i) 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.

Where an asset line item combines accounts expected to be settled within 12 months and more than 12 months, the Authority has separately disclosed the amounts expected to be recovered after more than 12 months.

Cash and cash equivalents
Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

Receivables
Receivables include amounts receivable from fees and charges, interest and other accruals.

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Trade receivables are generally due within 30 days after the issue of an invoice.

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

Non-current assets - acquisition and recognition
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 less accumulated depreciation.

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

All non-current tangible assets with a value over $10 000 are capitalised.

Revaluation of non-current assets
All non-current tangible assets are valued at written down current cost (a proxy for fair value).

Every five years, the Authority revalues its land, buildings and infrastructure. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, when they are revalued to fair value.

Any revaluation increment is credited to the asset revaluation surplus except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income.

Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in revaluation surplus for that asset class.

Upon disposal or derecognition, any revaluation surplus relating to that asset is transferred to retained earnings.

The Authority undertook an independent professional valuation in 2009-10 for all land, buildings and infrastructure. The valuer used by the Authority was as follows:

- *Land, buildings and infrastructure*
  1 July 2009, Valcorp Australia Pty Ltd, Mr N Zwaans, BBus(Property) GAPI, Mr F Taormina, BAppSc(Val), AAPI.

Fair value was determined by identifying a market buying price, estimated as written down modern equivalent replacement cost. The fair value of land and buildings was based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use.

Assets deemed to be at fair value
APF III states that revaluation of a non-current asset is required only when its fair value at the time of acquisition is greater than $1 million and its estimated useful life is greater than three years.

Asset classes that did not satisfy this criteria and are therefore deemed to be at fair value are:

- moveable vehicles
- computing equipment
- application software
- furniture and fittings
- plant and equipment.

Impairment
All non-current tangible and intangible assets are tested for indications of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

For revalued assets, an impairment loss is offset against the respective asset revaluation surplus.

Intangible assets
An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The Authority only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

The acquisition or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to $10 000.

All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 are expensed.

(j) 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.

Where a liability line item combines accounts expected to be settled within 12 months and more than 12 months, the Authority has separately disclosed the amounts expected to be settled after more than 12 months.

Payables
Payables include creditors, accrued expenses and 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 the Authority.

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 the Authority has received from the Commonwealth Government to forward onto eligible employees via the Authority's standard payroll processes. That is, the Authority 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 the date the invoice is first received.

Employee benefit on-costs include payroll tax, WorkCover levies and superannuation contributions in respect to outstanding liabilities for salaries and wages, long service leave and annual leave.

The Authority 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 the South Australian Superannuation Board.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Authority has entered into one or more operating leases.

- *Operating leases*
  Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased assets.

- *Lease incentive*
  All incentives for the agreement of new or renewed operating leases are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as a liability.

  The aggregate benefit of lease incentives received by the Authority in respect of operating leases has been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

  Lease incentives in the form of leasehold improvements are capitalised as an asset and depreciated over the remaining term of the lease or estimated useful life of the improvement, whichever is shorter.

Employee benefits
These benefits accrue for employees 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.

Wages, salaries, annual leave and sick leave
Salaries and wages for the pay period ending 1 July 2011 were prepaid on 30 June 2011 (refer note 19). The liability for salaries and wages as at 30 June 2010 was measured as the amount unpaid at that reporting date.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

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 recognised after an employee has completed five years of service. An actuarial assessment of long service leave undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Authority's experience of employee retention and leave taken.

Provisions
Provisions are recognised when the Authority 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.

When the Authority expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at reporting date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2011 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Authority is responsible for the payment of workers compensation claims.

(k) Unrecognised contractual commitments and contingent assets and liabilities
Commitments include operating lease and remuneration commitments arising from contractual or statutory sources and are disclosed at their nominal value.

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

(k) Unrecognised contractual commitments and contingent assets and liabilities (continued)

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

3. New and revised accounting standards and policies

In accordance with amendments to APS 4.8 within APF II, effective 1 July 2010, the Authority has disclosed all employees whose normal remuneration is equal to or greater than the base executive level remuneration. Previously APS 4.8 within APF II required the Authority to disclose all employees whose normal remuneration was equal to or greater than $100 000. This change is reflected in note 5.

In 2010-11, the Authority has changed its revenue recognition policy for environmental authorisation fees received under the *Environment Protection Act 1993*. This revenue is now recognised when invoiced, rather than upon receipt. This change in accounting treatment ensures that relevant revenue is recognised when it becomes due under the *Environment Protection Act 1993*.

This change has been applied retrospectively in accordance with AASB 108.

The impact of this change in accounting policy is a decrease in 2009-10 environmental authorisation fees revenue of $1.228 million and an increase in 2009-10 receivables of $1.178 million. The impact of the change on retained earnings is disclosed in the Statement of Changes in Equity.

In 2010-11, the Authority has changed its asset recognition threshold from $5000 to $10 000 in accordance with guidance detailed in APS 2.15 within APF III. As a result, items with a purchase cost of less than $10 000 have been fully expensed upon acquisition. The impact of this change on retained earnings is disclosed in the Statement of Changes in Equity.

Except for the amending standard AASB 2009-12, which the Authority has early-adopted, the AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Authority for the period ending 30 June 2011. The Authority has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Authority.

4. Activities of the Authority

The Authority is funded by appropriation and fees and charges for the provision of environment protection, policy and regulatory services. In line with the objectives of establishing the Authority to focus on environment protection activities, the Authority conducts its services through a single program, Environment and Radiation Protection. The purpose of this program is to achieve a clean, healthy and valued environment that supports social and economic policy for all South Australians. As the Authority conducts its services through a single program, a Statement of Disaggregated Disclosures has not been prepared.

5. Employee benefits expenses	2011 $'000	2010 $'000
Salary and wages	14 653	14 215
TVSPs (refer below)	-	1 960
Long service leave	601	875
Annual leave	1 428	1 362
Employment on-costs - superannuation	1 730	1 783
Employment on-costs - other	921	940
Boards and committee fees	150	164
Workers compensation	37	71
Other employment related expenses	433	569
Total employee benefits expenses	19 953	21 939

TVSPs

Amount paid to these employees:		
TVSPs	-	1 960
Annual leave and long service leave paid during the reporting period	-	528
Total	-	2 488
Recovery from DTF	-	1 806
Net cost to the Authority	-	682

The number of employees who received a TVSP during the reporting period was nil (14).

Employee remuneration	2011	2010
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
$127 500 - $130 699*	-	-
$130 700 - $140 699	2	-
$150 700 - $160 699	-	1
$160 700 - $170 699	2	1
$180 700 - $190 699	1	2
$200 700 - $210 699	1	-
$270 700 - $280 699	-	1
$290 700 - $300 699	1	-
$330 700 - $340 699	-	1
Total	7	6

* This band has been included for the purpose of reporting comparative figures based on the executive base level remuneration rate for 2009-10.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $1.291 million ($1.304 million).

In accordance with the revised APF II, the Authority has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than $100 000. The impact of this change in accounting policy is that the number of employees disclosed has reduced by 37 (21).

6. Supplies and services

	2011	2010
	$'000	$'000
Accommodation and property management expenses	2 046	2 218
Consultants	17	14
Contractors	402	561
Fee for service	364	649
General administration	1 029	1 082
Information technology and communication expenses	631	606
Minor works, maintenance and equipment	396	387
Monitoring fees	576	528
Scientific and technical services	495	383
Transportation	137	132
Travel and accommodation	205	156
Vehicle and aircraft	478	421
Other	149	264
Total supplies and services	6 925	7 401
Supplies and services provided by entities within the SA Government:		
Accommodation and property management expenses	1 979	2 187
Scientific and technical services	35	29
General administration	580	520
Vehicle and aircraft	328	349
Total supplies and services - SA Government entities	2 922	3 085

Consultants

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

	2011		2010	
	Number	$'000	Number	$'000
Below $10 000	2	17	1	3
Between $10 000 and $50 000	-	-	1	11
Total paid/payable to the consultants engaged	2	17	2	14

7. Depreciation and amortisation

	2011	2010
	$'000	$'000
Depreciation:		
Buildings and improvements	1	1
Computing equipment	14	13
Furniture and fittings	439	448
Moveable vehicles	10	5
Infrastructure	13	13
Plant and equipment	135	131
Total depreciation	612	611
Amortisation:		
Application software	328	321
Total amortisation	328	321
Total depreciation and amortisation	940	932

8. Grants and subsidies

Grants and subsidies paid/payable to entities within the SA Government:		
Department of Environment and Natural Resources	240	144
Department for Water	19	-
Zero Waste SA*	12 616	11 743
South Australian Fire and Emergency Services Commission	2	-
Other	1	10
Total grants and subsidies - SA Government entities	12 878	11 897
Grants and subsidies paid/payable to entities external to the SA Government:		
Community organisations and associations	153	160
Individuals - solar hot water rebate	50	163
Commonwealth Government	129	99
Total grants and subsidies - non-SA Government entities	332	422
Total grants and subsidies	13 210	12 319

* As per section 113 of the *Environment Protection Act 1993* the Authority earns and collects 100 percent of waste levies, however is then required to transfer 50 percent of solid waste levies collected to Zero Waste SA as per section 17 of the *Zero Waste SA Act 2004*. This transfer represents the payment of waste levies monies to Zero Waste SA in accordance with the *Zero Waste SA Act 2004*.

9. Other expenses

	2011	2010
	$'000	$'000
Bad and doubtful debts	134	14
Other	136	290
Total other expenses	270	304
Other expenses paid/payable to entities within the SA Government:		
Other (including audit fees)	103	77
Total other expenses - SA Government entities	103	77

10. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department	103	77
Total audit fees	103	77

Other services

No other services were provided by the Auditor-General's Department.

11. Fees and charges

Fines and penalties	339	238
Environmental authorisation fees	9 026	9 582
Radiation licence fees	1 268	1 469
Other licence fees	624	433
Waste levies	26 069	24 237
Sale of professional services	35	50
Section 7 enquiries	37	49
Total fees and charges	37 398	36 058

12. Grants and contributions

	2011	2010
Grants and contributions received/receivable from entities within the SA Government:	$'000	$'000
SA Government grants(i)	1 530	1 080
Total grants and contributions - SA Government entities	1 530	1 080
Grants and contributions received/receivable from entities external to the SA Government:		
Commonwealth Government(ii)	136	291
Local Government(iii)	30	-
Total grants and contributions - non-SA Government entities	166	291
Total grants and contributions	1 696	1 371

		2011	2010
(i)	SA Government grants and contributions:		
	Adelaide and Mount Lofty Ranges Natural Resources Management Board	25	-
	Department for Water	322	481
	SA Murray-Darling Basin Natural Resources Management Board	10	70
	Zero Waste SA	-	1
	Department of Further Education, Employment, Science and Technology	150	150
	Department of Environment and Natural Resources	998	353
	Department of the Premier and Cabinet	-	5
	Department of Primary Industries and Resources	22	20
	Other	3	-
		1 530	1 080
(ii)	Commonwealth Government:		
	Department of the Environment, Water, Heritage and the Arts	-	90
	Bureau of Meteorology	-	33
	CSIRO	-	2
	Murray-Darling Basin Authority	-	166
	Department of Education, Employment and Workplace Relations	10	-
	Department of Resources, Energy and Tourism	21	-
	Department of Sustainability, Environment, Water, Population and Communities	105	-
		136	291
(iii)	Local Government:		
	Stormwater Management Authority	30	-
		30	-

Contributions with conditions of expenditure

Contributions which have conditions of expenditure still to be met as at reporting date were $5.78 million ($4.875 million).

The Authority is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Authority on the premise that these funds are expended in a manner consistent with the terms of the agreement. At reporting date these contributions relate to:

	2011	2010
	$'000	$'000
Environment Protection Fund	5 616	4 626
Water Quality Improvement Program	42	73
NRG Flinders	1	51
Chemcollect	61	81
Externally funded projects	60	44
	5 780	4 875

The Fund is established under section 24 of the *Environment Protection Act 1993*. The Fund must be kept as directed by the Treasurer. Prescribed percentages of waste levies and licence fees are paid into the Fund under section 8 of the Environment Protection Regulations 2009. The Fund may be applied by the Minister or by the Authority with the approval of the Minister.

13. Interest revenue

	2011	2010
	$'000	$'000
Interest from entities within the SA Government	232	139
Total interest revenue	232	139

14. Net gain (loss) from disposal of non-current assets

	2011	2010
Furniture and fittings:	$'000	$'000
Proceeds from disposal	-	-
Net book value of assets disposed	-	(148)
Net gain (loss) from disposal	-	(148)
Plant and equipment:		
Proceeds from disposal	16	1
Net book value of assets disposed	(8)	(2)
Net gain (loss) from disposal	8	(1)
Total assets:		
Total proceeds from disposal	16	1
Total value of assets disposed	(8)	(150)
Total net gain (loss) from disposal of non-current assets	8	(149)

15. Other income

Salaries and wages recoveries	22	1
Other sundry revenue	36	32
Total other income	58	33

16. Revenues from SA Government

Appropriations from Consolidated Account pursuant to the *Appropriation Act*	2 398	5 327
Contingency funds	6	2 122
Total revenues from SA Government	2 404	7 449

Total revenues from Government consists of $1.433 million ($6.921 million) for operational funding and $971 000 ($528 000) for capital projects. For details on the expenditure associated with the operational funding and capital funding received (refer notes 5 to 10). There were no material variations between the amount appropriated and the expenditure associated with this appropriation.

17. Cash and cash equivalents

	2011	2010
	$'000	$'000
Deposits with the Treasurer	3 753	3 764
Environment Protection Fund Deposit Account	5 616	4 626
Cash on hand/imprest accounts	5	5
Total cash and cash equivalents	9 374	8 395

Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use, ie funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

Interest rate risk

Cash on hand is non-interest bearing. The Environment Protection Fund Deposit Account earns a floating interest rate, based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

18. Receivables

	2011	2010
Current:	$'000	$'000
Receivables	3 134	3 443
Allowances for doubtful debts	(55)	(5)
	3 079	3 438
Accrued revenues	21	15
Workers compensation recoveries	1	1
Total current receivables	3 101	3 454
Receivables from entities within the SA Government:		
Receivables	103	116
Accrued revenues	21	15
	124	131
Non-current:		
Receivables from entities external to the SA Government:		
Workers compensation recoveries	3	4
Total non-current receivables	3	4

Movement in allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired. An allowance for impairment loss has been recognised in 'Other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movements in allowance for doubtful debts (impairment loss)	2011 $'000	2010 $'000
Carrying amount at 1 July	5	11
Increase in the allowance	53	1
Amounts written off	(1)	(5)
Decrease in allowance recognised in the Statement of Comprehensive Income	(2)	(2)
Carrying amount at 30 June	55	5

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. Receivables 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.

19. Other assets

	2011 $'000	2010 $'000
Current:		
Prepayments	87	75
Total current other assets	87	75

20. Property, plant and equipment

	2011	2010
Land:		
Independent valuation	200	200
Total land	200	200
Building and improvements:		
Independent valuation	35	35
Accumulated depreciation	(17)	(16)
Total buildings and improvements	18	19
Infrastructure:		
Independent valuation	359	359
Accumulated depreciation	(79)	(66)
Total infrastructure	280	293
Capital works in progress:		
Capital works in progress	319	86
Total capital works in progress	319	86
Moveable vehicles:		
At cost (deemed fair value)	241	241
Accumulated depreciation	(129)	(119)
Total moveable vehicles	112	122
Computing equipment:		
At cost (deemed fair value)	125	110
Accumulated depreciation	(100)	(86)
Total computing equipment	25	24
Furniture and fittings:		
At cost (deemed fair value)	5 409	5 408
Accumulated depreciation	(1 045)	(605)
Total furniture and fittings	4 364	4 803
Plant and equipment:		
At cost (deemed fair value)	3 834	3 579
Accumulated depreciation	(3 165)	(3 125)
Total plant and equipment	669	454
Total property, plant and equipment	5 987	6 001

Asset movement reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment and intangible assets is displayed in the following table.

2011	Carrying amount 01.07.10 $'000	Additions $'000	Additions - transfer to (from) CWIP $'000	Depreciation/ Amortisation expense $'000	Disposals $'000	Carrying amount 30.06.11 $'000
Land	200	-	-	-	-	200
Buildings and improvements	19	-	-	(1)	-	18
Infrastructure	293	-	-	(13)	-	280
Capital works in progress	86	306	(73)	-	-	319
Moveable vehicles	122	-	-	(10)	-	112
Computing equipment	24	15	-	(14)	-	25
Furniture and fittings	4 803	-	-	(439)	-	4 364
Plant and equipment	454	358	-	(135)	(8)	669
Intangible assets	1 087	-	73	(328)	-	832
Total	7 088	679	-	(940)	(8)	6 819

2010	Carrying amount 01.07.09 $'000	Additions $'000	Additions - transfer to (from) CWIP $'000	Depreciation/ Amortisation expense $'000	Net revaluation increment (decrement) $'000	Disposals $'000	Carrying amount 30.06.10 $'000
Land	100	-	-	-	100	-	200
Buildings and improvements	10	-	-	(1)	10	-	19
Infrastructure	239	-	3	(13)	64	-	293
Capital works in progress	111	470	(495)	-	-	-	86
Moveable vehicles	5	118	5	(6)	-	-	122
Computing equipment	37	-	-	(13)	-	-	24
Furniture and fittings	5 127	-	271	(447)	-	(148)	4 803
Plant and equipment	407	163	16	(131)	-	(1)	454
Intangible assets	1 149	59	200	(321)	-	-	1 087
Total	7 185	810	-	(932)	174	(149)	7 088

21. Intangible assets

	2011 $'000	2010 $'000
Computer software:		
At cost (deemed fair value)	2 757	2 684
Accumulated amortisation	(1 925)	(1 597)
Total computer software	832	1 087
Electronic environment licensing forms (E-ELF):		
At cost (deemed fair value)	167	167
Accumulated amortisation	(140)	(124)
Total E-ELF	27	43
Integrated information system (IIS):		
At cost (deemed fair value)	474	474
Accumulated amortisation	(416)	(357)
Total IIS	58	117
General environment information system (GENI):		
At cost (deemed fair value)	1 566	1 493
Accumulated amortisation	(917)	(720)
Total GENI	649	773
Complaints and reports for environmental significance system (CARES):		
At cost (deemed fair value)	240	240
Accumulated amortisation	(209)	(181)
Total CARES	31	59
Other:		
At cost (deemed fair value)	310	310
Accumulated amortisation	(243)	(215)
Total other	67	95
Total intangible assets	832	1 087

22. Payables

	2011	2010
Current:	$'000	$'000
Creditors	911	1 045
Accrued expenses	145	126
Employee benefit on-costs	319	291
Total current payables	1 375	1 462
Payables to SA Government entities:		
Creditors	194	237
Accrued expenses	90	77
Employee benefit on-costs	319	291
	603	605
Non-current:		
Employee benefit on-costs	277	327
Total non-current payables	277	327
Payables to SA Government entities:		
Employee benefit on-costs	277	327
	277	327

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of long service leave taken as leave has changed from the 2010 rate of 45 percent to 35 percent and the average factor for the calculation of employer superannuation on-cost has changed from the 2010 rate of 10.5 percent to 10.3 percent. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is a decrease in the employment on-cost of $33 000 and employee benefits expenses of $33 000.

Interest rate and credit risk

Creditors and accruals are raised for all amounts due but unpaid. Sundry creditors are normally settled within 30 days. Employment on-costs are settled when the respective employee benefit 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.

23. Employee benefits

	2011	2010
Current:	$'000	$'000
Annual leave	1 299	1 181
Short-term long service leave	353	505
Accrued salaries and wages	-	553
Total current employee benefits	1 652	2 239
Non-current:		
Long service leave	3 385	2 966
Total non-current employee benefits	3 385	2 966
Total employee benefits	5 037	5 205

As a result of an actuarial assessment performed by DTF, the benchmark for the measurement of the long service leave liability has changed from the 2009-10 benchmark of 5.5 years to five years in 2010-11. The net financial effect of the changes in the current financial year is an increase in the long service leave liability of $56 000 and employment benefit expense of $56 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

24. Provisions

	2011	2010
Current:	$'000	$'000
Provision for workers compensation	33	29
Total current provisions	33	29
Non-current:		
Provision for workers compensation	113	97
Total non-current provisions	113	97
Total provisions	146	126

Provision movement	2011	2010
	$'000	$'000
Carrying amount at 1 July	126	107
Additional provisions recognised	20	19
Carrying amount at 30 June	146	126

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

25. Other liabilities

	2011	2010
Current:	$'000	$'000
Lease incentive	67	67
Other	154	41
Total current other liabilities	221	108
Non-current:		
Lease incentive	778	844
Total non-current other liabilities	778	844

26. Unrecognised contractual commitments

Remuneration commitments

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:

	2011	2010
	$'000	$'000
Within one year	683	942
Later than one year but not later than five years	156	804
Total remuneration commitments	839	1 746

Amounts disclosed include commitments arising from executive and other service contracts. The Authority does not offer fixed-term remuneration contracts greater than five years.

Operating lease commitments

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

	2011	2010
	$'000	$'000
Within one year	2 125	2 003
Later than one year but not later than five years	8 937	8 533
Later than five years	19 673	21 237
Total operating lease commitments	30 735	31 773
Representing:		
Non-cancellable operating leases	30 735	31 773
Total operating lease commitments	30 735	31 773

The operating leases held by the Authority are mainly property leases with penalty clauses equal to the amount of the residual payments remaining for the lease terms. The leases are payable one month in advance and the Authority has the right of renewal. There are no existing or contingent rental provisions.

27. Contingent assets and liabilities

Contingent assets

The Authority is not aware of the existence of any contingent assets as at 30 June 2011.

Contingent liabilities

The Authority is not aware of the existence of any contingent liabilities as at 30 June 2011.

28. Remuneration of board and committee members

Members that were entitled to receive remuneration for membership during the 2011 financial year were:

Board of the Environment Protection Authority

Ms Cheryl Bart
Ms Linda Bowes
Ms Megan Dyson
Mr Stephen Hains
Mrs Cheryl Hill (resigned 19 March 2011)
Ms Jane Yuile

28. Remuneration of board and committee members (continued)

Radiation Protection Committee

Ms Jessica Burckhardt (appointed 26 May 2011)	Dr Gerald Laurence
Ms Jill Fitch	Ms Sharon Paulka
Dr Michael Lardelli	Ms Katheryn Taylor

The number of members whose remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
$0	4	3
$1 - $9 999	2	2
$20 000 - $29 999	5	5
$40 000 - $49 999	1	-
$50 000 - $59 999	-	1
Total number of board and committee members	12	11

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, super contributions, FBT and salary sacrifice arrangements. The total remuneration received or receivable by members was $170 131 ($187 852).

In accordance with DPC Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.

Unless otherwise disclosed, transactions between members and the Authority are on conditions no more favourable than those it is reasonable to expect the Authority would have adopted if dealing with the related party at arm's length in the same circumstances.

29. Cash flow reconciliation

	2011	2010
Reconciliation of cash and cash equivalents at 30 June:	$'000	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	9 374	8 395
Cash and cash equivalents disclosed in the Statement of Cash Flows	9 374	8 395
Reconciliation of net cash provided by (used in) operating activities to net cost of providing services		
Net cash provided by (used in) operating activities	1 658	3 958
Revenues from SA Government	(2 404)	(7 449)
Non-cash items:		
Depreciation and amortisation expense of non-current assets	(940)	(932)
Net gain (loss) on disposal of assets	8	(149)
Movements in assets and liabilities:		
Increase (Decrease) in receivables	(354)	(1 038)
Increase (Decrease) in other assets	12	(13)
Decrease (Increase) in payables	13	149
Decrease (Increase) in employee benefits	167	10
Decrease (Increase) in provisions	(20)	(19)
Decrease (Increase) in other liabilities	(46)	40
Net cost of providing services	(1 906)	(5 443)

30. Financial instruments/financial risk management

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 note 2.

		2011		2010	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash and cash equivalents	17	9 374	9 374	8 395	8 395
Receivables	18	3 104	3 104	3 458	3 458
Financial liabilities					
Payables	22	1 652	1 652	1 789	1 789

Credit risk
Credit risk arises when there is the possibility of the Authority's debtors defaulting on their contractual obligations resulting in a financial loss to the Authority. The Authority measures credit risk on a fair value basis and monitors risk on a regular basis.

The Authority has minimal concentration of credit risk. The Authority has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Authority does not engage in high risk hedging for its financial assets.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in credit rating. Currently the Authority does not hold any collateral as security for any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer note 18 for information on the allowance for impairment in relation to receivables.

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

		Past due by			
2011	Current (not overdue) $'000	Overdue for less than 30 days $'000	Overdue for 30-60 days $'000	Overdue for more than 60 days $'000	Total $'000
Not impaired:					
Receivables	2 966	151	18	24	3 159
Impaired:					
Receivables	-	-	3	52	55
2010					
Not impaired:					
Receivables	2 666	300	93	404	3 463
Impaired:					
Receivables	-	-	-	5	5

Maturity analysis of financial assets and liabilities
The following table discloses the maturity analysis of financial assets and financial liabilities.

	Contractual maturity			
2011	Carrying amount $'000	Less than 1 year $'000	1-5 years $'000	More than 5 years $'000
Financial assets:				
Cash and cash equivalents	9 374	9 374	-	-
Receivables	3 104	3 101	3	-
Total financial assets	12 478	12 475	3	-
Financial liabilities:				
Payables	1 652	1 375	277	-
Total financial liabilities	1 652	1 375	277	-
2010				
Financial assets:				
Cash and cash equivalents	8 395	8 395	-	-
Receivables	3 458	3 454	4	-
Total financial assets	11 853	11 849	4	-
Financial liabilities:				
Payables	1 789	1 462	327	-
Total financial liabilities	1 789	1 462	327	-

Liquidity risk

Liquidity risk arises where the Authority is unable to meet its financial obligations as they fall due. The Authority is funded principally from waste levies and annual licence fees. The Authority works with DTF to determine the cash flows associated with its government-approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The Authority settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

Market risk

The Authority has no interest bearing liabilities as at the end of the reporting period. There is no exposure to foreign currency or other price risks.

A sensitivity analysis has not been undertaken for the interest rate risk of the Authority as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

31. The Environment Protection Fund

The following is a summary of the amounts included in the Fund. In reflecting these amounts in the Authority's financial statements, transactions between the Fund and the Authority have been eliminated.

Statement of Comprehensive Income for the year ended 30 June 2011

	2011	2010
Expenses:	$'000	$'000
Employee benefits	304	189
Supplies and services	932	668
Grants and subsidies expense	149	100
Total expenses	1 385	957
Income:		
Fees and charges	2 067	1 993
Interest revenue	232	139
Other revenue	1	-
Total income	2 300	2 132
Net result	915	1 175

Statement of Financial Position as at 30 June 2011

	2011	2010
Current assets:	$'000	$'000
Cash and cash equivalents	5 616	4 626
Receivables	168	149
Total current assets	5 784	4 775
Total assets	5 784	4 775
Current liabilities:		
Payables	161	60
Employee benefits	-	7
Total current liabilities	161	67
Total liabilities	161	67
Net assets	5 623	4 708
Equity:		
Retained earnings	5 623	4 708
Total equity	5 623	4 708

31. The Environment Protection Fund (continued)

Statement of Changes in Equity for the year ended 30 June 2011

	Retained earnings $'000	Total $'000
Balance at 30 June 2009	3 475	3 475
Net result for 2009-10	1 175	1 175
Change in accounting policy for the recognition of environmental authorisation fee revenue	58	58
Balance at 30 June 2010	4 708	4 708
Net result for 2010-11	915	915
Balance at 30 June 2011	5 623	5 623

Statement of Cash Flows for the year ended 30 June 2011

	2011 Inflows (Outflows) $'000	2010 Inflows (Outflows) $'000
Cash flows from operating activities:		
Cash inflows:		
Fees and charges	2 054	2 037
Interest received	226	132
Other revenues	1	-
Total cash inflows	2 281	2 169
Cash outflows:		
Employee benefits payments	(313)	(199)
Payments for supplies and services	(829)	(624)
Grant and contribution payments	(149)	(100)
Total cash outflows	(1 291)	(923)
Net cash inflows (outflows) from operating activities	990	1 246
Cash at 1 July	4 626	3 380
Cash at 30 June	5 616	4 626

32. Radiation protection function

The administrative unit has responsibility for radiation protection functions under the *Radiation Protection and Control Act 1982*.

The following summarises income and expenditure attributable to radiation protection functions within the administrative unit excluding the allocation of overheads. Transactions between the Radiation Protection division and the statutory authority have been eliminated in preparing the financial statements.

Statement of Comprehensive Income for the year ended 30 June 2011

	2011 $'000	2010 $'000
Expenses:		
Employee benefits	1 288	1 193
Supplies and services	72	48
Total expenses	1 360	1 241
Income:		
Radiation licence fees	1 268	1 469
Sales	7	13
Grants and contributions	22	-
Other revenue	6	12
Total income	1 303	1 494
Net cost of (benefit from) providing services	57	(253)

Department for Families and Communities

Functional responsibility

Establishment

The Department for Families and Communities (DFC or the Department) is an administrative unit established pursuant to the PSA.

Functions

DFC works with people in need who, through circumstance, may be poor, vulnerable, at risk of harm or isolated and disconnected. DFC is responsible for delivering specific programs to the public with respect to activities assigned to it under various Acts.

In addition, DFC provides all the employee and housing related services to the South Australian Housing Trust (SAHT) through the Housing SA division of DFC. An agreement with the SAHT sets out the arrangements.

For more information about DFC's objectives and functions refer note 1 to the financial statements.

Audit mandate and coverage

Audit authority

Audit of the financial report

Subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of DFC for each financial year.

Assessment of controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by DFC in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an opinion to be formed with respect to the financial report and internal controls.

During 2010-11, specific areas of audit attention included:

- payroll expenditure
- supplies and services including brokerage expenditure
- payments to non-government organisations (NGOs)
- other grants, subsidies and client payments
- concession payments

- accounts receivable
- financial accounting
- client trust accounts
- TVSPs.

Internal audit activities were reviewed to assess the risks of material misstatement of the financial report and to design and perform audit procedures.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Department for Families and Communities as at 30 June 2011, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Department for Families and Communities in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to implementation of TIs 2 and 28, grants and subsidies, Families SA carer payments, Families SA other alternative care, brokerage expenditure, payroll, expenditure, financial accounting, accounts receivable, concessions and client trust funds as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department for Families and Communities have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive of DFC. Responses to the management letters were generally considered to be satisfactory. Major matters raised with DFC and Shared Services SA (SSSA) and related responses are detailed below.

Implementation of TIs 2 and 28

In recent years Audit has raised concerns as to DFC's progress in implementing a financial management compliance program (FMCP). During 2010-11 DFC undertook significant work to improve its FMCP and has implemented a control self-assessment system.

At the time of the audit, July 2011, the Department was finalising first-time application of its revised FMCP. It had yet to report to the Chief Executive or undertake internal audit reviews of the self-assessment processes.

Audit noted the Department had improved its FMCP. Audit highlighted the importance of independent testing and reporting. Audit considered the ultimate success of the Department's FMCP is dependent on the integrity of the self-assessment process and its ability to identify, address and report financial compliance failures. Compliance review processes that are performed independently of the area subject to review have more credibility than self-assessment processes.

DFC responded that it had robust processes and activities to adequately address all matters raised in the audit correspondence. It advised it had reported to the Chief Executive in early September 2011 and stated its intention to review evidence to substantiate compliance as part of a proposed internal audit by the end of September 2011.

Grants and subsidies

Prior year Reports have identified a number of concerns with DFC's administration of grant payments including grants to NGOs.

In 2009-10 the Department developed an implementation plan detailing projects to address concerns raised previously by Risk Management and Internal Audit (RMIA). As the target dates on the implementation plan generally extend beyond 2010-11, to a large degree the concerns raised in my previous Reports remain relevant.

The audit included a follow-up of the status of the implementation plan. It was noted that, while the Department has made some progress against its plan, for some of the longer term projects this progress was less than anticipated.

The following summarises the Department's progress during 2010-11.

Needs based planning and sector analysis

Strong evidence supporting funding decisions is important to ensure limited resources can be targeted to the areas of most need supporting the Department's objectives. RMIA recommended that each division perform a high level needs assessment and map existing services to these needs to better identify unmet needs and future priorities.

In 2010-11 DFC's executive leadership team approved a business case to implement an evidence based management framework (EBMF) to identify relevant demographic and socio-economic data and existing regional services. The target date for EBMF implementation is July 2012. While the Department has progressed towards developing the framework, it remains at an early project stage. Audit considers there is some risk that the implementation of the EBMF by 1 July 2012 may not be achieved.

DFC advised that the EBMF project is currently meeting its planned milestones. Further, it indicated grants that involve direct allocation are required to include an analysis of the potential supply market and the rationale for direct allocation.

Budgeting and unit costing

RMIA noted that, in general, funding was not guided by established unit costs. These factors limit the effectiveness of reviewing value for money and performance.

In 2010-11 the Department began developing a financial costing framework. However, there have been delays gathering costing information to facilitate the establishment of acceptable price ranges for key services. The project remains in its early stages and has not yet had a significant impact on controls.

The Department advised that it has adopted a revised approach to the collection of data which has delayed project completion. This approach resulted from feedback received from the community services sector. It considers the new approach will ultimately result in improved project outcomes. The planned completion date for this project is now early December 2011.

Performance management

RMIA found limited evidence of review of information on financial acquittals, outputs against targets, key performance indicators and other qualitative information. It recommended that further documented procedures be implemented to provide additional guidance as to the expected level of review.

The Department is yet to develop formal procedures for undertaking performance reviews. The 2010-11 audit found that the level of performance management varied across the Department.

The Department acknowledged inconsistencies in performance management. It advised its intention to centralise certain review responsibilities enabling program areas to focus on service specific performance management. Further, the response indicated that the Procurement and Grants unit is investigating a risk based approach to performance management.

Other matters

Audit tested grant payments to assess the integrity of the financial transactions processed and whether systems may be relied upon for reporting and decision making purposes. Matters raised with the Department included:

- the execution of grant agreements for the Office for Disability and Client Services were significantly delayed and consequently first quarter payments were made without finalised agreements. Audit also noted instances in other divisions where services agreements were signed significantly after services commenced.

  The Department responded that a reminder would be issued to all executive directors regarding the importance of timely execution of agreements. Further, it advised it had implemented processes to alert program areas and directors of expiring agreements

- incorrect payment information on the grants management system caused by system interface problems

  The Department indicated it intends to investigate possible options for a more thorough reconciliation between the systems

- instances where payments did not match agreements or were made without required authority.

  the Department advised of processes it had in place to ensure payments are made within required authority and in accordance with agreements.

Families SA – carer payments

Review of the Department’s systems to manage carer payments identified the following areas where controls could be improved:

- The *Family and Community Services Act 1972* and the Department’s ‘Standards of Alternative Care in South Australia (DFC 2008)’ require regular assessments of caregivers. Consistent with prior year findings the audit found that the Department’s annual review of a number of registered caregivers was behind schedule.

  The Department advised that it continues to track carers whose last annual review has exceeded 12 months and that reminders had been sent to relevant agencies/organisations on a monthly basis. It advised that continuous efforts have been made to minimise outstanding reviews and that this would continue until the implementation of a more sophisticated data management module with the development of the Connected Client and Case Management system (C3MS).

- Consistent with the prior year, there is no comprehensive reconciliation that ensures expenditure recorded in the carer subsidy payments module of the Justice Information system (JIS/CIS) matches that recognised in the general ledger. Consequently, the reliability of management reporting may be impacted.

  The Department advised it is developing, as part of the C3MS project, a more comprehensive reconciliation process.

- Sample testing noted instances where ongoing carer payments were paid directly through the general accounts payable system rather than through the appropriate management system. As a result staff may circumvent system controls designed to ensure carers are registered and paid appropriately.

  The Department indicated it would be reviewing procedures to ensure appropriate processes are implemented.

- Other matters raised included the need to formalise the process of updating carer details in JIS/CIS and to better segregate duties between those that can process carer data and those with important review and authorisation responsibilities.

  The Department responded that it would review the segregation of duties between staff and where necessary develop compensating controls and processes.

Families SA – other alternative care

Review of the Department's systems to manage alternative care payments identified the following areas where controls could be improved:

- Alternative care incidental support payments were found to be under-reported on the job cost management system impacting the reliability of the system's management reporting.

  The Department acknowledged the need to ensure completeness of the job cost module and advised it intended to cease allowing staff to make payments other than through the job cost system.

- Families SA engages contractors to provide care to children who are in emergency accommodation. Audit review of a sample of contractor payments found that invoices were not always checked for validity and correct rates before payment.

  The Department responded that continuing work is undertaken with all staff to ensure appropriate validation of emergency care payments.

- Audit noted that in certain circumstances Families SA uses retail gift cards to facilitate expenditure relating to its alternative care responsibilities. Audit recommended the Department develop policies and procedures to control the purchase and use of retail gift cards.

  The Department responded that, while not a 'first choice' option, the use of gift cards is, in some cases, the appropriate option. It advised that work is underway to develop alternatives to reduce, if not eliminate, the need for gift cards. The Department intends to review the use of gift cards and related procedures to ensure the validity and accountability of expenditure facilitated through their use.

- The audit identified instances where payments were incorrectly costed in the general ledger.

  The Department acknowledged these concerns and responded that it continues to work with staff to improve the quality of payment coding in the general ledger.

Brokerage expenditure

DFC contracts (brokers) services from the non-government sector to address individual client needs. Brokerage payments include services to clients of the Department's Disability SA and Domiciliary Care SA divisions. The cost of brokerage services has increased significantly in recent years, rising from $47 million in 2007-08 to $86 million in 2010-11. Reference should be made to comments under 'Interpretation and analysis of the financial statements - Expenses'.

The audit identified a need to improve aspects of the control environment.

The following is a summary of audit recommendations:

- Consistent with prior year findings, Audit recommended that the Department establish and communicate policy and guidance documents that set minimum expectations for assessment and selection of service providers.

  The Department responded that it will mandate, through policy, processes to be followed in selecting preferred providers including where staff are required to use providers on the disability service provider panel.

- Consistent with prior year findings, Audit recommended that the Department improve processes for verifying the receipt of brokerage services prior to payment. Audit found there was lack of formal policies and direction governing how the receipt of services is considered when making payment to providers. Audit expects that payments only proceed after confirmation that services continue to be received as contracted and invoiced. Such verification is likely to be achieved through a series of contract management controls.

  DFC advised that the current practice for evidencing service delivery relies on feedback from the client, carer or family. The Department advised it relies on the notification of service coordinators who work closely with clients and relatives, and who are required to perform an annual review for each client. The Department did not specify any intended changes to its processes, however it advised that documentation and communication of key policies would be included as part of a new Funds Management and Sub-Contracting Reform project.

- Consistent with prior year findings, Audit noted instances where contract service agreements were signed outside of the Department's financial delegations.

  The Department's response advised that it considers the relevant delegation exists within its financial authority register. While it did not respond to the specific matters raised, the Department indicated it would continue to review financial authorisations as new operating processes are developed in the Office for Disability, Ageing and Carers.

- Last year's Report raised concerns that finance officers authorised invoices for payment without the appropriate financial delegations. In 2010-11 finance officers continue to authorise invoices prior to payment without specific expenditure delegation.

The Department advised that finance officers sign invoices for payment to indicate services invoiced are in accordance with the contract. It considered no further authority is required to make a payment. Audit does not agree with this view. As the payment process is a manual process of reviewing invoices to contracts which requires an informed assessment, the officers should have payment or disbursement delegation as required by TI 8.15. DFC advised its intention to review this approach and if necessary provide finance officers with sufficient authority to authorise the payment.

- In recent years Audit has recommended the Department develop and implement policies and procedures for major brokerage activities and internal controls. However, many important activities were not yet documented.

  The Department advised that due to significant internal changes and restructures, processes are still being reviewed. It advised that documentation and communication of policies will be included as part of a new Funds Management and Sub-Contracting Reform project.

Payroll

While significant components of the payroll processing environment are performed by SSSA, key aspects of the control environment remain with the Department. Specifically, the Department has an important role in reviewing payroll reports each pay run, validating employee payments and leave records. These bona fide review processes are an integral component of any payroll control environment.

This year's audit noted improvements in the manner in which bona fide reports are generated and distributed for review. However, the following matters were raised with the Department:

- weaknesses in review of the fortnightly bona fide reports
- weaknesses in the review of the monthly leave return reports
- the absence of a documented policy and procedure for leave deferment
- large annual leave balances being carried forward to the next financial year without approval.

The Department responded that it was satisfied with improvements in the rate of return of bona fide reports, however indicated it would remind staff of their responsibility when reviewing both bona fide and leave reports. It further advised of its intention to update HR policies to include the treatment of excessive leave.

Payroll – Kronos

The Kronos payroll system is used to record time worked and rosters for approximately 2000 staff with payroll expenditure in excess of $120 million annually.

A review of Kronos payroll processing identified the following areas where controls could be improved:

- Consistent with matters raised last year there is a need to better segregate duties between those employees who can process changes to Kronos and those with important oversight, review and system administration responsibilities.

  The Department responded that Kronos does not have a mechanism to restrict system access, however it indicated that additional staff in the Kronos team have now allowed processing duties to be segregated.

- Consistent with last year, weaknesses were noted in controls ensuring the complete and accurate interface of payroll data between the Kronos and CHRIS payroll systems.

  The Department responded that it was developing both password protection for Kronos interface files and a reconciliation function between Kronos and CHRIS.

Payroll - rostered staff leave records

During the year Audit raised concerns that, for a significant portion of the Department's employees, the payroll system did not accurately record or maintain annual and long service leave accruals. It was noted that the Department kept manual card records but these also could not be relied on to provide accumulated leave outstanding without additional work. Audit recommended that the Department take action to evaluate employees on an individual basis and to establish correct leave records.

The Department advised that SSSA was engaged to individually assess each relevant employee's leave balance and rectify where necessary. The Department indicated that it had undertaken a review of SSSA's adjustments and is satisfied with the value of adjusted leave balances. Audit testing of leave balances as at 30 June 2011 confirmed that the leave liability balance in the financial report was not materially misstated.

Payroll - provision of services by SSSA

The audit identified a need to improve aspects of the SSSA payroll function relevant to the Department. A number of these matters had previously been reported to SSSA. Audit recommended that SSSA:

- better segregate duties between those employees who can process changes to the CHRIS payroll system and those with important oversight, review and disbursement responsibilities
- ensure comprehensive and consistent review of payroll variation reports
- restrict access to EFT files and general ledger files
- review EFT transaction limits for payroll Westpac corporate online users and ensure access is regularly reviewed
- update payroll procedures to reflect current practices performed by SSSA.

SSSA accepted these findings and advised of their intended actions including undertaking projects scoped to address the issues.

Expenditure

Expenditure processing services are provided to the Department by SSSA.

Expenditure - the e-Procurement control environment at SSSA

The audit review of the Department's expenditure processes considered controls implemented by SSSA for the common e-Procurement systems. The e-Procurement systems were implemented during 2010-11 and provide a common automated systems platform for processing procurement and accounts payable transactions.

The review identified a number of areas of control weakness in the e-Procurement systems control environment at SSSA. The audit findings were communicated to SSSA and agencies at the conclusion of the review. SSSA has advised proposed action to address the audit findings and recommendations. This matter is discussed in more detail in the Department of Treasury and Finance section of this Report.

Financial accounting

While significant components of the financial accounting environment are performed by SSSA, key aspects of the control environment remain with the Department. In particular the Department has a role in working with SSSA to establish authorisation limits, user access and to define the structure and usefulness of the chart of accounts. The audit raised the following matters with DFC:

- During 2010-11 the Department's journal policy was updated requiring the authorisation of all journals through the use of a standardised form. Audit review found that staff were not always complying with the new requirements and noted instances where journals were not evidenced as authorised.

  The Department advised its intention to reinforce the policy with DFC staff and remind SSSA to reject journals not in line with the updated policy.

- Audit recommended system access requests be formalised.

  The Department advised that it is currently finalising a system access policy.

SSSA - financial accounting

Audit identified a need to improve aspects of the financial accounting functions relevant to the Department's control environment. Audit recommended SSSA:

- strengthen controls to limit processing of journals to those authorised
- review reports to ensure completeness of journal processing to the general ledger
- establish a process to only accept formal requests for Masterpiece general ledger user access.

SSSA accepted these findings and advised of their intended actions.

Accounts receivable

Responsibilities for the follow-up of outstanding debtors are shared between the Department and SSSA. Audit identified a need to improve the level of follow-up of outstanding debtors and raised this matter with both the Department and SSSA. Due to the nature of these debtors it is understood that SSSA and DFC have had discussions to clarify the manner in which they should be followed up. However, these discussions have been ongoing for a number of years and an approach to manage this responsibly has not been adequately addressed.

The Department and SSSA responded with their intended actions including monitoring of the accounts receivable function and establishing a policy guiding the approach to recovery of disability debtors.

Concessions

Concessions – reconciling payments to client records

Over recent years Audit has commented on the Department's inability to comprehensively reconcile concession payments with client details maintained on the Department's databases. The Department had advised that concerns would be addressed through implementing a new database system for concessions and seniors card administration.

The new Concessions and Seniors Information system (CASIS) continues to be delayed and was not operational during the year. Consequently the inability of DFC to comprehensively reconcile concession payments with client details maintained on the Department's databases remains a concern.

The Department responded that the project to address this matter is progressing, however, due to delays in the development of CASIS, and to coincide with quarterly billing cycles, implementation is now planned for the first half of 2012.

Concessions – Energy Concessions Scheme

The Department has not adjusted the Energy Concessions Scheme for increases in electricity concessions as at 1 July 2010 and 1 July 2011. As a result energy concessions provided by electricity entities do not match those set out in the Scheme as established pursuant to section 21(1)(h) of the *Electricity Act 1996*.

The Department responded that electricity entities are providing the correct concession amounts (as announced by the Government) to concession clients. It advised that the Energy Concessions Scheme is not yet formally updated, due to the breadth of changes needed. The Department advised that it is currently updating the Scheme and that changes are expected to be complete by December 2011.

Client trust funds

The Client Trust Account holds funds on behalf of approximately 600 clients. The balance of the Client Trust Account at 30 June 2011 was $11.3 million ($10.3 million). During 2010-11 receipts totalled $13.5 million and payments were $12.6 million. As trust funds cannot be used by the Department to achieve its own objectives they are not included in the controlled financial report, however they are disclosed as an administered item.

The audit identified a need to better segregate duties between those employees who can process data and those with important review, authorisation and disbursement responsibilities.

The Department responded that its client trust policy requires a separate officer to check transactions prior to the release for payment. As part of the 2010-11 budget process a decision was taken to transfer responsibility for management of client trust funds to the Public Trustee. Given the proposed transfer, DFC considers the control environment was sufficient, however it advised it would review possible options to improve segregation of duties within existing resources.

Interpretation and analysis of the financial report

Highlights of the financial report	2011 $'million	2010 $'million
Expenses		
Employee benefit expenses	463	436
Supplies, services and other expenses	227	203
Grants, subsidies and client payments	855	1 139
Total expenses	1 545	1 778
Income		
Rent, fees and charges	125	118
Commonwealth revenues	235	542
Other revenues	5	11
Total income	365	671
Net cost of providing services	(1 180)	(1 107)
Revenues from (Payments to) SA Government	1 195	1 086
Net result	15	(21)

	2011 $'million	2010 $'million
Other comprehensive income	-	14
Total comprehensive result	15	(7)
Net cash provided by (used in) operating activities	(6)	12
Assets		
Current assets	92	67
Non-current assets	326	305
Total assets	418	372
Liabilities		
Current liabilities	113	127
Non-current liabilities	99	85
Total liabilities	212	212
Total equity	206	160

Statement of Comprehensive Income

Expenses

In 2011, total expenses decreased by $233 million to $1.55 billion.

Grants, subsidies and client payments, $855 million, is the most material expenditure item. Note 8 to the financial statements discloses a detailed list of grants, subsidies and client payments by program and by recipient type.

Grants to SAHT decreased by $314 million to $450 million primarily reflecting decreased Commonwealth funding including:

- National Partnership Agreement on Nation Building and Jobs Plan decreased by $214 million
- National Partnership Agreement on Remote and Indigenous Housing decreased by $79 million
- National Partnership Agreement on Social Housing decreased by $15 million
- Housing Affordability Fund decreased by $9.5 million.
- tax equivalent regime payments decreased by $3.3 million.

These significant decreases were offset by the following increases in payments to SAHT:

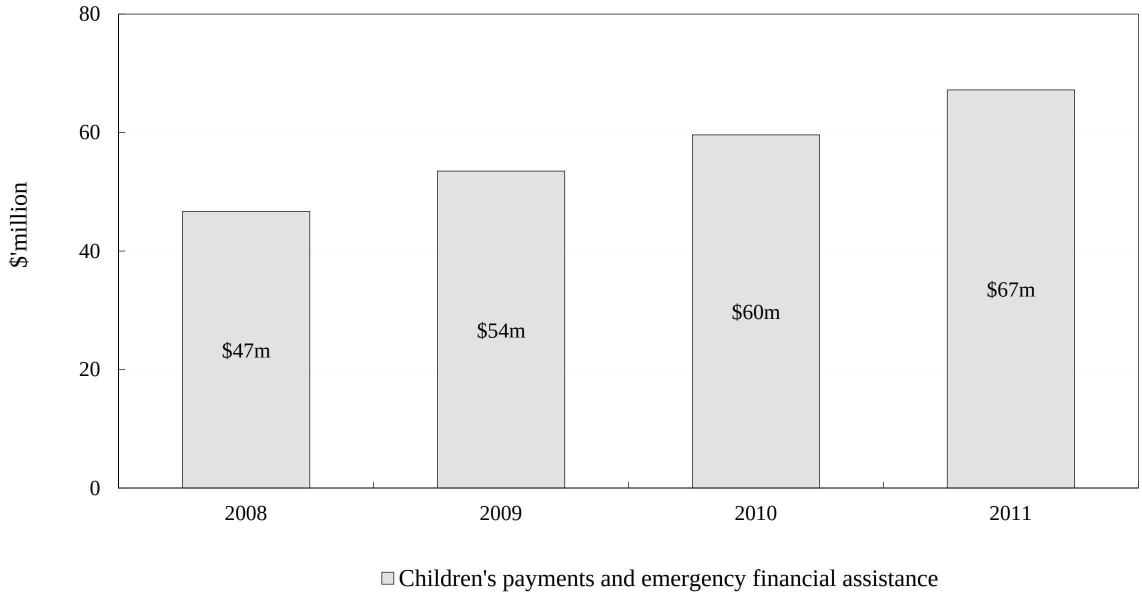
- National Partnership Agreement on Homelessness increased by $2.4 million
- State government contribution to disability group housing of $4.4 million.

Grants, subsidies and client payments, excluding SAHT payments, were $405 million, up $30 million from the prior year. Contributing to the increase were the following programs:

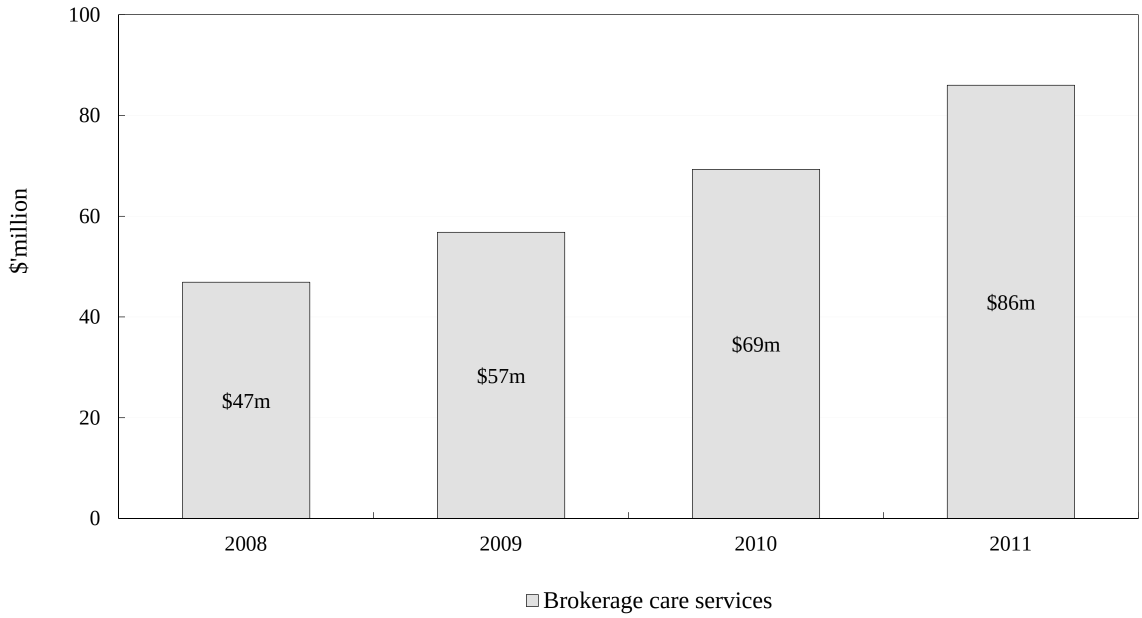
- Disability grants increased by $9 million
- Home and Community Care increased by $13 million
- Alternative Care Support payments increased by $8 million.

Grants and subsidy funding to NGOs increased by $17 million to $275 million. Note 8.1 to the financial statements discloses a detailed list of funding to NGOs by recipient where the total payments to an NGO are greater than $1 million.

Children's payments and emergency financial assistance has increased $7.6 million to $67.2 million (13 percent). The following chart highlights the continuing upward trend in these payments over the four years to 2010-11.



Supplies, services and other expenses increased by $24 million to $227 million. Contributing to this increase was a rise in expenditure on brokerage care services up $16 million (24 percent) to $86 million. The following chart highlights the continuing upward trend in brokerage care service costs which have increased 83 percent over the four year period.



Other items contributing to the change in supplies, services and other expenses include:

- accommodation and property related expenses increased by $4 million to $35 million
- payments to contractors and agency staff decreased by $2 million to $18 million.

Employee benefit expenses increased by $27 million (6 percent) to $463 million. Employee benefit expenses includes TVSPs to 44 employees of $4 million. Reference should be made to note 5 to the financial statements which provides further detail of TVSP payments and recoveries from DTF.

Income

Commonwealth revenues decreased by $307 million to $235 million. This mainly reflects Commonwealth Government housing stimulus funding received in the prior year which significantly reduced in 2011. Reference should be made to note 11 to the financial statements.

Commonwealth Government funding relating to DFC programs is now mainly received via DTF either through its administered Special Deposit Account or through its Consolidated Account. The Commonwealth revenues in the financial report only records funding received either directly from the Commonwealth Government or via DTF's administered Special Deposit Account.

Commonwealth Government funding relating to DFC programs but received by DTF into the Consolidated Account is no longer separable from other SA Government appropriations. Consequently, significant Commonwealth housing and disability specific purpose payments received by DTF are combined together with general appropriations from the SA Government.

Appropriations from the SA Government increased by $113 million to $1.2 billion. This includes increased appropriation to meet Families SA alternative care and Disability SA cost pressures announced during the 2010-11 budget.

DTF contingency funds were $10.7 million and include receipts for:

- TVSP reimbursement, $2.1 million
- additional funding to meet alternative care cost pressures, $5.9 million
- enterprise bargaining wage supplementation, $2.7 million.

Tax equivalent regime reimbursements increased by $15 million to $185 million.

Net result

The net result for 2010-11 was a surplus of $15 million, compared to a deficit of $21 million for 2009-10. In understanding this result it is important to consider that the Department has received funding for specific purposes which has yet to be expended in the manner required by the funder (refer note 16 to the financial statements).

Statement of Financial Position

Assets

The main item of the Department's Statement of Financial Position is property, plant and equipment, representing 68 percent of total assets. The carrying value of property, plant and equipment increased by $9 million to $284 million.

The increase was due mainly to:

- transfers from capital works in progress on completion of capital projects, $6.8 million
- additions to leasehold improvements (fitout of office accommodation), $6.9 million
- other asset additions, $1.5 million.

These increases were offset by disposals of land and buildings, $1.3 million, and depreciation charges of $4.6 million.

Capital works in progress additions were $19.1 million. The main component of this was capitalised payments for the Secure Youth Training Centre project, $17 million.

Current assets increased by $25 million. This primarily reflects a $10.5 million increase in cash and cash equivalents and a $14.5 million increase in current receivables. Current receivables includes a $15.3 million receivable from SAHT for corporate services provided during 2010-11.

Capital projects - Secure Youth Training Centre - Cavan

In September 2009 Cabinet approved the construction of a 60 bed secure youth training centre at Goldsborough Road, Cavan to replace the current Magill facility. Proceeds from the intended sale of land at the Magill site and a portion of vacant land at the Strathmont Centre were to fully fund the project. The Department has advised the sites are yet to be offered for sale.

A September 2010 submission to the Public Works Committee indicated that construction would be complete by the end of December 2011. However, the Department has advised the targeted completion date has been amended to June 2012. The Cabinet approved project cost was $67.2 million. To 30 June 2011 total expenditure was $17.6 million.

In response to Audit's enquiry regarding the project's progress, DFC advised of a projected shortfall which may require a revision of the project's scope and/or funding arrangements. DFC have advised that this matter is being addressed with DTF.

Liabilities

Current liabilities decreased by $13.7 million. The main movements were:

- a decrease in grants payable to SAHT for the tax equivalent regime, $21.4 million
- an increase in creditors of $9.5 million, including $6.5 million to DTEI for the Secure Youth Training Centre project.

Non-current liabilities increased by $13.9 million due mainly to an increase in the workers compensation provision of $5.5 million and a lease incentive liability of $5.4 million arising from an office accommodation fitout arrangement.

Equity

Total equity increased by $45 million due to:

- a net surplus of $15 million
- an SA Government equity contribution of $30.5 million.

Statement of Cash Flows

The following table summarises the net cash flows since 2006-07.

	2011 $'million	2010 $'million	2009 $'million	2008 $'million	2007 $'million
Net cash flows					
Operating	(6)	12	(14)	19	(12)
Investing	(14)	(13)	(3)	(4)	(4)
Financing	30	2	13	12	10
Change in cash	10	1	(4)	27	(6)
Cash at 30 June	52	42	41	45	18

While the Department reported a net surplus of $15 million it recorded net cash outflows from operating activities of $6 million. The main reasons for this difference are non-cash items as follows:

- increased receivables, $14.5 million

- a decrease in current payables excluding those related to property, plant and equipment, $17.9 million.

This was offset by:

- depreciation and amortisation expenses, $5.5 million
- an increase in provisions, $7.2 million.

Reference should be made to note 32 to the financial statements for further information.

Of the Department's cash balances, $8.3 million is held in DTF's Accrual Appropriation Excess Fund Account, which can only be used in accordance with the Treasurer's/Under Treasurer's approval.

Current liabilities, $113 million, exceed current assets of $92 million by $21 million. Further, DFC is engaged in a number of programs involving the receipt of funds from State and Commonwealth sources on the basis that funds are expended in a manner consistent with the terms of the funding arrangements. As at 30 June 2011 the value of unexpended funding commitments was $13 million. Reference should be made to note 16 to the financial statements for details of unexpended funding commitments.

Note 29.5 to the financial statements addresses liquidity risk. In reviewing this, consideration also needs to be given to the following:

- Current liabilities include employee benefits and provisions estimated to fall due within 12 months of balance date.

- Departmental appropriations are transferred monthly based on projected cash flows.

- Cash held by departments is subject to DTF's cash alignment policy.

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Expenses:			
Employee benefit expenses	5	462 601	436 466
Supplies and services	6	222 265	196 749
Depreciation and amortisation expense	7	5 455	4 369
Grants, subsidies and client payments	8	854 760	1 139 012
Net loss from disposal of non-current assets	13	1	224
Other expenses	9	82	1 146
Total expenses		1 545 164	1 777 966
Income:			
Revenue from rent, fees and charges	10	125 363	118 384
Commonwealth revenues	11	235 162	542 271
Interest revenues	12	54	41
Other revenues	14	4 837	10 339
Total income		365 416	671 035
Net cost of providing services		(1 179 748)	(1 106 931)
Revenues from (Payments to) SA Government:			
SA Government appropriation	15.1	1 181 171	1 067 759
Grants from SA Government agencies	15.2	13 863	17 770
Payments to SA Government	15.3	(396)	-
Total revenues from (payments to) SA Government		1 194 638	1 085 529
Net result		14 890	(21 402)
Other comprehensive income:			
Changes in property, plant and equipment asset revaluation surplus		-	14 016
Total other comprehensive income		-	14 016
Total comprehensive result		14 890	(7 386)

Net result and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash and cash equivalents	17	52 055	41 514
Receivables	18	39 650	25 152
Inventories	19	284	319
Total current assets		91 989	66 985
Non-current assets:			
Receivables	18	17 319	17 313
Property, plant and equipment	20	283 887	274 803
Capital works in progress	21	18 240	6 618
Intangible assets	22	6 309	6 369
Total non-current assets		325 755	305 103
Total assets		417 744	372 088
Current liabilities:			
Payables	23	48 680	60 510
Employee benefits	24	53 804	57 966
Provisions	26	10 004	8 304
Other current liabilities	27	752	114
Total current liabilities		113 240	126 894
Non-current liabilities:			
Payables	23	5 030	5 351
Employee benefits	24	56 694	53 374
Borrowings	25	285	285
Provisions	26	31 083	25 603
Other non-current liabilities	27	5 415	-
Total non-current liabilities		98 507	84 613
Total liabilities		211 747	211 507
Net assets		205 997	160 581
Equity:			
Contributed capital	28	74 325	43 799
Retained earnings	28	16 859	1 233
Asset revaluation surplus	28	114 813	115 549
Total equity		205 997	160 581

Total equity is attributable to the SA Government as owner

Unexpected funding commitments	16
Unrecognised contractual commitments	30
Contingent assets and liabilities	31

Statement of Changes in Equity
for the year ended 30 June 2011

	Note	Contributed capital $'000	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2009		41 888	101 918	19 625	163 431
Error correction		-	-	2 625	2 625
Restated balance at 30 June 2009		41 888	101 918	22 250	166 056
Net result for 2009-10		-	-	(21 402)	(21 402)
Gains (Losses) on revaluation of property, plant and equipment during 2009-10		-	14 016	-	14 016
Transfer to retained earnings of increment realised on sale of land and buildings		-	(385)	385	-
Total comprehensive result for 2009-10		-	13 631	(21 017)	(7 386)
Transactions with SA Government as owner:					
Equity contribution received		1 911	-	-	1 911
Balance at 30 June 2010	28	43 799	115 549	1 233	160 581
Net result for 2010-11		-	-	14 890	14 890
Transfer to retained earnings of increment realised on sale of land and buildings		-	(736)	736	-
Total comprehensive result for 2010-11		-	(736)	15 626	14 890
Transactions with SA Government as owner:					
Equity contribution received		30 526	-	-	30 526
Balance at 30 June 2011	28	74 325	114 813	16 859	205 997

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

Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011 Inflows (Outflows) $'000	2010 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefit payments		(455 435)	(424 206)
Payments for supplies and services		(221 661)	(186 273)
Payments for grants and subsidies		(876 532)	(1 124 239)
GST payments on purchases		(54 615)	(53 941)
GST paid to the ATO		(1 898)	(2 838)
Cash used in operations		(1 610 141)	(1 791 497)
Cash inflows:			
Fees and charges		114 018	114 113
Receipts from Commonwealth		234 779	542 271
Interest received		54	41
GST receipts on receivables		1 527	2 882
GST recovered from the ATO		54 513	53 542
Other receipts		4 838	5 497
Cash generated from operations		409 729	718 346
Cash flows from SA Government:			
Receipts from SA Government		1 181 171	1 067 759
Grants from SA Government agencies		13 863	17 770
Payments to SA Government		(396)	-
Cash generated from SA Government		1 194 638	1 085 529
Net cash provided by (used in) operating activities	32	(5 774)	12 378
Cash flows from investing activities:			
Cash outflows:			
Purchase of property, plant and equipment (including works in progress)		(14 966)	(6 601)
Purchase of intangibles		(757)	(6 747)
Cash used in investing activities		(15 723)	(13 348)
Cash inflows:			
Proceeds from sale of property, plant and equipment		1 512	180
Cash generated from investing activities		1 512	180
Net cash provided by (used in) investing activities		(14 211)	(13 168)
Cash flows from financing activities:			
Cash inflows:			
Capital contributions from government		30 526	1 911
Cash generated from financing activities		30 526	1 911
Net cash provided by (used in) financing activities		30 526	1 911
Net increase (decrease) in cash and cash equivalents		10 541	1 121
Cash and cash equivalents at 1 July		41 514	40 393
Cash and cash equivalents at 30 June	17	52 055	41 514

Disaggregated Disclosures – Expenses and Income for the year ended 30 June 2011

(Activities - refer note 4)	1	2	3	4
	2011	2011	2011	2011
Expenses:	$'000	$'000	$'000	$'000
Employee benefit expenses	78 037	137 458	143 004	42 180
Supplies and services	550	34 360	109 125	29 446
Depreciation and amortisation expense	-	1 328	415	1 272
Grants, subsidies and client payments	445 201	114 679	143 470	131 684
Net loss from disposal of non-current assets	-	4	28	39
Other expenses	-	1	56	37
Total expenses	523 788	287 830	396 098	204 658
Income:				
Revenues from rent, fees and charges	77 483	2 898	14 477	3 155
Commonwealth revenues	113 849	1 915	3 122	115 978
Interest revenues	-	-	9	42
Other revenues	-	391	10	3 795
Total income	191 332	5 204	17 618	122 970
Net cost of providing services	(332 456)	(282 626)	(378 480)	(81 688)
Revenues from (Payments to) SA Government				
SA Government appropriation	185 042	-	-	-
Grants from SA Government agencies	-	2 070	6 291	1 900
Payments to SA Government	-	-	-	-
Net result	(147 414)	(280 556)	(372 189)	(79 788)

(Activities - refer note 4)	5	6	General/ Not attributable	Total
	2011	2011	2011	2011
Expenses:	$'000	$'000	$'000	$'000
Employee benefit expenses	9 195	52 727	-	462 601
Supplies and services	4 706	44 078	-	222 265
Depreciation and amortisation expense	35	2 405	-	5 455
Grants, subsidies and client payments	17 518	2 208	-	854 760
Net loss from disposal of non-current assets	-	(70)	-	1
Other expenses	-	(12)	-	82
Total expenses	31 454	101 336	-	1 545 164
Income:				
Revenues from rent, fees and charges	1 204	26 146	-	125 363
Commonwealth revenues	275	23	-	235 162
Interest revenues	-	3	-	54
Other revenues	-	641	-	4 837
Total income	1 479	26 813	-	365 416
Net cost of providing services	(29 975)	(74 523)	-	(1 179 748)
Revenues from (Payments to) SA Government				
SA Government appropriation	-	-	996 129	1 181 171
Grants from SA Government agencies	2 417	1 185	-	13 863
Payments to SA Government	-	-	(396)	(396)
Net result	(27 558)	(73 338)	995 733	14 890

Disaggregated Disclosures – Expenses and Income for the year ended 30 June 2010

(Activities - refer note 4)	1	2	3	4
	2010	2010	2010	2010
Expenses:	$'000	$'000	$'000	$'000
Employee benefit expenses	71 836	128 088	131 152	42 457
Supplies and services	-	27 615	92 586	30 372
Depreciation and amortisation expense	-	1 056	374	1 280
Grants, subsidies and client payments	762 289	104 318	133 341	118 315
Net loss from disposal of non-current assets	-	-	45	77
Other expenses	-	2	1 071	17
Total expenses	834 125	261 079	358 569	192 518
Income:				
Revenues from rent, fees and charges	72 424	3 578	11 557	4 053
Commonwealth revenues	428 817	1 457	3 053	108 201
Interest revenues	-	-	6	33
Other revenues	-	424	48	3 379
Total income	501 241	5 459	14 664	115 666
Net cost of providing services	(332 884)	(255 620)	(343 905)	(76 852)
Revenues from (Payments to) SA Government				
SA Government appropriation	169 684	-	-	-
Grants from SA Government agencies	-	1 871	7 608	1 900
Payments to SA Government	-	-	-	-
Net result	(163 200)	(253 749)	(336 297)	(74 952)

(Activities - refer note 4)	5	6	General/ Not attributable	Total
	2010	2010	2010	2010
Expenses:	$'000	$'000	$'000	$'000
Employee benefit expenses	9 304	53 629	-	436 466
Supplies and services	4 060	42 116	-	196 749
Depreciation and amortisation expense	47	1 612	-	4 369
Grants, subsidies and client payments	17 430	3 319	-	1 139 012
Net loss from disposal of non-current assets	-	102	-	224
Other expenses	-	56	-	1 146
Total expenses	30 841	100 834	-	1 777 966
Income:				
Revenues from rent, fees and charges	1 045	25 727	-	118 384
Commonwealth revenues	706	37	-	542 271
Interest revenues	-	2	-	41
Other revenues	51	6 437	-	10 339
Total income	1 802	32 203	-	671 035
Net cost of providing services	(29 039)	(68 631)	-	(1 106 931)
Revenues from (Payments to) SA Government				
SA Government appropriation	-	-	898 075	1 067 759
Grants from SA Government agencies	2 991	3 400	-	17 770
Payments to SA Government	-	-	-	-
Net result	(26 048)	(65 231)	898 075	(21 402)

Disaggregated Disclosures – Assets and Liabilities
as at 30 June 2011

(Activities - refer note 4)	1	2	3	4
	2011	2011	2011	2011
Assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents*	-	-	-	-
Receivables*	-	-	-	-
Inventories	-	-	44	-
Property, plant and equipment	-	115 749	99 809	15 761
Capital works in progress	-	18 195	10	-
Intangible assets	-	6 309	-	-
Total assets	-	140 253	99 863	15 761
Liabilities:				
Payables*	-	-	-	-
Employee benefits*	-	-	-	-
Borrowings	-	285	-	-
Provisions*	-	-	-	-
Other liabilities*	-	-	-	-
Total liabilities	-	285	-	-

(Activities - refer note 4)	5	6	General/ Not attributable	Total
	2011	2011	2011	2011
Assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents*	-	-	52 055	52 055
Receivables*	-	-	56 969	56 969
Inventories	-	240	-	284
Property, plant and equipment	1 643	50 925	-	283 887
Capital works in progress	-	35	-	18 240
Intangible assets	-	-	-	6 309
Total assets	1 643	51 200	109 024	417 744
Liabilities:				
Payables*	-	-	53 710	53 710
Employee benefits*	-	-	110 498	110 498
Borrowings	-	-	-	285
Provisions*	-	-	41 087	41 087
Other liabilities*	-	-	6 167	6 167
Total liabilities	-	-	211 462	211 747

Disaggregated Disclosures – Assets and Liabilities as at 30 June 2010

(Activities - refer note 4)	1	2	3	4
	2010	2010	2010	2010
Assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents*	-	-	-	-
Receivables*	-	-	-	-
Inventories	-	98	221	-
Property, plant and equipment	-	115 624	100 675	20 209
Capital works in progress	-	6 120	197	301
Intangible assets	-	6 263	50	56
Total assets	-	128 105	101 143	20 566
Liabilities:				
Payables*	-	-	-	-
Employee benefits*	-	-	-	-
Borrowings	-	285	-	-
Provisions*	-	-	-	-
Other liabilities*	-	-	-	-
Total liabilities	-	285	-	-

(Activities - refer note 4)	5	6	General/ Not attributable	Total
	2010	2010	2010	2010
Assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents*	-	-	41 514	41 514
Receivables*	-	-	42 465	42 465
Inventories	-	-	-	319
Property, plant and equipment	851	37 444	-	274 803
Capital works in progress	-	-	-	6 618
Intangible assets	-	-	-	6 369
Total assets	851	37 444	83 979	372 088
Liabilities:				
Payables*	-	-	65 861	65 861
Employee benefits*	-	-	111 340	111 340
Borrowings	-	-	-	285
Provisions*	-	-	33 907	33 907
Other liabilities*	-	-	114	114
Total liabilities	-	-	211 222	211 507

* The Department considers that the significant expenditure associated with accounting system modifications and other associated expenditure required to reliably capture these disaggregated asset and disaggregated liability information is not justifiable. The Department has therefore chosen not to disclose these assets and liabilities by disaggregated activities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and functions of the Department for Families and Communities (the Department)

The Department was established on 5 March 2004 and commenced operating on 1 July 2004, to provide a clear focus for the SA Government's goals for the protection of our children and young people and to help build the resilience and well-being of families and communities. The vision of the Department is to be an innovative, effective and responsive leader in improving the quality of family and community life in South Australia. The Department has a broad mandate to work with those in need who, through circumstance, may be poor, vulnerable, at risk of harm or isolated and disconnected.

To achieve this vision, the Department will actively work towards a community where:

- enhanced wellbeing is a fundamental right
- everybody shares the responsibility for building and supporting stronger families and communities
- everybody benefits from improved wellbeing.

The Department serves the Minister for Families and Communities, Housing, Ageing and Disability. The Department has the responsibility for delivery of specific programs to the public with respect to activities assigned to the Department under various Acts as delegated, by the respective Ministers, to the Chief Executive of the Department.

The Department also functions as a service provider to the South Australian Housing Trust. The financial affairs of the South Australian Housing Trust do not form part of the Department's financial report.

1.1 Administered items

The Department administered certain revenues, expenses, assets and liabilities on behalf of other government agencies and non-government entities. They are not controlled by the Department and are consequently not recognised in the Department's financial statements. They are regarded as significant and disclosed in a separate set of financial statements.

1.2 Funding for the Department

Funding for the Department comes mainly from appropriation funding from State and Commonwealth Government sources. These funds are applied to both controlled and administered activities.

The Department also receives amounts from other sources including rents, fees and charges.

2. Summary of significant accounting policies

2.1 Basis of accounting

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with:

- applicable AASs
- TIs and APSs promulgated under the provision of the PFAA
- other mandatory professional reporting requirements in Australia.

Statement of compliance

The preparation of the financial statements requires the use of certain accounting estimates, where management is required to exercise its judgment in the process of applying the Department's accounting policies. The areas involving a higher degree of judgments or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.

The preparation of the financial statements also requires compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, that have been included in this financial report:

- revenues, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature

- expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)

- employee TVSP information

2.1 Basis of accounting (continued)

- employees whose normal remuneration is equal to or greater than the base executive remuneration level (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the Department to those employees

- board/committee member and remuneration information, where a board or committee member is entitled to receive income from membership other than direct out-of-pocket reimbursement.

The 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 historic cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

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

The financial statements have been prepared based on a 12 month period and presented in Australian currency.

The existence of the Department and the ongoing delivery of current programs and services is dependent on government policy and on continuing appropriations by Parliament.

Early adoption of accounting standards
Except for AASB 2009-12, which the Department has early-adopted, AASs and interpretations that have been recently issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2011. These are outlined in note 3. The Department has assessed the impact of new and amended standards and interpretations and considers that there will be no impact on the accounting policies or financial statements of the Department.

2.2 Reporting entity

The Department's financial statements include both departmental and administered items. The Department's financial statements include assets, liabilities, income and expenses controlled or incurred by the Department in its own right. The administered financial statements include assets, liabilities, income and expenses which the Department administers on behalf of the SA Government, but does not control. A separate set of financial statements is produced as these administered items are regarded as significant in respect of the Department's operations.

2.3 Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or APSs has required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

The restated comparative amounts do not replace the original financial statements for the preceding period.

2.4 Rounding

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

2.5 Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST and the Emergency Services levy.

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

- where the amount of GST incurred by the Department as a purchaser is not recoverable from the ATO, GST is recognised as part of the cost of acquisition of an asset or is part of an item of expenses

- where appropriate, receivables and payables are stated with the amount of GST included.

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

2.5 *Taxation (continued)*

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

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

2.6 *Income*

Income is recognised in the Department's Statement of Comprehensive Income when and only when the flow of economic benefits has occurred and can be reliably measured.

Income has been aggregated according to its nature and has not been offset unless required or permitted by a specific accounting standard or where offsetting reflects the substance of the transaction or other event.

The notes to the financial statements disclose income where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

Fees and charges

Revenues from fees and charges are derived from the provision of goods and services to other SA Government agencies and to the public. This revenue is recognised upon delivery of the service to the clients or by reference to the stage of completion.

Grant contributions received

Grants that are received from other entities by the Department for general assistance or a particular purpose may be for capital or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies or the Commonwealth Government. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation. The contribution is recognised as an asset and income when the Department obtains control of the contribution or the right to receive the contribution.

Revenues from SA Government

Appropriations are recognised as revenues when the Department obtains control over the funding. Control over appropriations is normally obtained upon their receipt.

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the Department and the contribution is recorded as contributed equity.

Net gain on disposal of non-current assets

Income from the disposal of non-current assets is recognised when control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation increments are transferred to retained earnings.

2.7 *Expenses*

Expenses are recognised in the Department's Statement of Comprehensive Income when and only when the flow or consumption or loss of future economic benefits has occurred and can be reliably measured.

Expenses have been aggregated 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.

The notes to the financial statements disclose expenses where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

Employee benefit expenses

Employee benefit expenses include all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

Depreciation and amortisation of non-current assets
All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to physical assets such as property, plant and equipment.

The useful lives, residual values and depreciation/amortisation method of all major assets held by the Department are reassessed on an annual basis.

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

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

Depreciation/amortisation for non-current assets is determined as follows:

Class of asset	*Depreciation method*	*Useful life (years)*
Buildings and improvements	Straight-line	4-50
Leasehold improvements	Straight-line	Life of lease
Computing equipment	Straight-line	3
Motor vehicles	Straight-line	3-10
Other plant and equipment	Straight-line	2-15
Intangible assets - computer software	Straight-line	3-10

Grants paid
Grants that are paid to other entities by the Department for general assistance or a particular purpose, may be for capital or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies, non-government organisations or the public. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation. For contributions payable, the contribution will be recognised as a liability and expense when the Department has a present obligation to pay the contribution.

Resources provided free of charge
Resources provided free of charge are recorded as expenditure in the Statement of Comprehensive Income at their fair value and in the expense line items to which they relate.

2.8 Current and non-current classification
Assets and liabilities are characterised as either current or non-current in nature. The Department has a clearly identifiable operating cycle of 12 months. Therefore assets and liabilities that will be realised as part of the normal operating cycle will be classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

2.9 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.

Where an asset line item combines amounts expected to be settled within 12 months and more than 12 months, the Department has separately disclosed the amounts expected to be recovered after more than 12 months.

The notes to the financial statements disclose financial assets where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Cash and cash equivalents
Cash and cash equivalents as reported in the Statement of Financial Position include cash on hand, deposits held at call and other 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. Cash and cash equivalents in the Statement of Cash Flows comprise cash and cash equivalents as defined above. Cash is measured at nominal value.

In October 2003 the SA Government introduced a policy with respect to aligning agency cash balances with the appropriation and expenditure authority. During the 2009-10 financial year the Department was not required to transfer any of its cash balance to the Consolidated Account.

In 2010-11 the Department was required to transfer $7.6 million for concessions which is an administered item.

Receivables
Receivables include amounts receivable from goods and services, prepayments and other accruals.

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are due within 30 days after the issue of an invoice or otherwise in accordance with relevant contractual arrangements.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Department will not be able to collect the debt. Debts that are known to be uncollectible, after all reasonable attempts have been made to collect the debt, are written off when identified.

Inventories
Inventories are stated at the lower of cost and their net realisable value. Inventories held for use by the Department are measured at cost, with cost being allocated in accordance with the first-in, first-out method.

Non-current asset acquisition and recognition
Non-current assets are initially recorded at cost plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position. Where the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

The Department capitalises all non-current physical assets with a value of $10 000 or greater.

Works in progress are projects incomplete as at reporting date.

Revaluation of non-current assets
In accordance with APF III, all non-current physical assets are valued at written down current cost (a proxy for fair value); and revaluation of non-current assets or groups of assets is performed when its fair value at the time of acquisition is greater than $1 million and estimated useful life is equal to or greater than three years.

The Department revalues its land and buildings every three years. However, if at any time management considers that the carrying amount of the asset materially differs from the fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current physical assets that are acquired between revaluations are held at cost until the next valuation, when they are revalued to fair value.

Any revaluation increment is credited to the asset revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in the revaluation surplus for that asset class.

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

Upon disposal or derecognition, any revaluation surplus relating to that asset is transferred to retained earnings.

The Department's land and buildings are due to be revalued as at 30 June 2012.

During the 2009-10 financial year, management considered that prices had materially appreciated and a desktop valuation was carried out on land and buildings by a professional valuer. The fair value valuation methodology was used by the valuer in conducting the desktop valuation. As a result of the desktop valuation, asset values were adjusted to be in accordance with the fair value as determined by the valuer.

In 2010-11, a desktop valuation was again carried out on land and buildings by a professional valuer. The fair value valuation methodology was used by the valuer in conducting the desktop valuation. The movement in asset values was considered immaterial and no adjustments were made against asset values accordingly.

The professional valuer engaged to perform the independent desktop valuations was Martin Burns, MBA, BAppSc, PRM, AAPI, CPV of Liquid Pacific Limited.

Assets deemed to be at fair value

For those classes of non-current assets where an independent revaluation has not been undertaken, the criteria which require revaluation within APF III have not been met. For these classes of non-current assets, written down cost is deemed to be at fair value as determined by APF III.

Asset classes where written down cost is deemed to be fair value include:

- leasehold improvements
- buildings and improvements in progress (works in progress)
- computing equipment
- motor vehicles
- other plant and equipment.

Impairment

All non-current assets are tested for an indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the asset has been revalued. For revalued assets an impairment loss is offset against the revaluation surplus for that same class of assets, to the extent that the impairment loss does not exceed the amount in the asset revaluation surplus for that class of asset.

Intangibles

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The Department only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

The acquisition of or internal development of software is capitalised when the expenditure meets the asset definition criteria (identifiability, control and the existence of future economic benefits) and the asset recognition criteria (probability of future economic benefit and cost can be reliably measured) and when the amount of expenditure is greater than or equal to $10 000.

All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 are expensed.

Investment property

The investment property is held to earn rentals and/or for capital appreciation. 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 the Department.

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. The properties are not depreciated and are not tested for impairment.

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

At 30 June 2011 there was only an investment property reported in the administered financial statements.

2.10 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.

Where a liability line item combines amounts expected to be settled within 12 months and more than 12 months, the Department has separately disclosed the amounts expected to be settled after more than 12 months.

The notes to the financial statements disclose financial liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Payables
Payables include creditors, accrued expenses and employment on-costs.

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 normal operations of the Department.

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 processed or received.

All payables are measured at their nominal amount and are unsecured. Invoices are normally settled promptly in accordance with TI 11 after the Department receives an invoice.

Employment on-costs include superannuation contributions and payroll tax with respect to the outstanding liabilities for salaries and wages, long service leave and annual leave.

The Department makes contributions to several superannuation schemes operated by the SA Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as DTF centrally recognises the superannuation liability in the whole-of-government financial statements. The only liability outstanding at balance date relates to any contributions due but not yet paid to the superannuation schemes.

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

- *Sick leave*
  No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years is estimated to be less than the annual entitlement of sick leave.

- *Annual leave*
  The liability for annual leave is measured as the amount unpaid at the reporting date at remuneration rates expected to be paid at reporting date. The annual leave liability is expected to be paid within 12 months and is measured at the undiscounted nominal amount.

- *Long service leave*
  The liability for long service leave was determined through an actuarial assessment undertaken by Mercer (Australia) Pty Ltd, in accordance with AASB 119. The following assumptions were made by the actuary when performing the assessment:

  — salary increases of 2.5 percent (2.5 percent) per annum based on the current enterprise bargaining agreement and short-term forecasts

  — discounting of 5 percent (5.1 percent) per annum based on the gross six year (10 year) Commonwealth Government bonds rate at 30 June 2011.

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

Borrowings
The Department measures financial liabilities including borrowings/debt at historical cost, except for interest free loans (measured at the present value of expected repayments).

Provisions
- *Insurance*
  The Department is a participant in the State Government's insurance program. The Department pays a premium to SAICORP, a division of SAFA, for professional indemnity insurance and general public liability insurance and is responsible for the payment of claim amounts up to an agreed amount (the deductible). SAICORP provides the balance of funding for claims in excess of the deductible.

- *Insurance (continued)*
  The provision for public liability and professional indemnity insurance represents liabilities for outstanding claims in respect of incidents that have occurred. The liabilities include claims incurred and reported but not paid, claims incurred but not reported (IBNR), claims incurred but not enough reserve (IBNER) and the anticipated costs of settling those claims. The claims liabilities are measured as the present values of the expected future payments. Claims incurred but not paid and claim settlement costs that can be directly attributed to particular claims are assessed by reviewing individual claim files.

  In respect of IBNR and IBNER claims, an amount of $50 000 has been set aside for both the public liability claims and professional indemnity claims. These amounts are based upon historical claims activity, with allowance for prudential margins and are reviewed annually. Public liability and professional indemnity claims relating to periods prior to the restructuring of the former Department of Human Services, effective 1 July 2004, are the responsibility of the Department of Health.

  The provision for property claims represents outstanding payments for incurred damage to property. An allowance is also included for IBNER claims. This provision is based upon historical claims activity and with allowance for prudential margins and is reviewed annually.

- *Workers compensation*
  The Department is an exempt employer under the WRCA. Under a scheme arrangement the Department is responsible for the management of workers rehabilitation and compensation.

  The workers compensation liability recognised for the employees of the Department is based on an apportionment of an actuarial assessment of the whole-of-government workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 30 April 2011 data. Taylor Fry Consulting Actuaries extrapolates this data to 30 June 2011. For the 2010-11 financial year the Department has reflected a workers compensation provision of $40.84 million ($33.58 million) (refer note 26.2).

  The actuarial assessment conducted by Taylor Fry Consulting Actuaries is based on the payment per claim incurred valuation method. The assessment has been conducted in accordance with AASB 137 and the WorkCoverSA Guidelines for Actuarial Assessments. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all the claims do not have to be paid out in the immediate future.

Leases
The Department has not entered into any finance leases. The Department has entered into some operating leases.

- *Operating leases*
  In respect of operating leases, the lessor retains substantially the entire risks and benefits incidental to the ownership of the leased items.

  Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a basis which is representative of the pattern of benefits derived from the leased assets.

2.11 Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

3. New and revised accounting standards and policies

In accordance with amendments to APS 4.8 within APF II, effective 1 July 2010, the Department has disclosed all employees whose normal remuneration is equal to or greater than the base executive level remuneration. Previously APS 4.8 within APF II required the Department to disclose all employees whose normal remuneration was equal to or greater than $100 000. This change is reflected in note 5.

3. New and revised accounting standards and policies (continued)

Except for AASB 2009-12, which the Department has early-adopted, the AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the period ending 30 June 2011. The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Department.

4. Activities of the Department

In achieving its objectives the Department provides a range of services classified into the following activities:

Activity 1: Housing

Develop and implement better housing and service responses for people at risk or in high need, and to work with others to expand and improve affordable housing choices across the State.

This activity encompasses the management of grants for housing services to low income households, people in high need and supported accommodation assistance for people in crisis. This includes grants for the provision of private rental services, public, Aboriginal and community managed housing, and the regulation of community housing.

Activity 2: Families

Provision of services to strengthen and support families to keep children and young people safe, nurtured and able to realise their potential. This encompasses family support and child safety, alternative care for children and young people not able to be cared for by their own families, case management and support for young people under the guardianship of the Minister, adoption and post-care services and youth justice services as directed by the Youth Court.

Provision of emergency financial assistance, domestic violence assistance, poverty preventative programs and recovery services for victims of disasters.

Provision of services to Aboriginal children, young people, families and communities to strengthen capacity and reduce over representation of Aboriginal children and young people in care and protection and youth justice activities. Working in partnership with Aboriginal communities to address family violence.

Activity 3: Disability

To promote and develop opportunities for people with a disability to actively engage in the community. To ensure delivery, both directly and through partnership with non-government organisations, of services to support people with a disability and to enhance their options and choices.

Activity 4: Ageing

To work with partners and directly in the community to ensure opportunities, services and support are available for older South Australians, and to recognise and promote the important contribution older South Australians make in the community.

Activity 5: Communities and Partners

To build and maintain solid relationships with the non-government community services sector and other key partners of the portfolio to help develop and support South Australian families and communities.

Activity 6: Organisational Capability

To establish and maintain business practices that support delivery of South Australia's Strategic Plan as it affects the portfolio, including ensuring timely decision making, improving administrative efficiency, increasing customer satisfaction and promoting sustainability.

To continue to build a capable, creative workforce that engages with our customers and partners to ensure effective service provision. Social innovation and continuous improvement will be fostered and our infrastructure will support connected services.

5. Employee benefit expenses

	2011	2010
	$'000	$'000
Salaries and wages	333 133	314 159
TVSPs	4 042	6 962
Long service leave	11 184	15 658
Annual leave	35 249	31 204
Superannuation	35 721	35 061
Workers compensation	19 932	11 709
Payroll tax	20 775	19 192
Other employee related expenses	2 565	2 521
Total employee benefit expenses	462 601	436 466

TVSPs

	2011	2010
Amount paid to these employees:		
TVSPs	4 042	6 962
Annual leave and long service leave paid during the reporting period	1 031	2 085
Recovery from DTF	(2 117)	(6 810)
Net cost to the Department	2 956	2 237

The number of employees that were paid TVSPs during the reporting period was 44 (69).

Remuneration of employees	2011	2010
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
$127 500 - $130 699*	-	4
$130 700 - $140 699	11	13
$140 700 - $150 699	16	12
$150 700 - $160 699	7	8
$160 700 - $170 699	10	3
$170 700 - $180 699	5	6
$180 700 - $190 699	4	5
$190 700 - $200 699	3	4
$200 700 - $210 699	4	2
$210 700 - $220 699	3	-
$220 700 - $230 699	-	3
$230 700 - $240 699	-	1
$240 700 - $250 699	3	2
$250 700 - $260 699	1	-
$270 700 - $280 699	1	-
$280 700 - $290 699	-	1
$290 700 - $300 699	1	-
$310 700 - $320 699	-	1
$320 700 - $330 699	1	1
$330 700 - $340 699	-	1
$380 700 - $390 699	1	-
Total	71	67

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2009-10.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $12.5 million ($11.6 million).

Accounting policy change

In accordance with the revised APF II, the Department has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than $100 000. As a result of this change in accounting policy, the number of employees disclosed has reduced by 302 (178).

6. Supplies and services

	2011 $'000	2010 $'000
Accommodation and property related	34 856	30 490
Advertising and promotions	618	637
Brokerage care services	85 629	69 268
Business services	5 510	4 675
Client related expenses	8 634	8 569
Communication and computing	19 260	17 028
Contractors and agency staff	18 456	20 868
Consultants	464	668
Drugs and medical supplies	2 180	1 894
Insurance	1 361	(468)
Interpreter and translator fees	89	91
Managed payments	3 458	3 461
Minor equipment	8 509	8 046
Motor vehicles	13 359	12 431
Printing, stationery, postage and periodicals	3 655	3 917
Seminars, courses and training	1 573	1 454
Travel and accommodation	2 628	2 343
Other administration	11 731	11 081
Total supplies and services (excluding audit fees)	221 970	196 453
Audit fees paid/payable to the Auditor-General's Department*	295	296
Total audit fees	295	296
Total supplies and services (including audit fees)	222 265	196 749
Supplies and services provided by entities within SA Government:		
Accommodation and property related	24 717	21 886
Advertising and promotions	34	31
Brokerage care services	710	474
Business services	5 501	4 672
Client related expenses	168	355
Communication and computing	4 999	4 896
Contractors and agency staff	3 576	3 545
Drugs and medical supplies	18	5
Insurance	1 415	1 426
Interpreter and translator fees	10	58
Managed payments	3 356	3 088
Minor equipment	814	437
Motor vehicles	12 706	11 940
Printing, stationery, postage and periodicals	68	48
Seminars, courses and training	94	120
Travel and accommodation	7	-
Other administration	2 065	1 281
Total supplies and services - SA Government (excluding audit fees)	60 258	54 262
Audit fees paid/payable to the Auditor-General's Department*	295	296
Total audit fees - SA Government	295	296
Total supplies and services - SA Government (including audit fees)	60 553	54 558

* There were no other services provided by the Auditor-General's Department.

The number and dollar amount of consultancies paid/payable (included in supplies and services) that fell within the following bands:	2011 Number	2011 $'000	2010 Number	2010 $'000
Less than $10 000	12	77	4	33
$10 000 - $50 000	9	148	9	218
More than $50 000	3	239	4	417
Total paid/payable to the consultants engaged	24	464	17	668

		2011	2010
7.	**Depreciation and amortisation**		
	Depreciation:	$'000	$'000
	Buildings and improvements	1 757	1 433
	Computing equipment	155	139
	Motor vehicles	30	30
	ILEP equipment	867	878
	Other plant and equipment	267	274
	Total depreciation	3 076	2 754
	Amortisation:		
	Leasehold improvements	1 562	933
	Computer software	817	682
	Total amortisation	2 379	1 615
	Total depreciation and amortisation	5 455	4 369

		2011	2010
8.	**Grants, subsidies and client payments by program**		
	Aboriginal Community Benefit grants	1 190	1 345
	Disability grants	131 112	122 392
	Community Connect grants	840	786
	Supported Accommodation	-	2 733
	National Affordable Housing Agreement	139 735	138 586
	National Partnership Agreement on Social Housing	-	14 990
	National Partnership Agreement on Remote Indigenous Housing	19 381	97 910
	National Partnership Agreement on the Nation Building and Jobs Plan	84 855	299 192
	Supported Residential Facility	8 156	8 445
	Tax equivalents regime	185 042	188 335
	Social Inclusion funding	-	373
	National Partnership Agreement on Homelessness	16 188	13 775
	Home and Community Care	127 736	114 655
	Alternative Care Support payments	65 448	57 651
	Family and Community Development	8 930	8 717
	Stronger Families Safer Children - Early Intervention	7 797	7 468
	Alternative Care grants	45 070	42 000
	Emergency Financial Assistance	1 778	1 999
	Concessions	791	801
	Aged Care grants	3 831	3 661
	Parks Community Centre (local government grant)	1 784	1 719
	Strathmont Centre Devolution grant	7	1 250
	Housing Affordability Fund	-	9 500
	Disability Group Home contribution	4 357	-
	Other	732	729
	Total grants, subsidies and client payments	854 760	1 139 012
	Grants, subsidies and client payments by program paid/payable within SA Government:		
	Aboriginal Community Benefit grants	15	27
	Disability grants	3 308	2 130
	Community Connect grants	739	686
	National Affordable Housing Agreement	139 735	138 586
	National Partnership Agreement on Social Housing	-	14 990
	National Partnership Agreement on Remote Indigenous Housing	19 381	97 910
	National Partnership Agreement on the Nation Building and Jobs Plan	84 855	299 192
	Supported Residential Facility	560	844
	Tax equivalents regime	185 042	188 335
	National Partnership Agreement on Homelessness	16 188	13 775
	Home and Community Care	31 387	29 839
	Alternative Care Support payments	1 316	692
	Alternative Care grants	301	51
	Emergency Financial Assistance	403	946
	Aged Care grants	2 438	2 422
	Strathmont Centre Devolution grant	7	1 250
	Housing Affordability Fund	-	9 500
	Disability Group Home contribution	4 357	-
	Other	220	76
	Total grants, subsidies and client payments - SA Government	490 252	801 251

8. Grants, subsidies and client payments by program (continued)

Grants, subsidies and client payments by recipient type:	Note	2011 $'000	2010 $'000
South Australian Housing Trust		449 562	763 540
SA Government entities - other		3 573	3 270
SA Health units		35 398	32 804
Non-government organisations	8.1	274 569	257 976
Local government		22 444	19 309
Universities		623	577
Grant - Commonwealth and other State/Territory Governments		575	1 086
Concessions		791	801
Children's payments and emergency financial assistance* - government		1 719	1 637
Children's payments and emergency financial assistance* - non-government		65 506	58 012
Total grants, subsidies and client payments		854 760	1 139 012

* Small payments are made to numerous providers in accordance with the departmental client payment policies.

8.1 Funding to non-government organisations

Minda Incorporated	35 083	33 916
Royal District Nursing Service of SA Inc	18 387	17 810
Anglicare SA Inc	15 640	15 233
Community Accommodation and Respite Agency Inc	13 370	12 335
Life Without Barriers	11 680	10 153
Novita Childrens Services Inc	10 788	10 863
Aboriginal Family Support Services Inc	7 121	6 603
Aged Care and Housing Group Inc	6 927	6 465
Leveda Inc	6 488	5 899
Spastic Centres of SA Inc	5 966	5 538
Centacare Catholic Family Services	5 597	5 813
Resthaven Inc	4 621	4 137
Baptist Care SA Inc	4 409	5 168
Anglican Community Care Inc	4 374	4 542
Uniting Care Wesley Adelaide Inc	3 915	3 775
Life's for Living Inc	3 861	3 748
Southern Junction Community Services Inc	3 831	3 918
Helping Hand Aged Care Inc	3 262	2 608
Uniting Care Wesley Port Adelaide Inc	3 094	3 796
Orana Inc	3 057	2 292
Community Lifestyles Inc	2 972	2 782
Barkuma Inc	2 868	2 797
Uniting Care Wesley Port Pirie Inc	2 748	2 858
Meals on Wheels (SA) Inc	2 568	2 284
Royal Society for the Blind of SA Inc	2 473	2 405
Community Living and Support Services Inc	2 318	1 560
Catholic Diocese of Port Pirie	2 309	2 330
Autism Association of SA Inc	2 259	1 954
Community Living Options Inc	2 168	2 077
Key Assets SA Ltd	2 060	640
Country Home Advocacy Project Inc	1 964	1 798
Hills Community Options Inc	1 959	1 358
Guide Dogs Association of SA & NT Inc	1 916	1 866
Bedford Industries Inc	1 846	1 567
The Salvation Army (SA) Property Trust	1 698	1 499
Community Living Project Inc	1 658	1 602
Paraquad SA (The Paraplegic and Quadriplegic Association of SA Inc)	1 541	1 416
Individual Supported Accommodation Services Inc	1 493	1 442
Aboriginal Elders and Community Care Services Inc	1 488	1 308
Aboriginal Prisoners and Offenders Support Services Inc	1 435	1 393
Italian Benevolent Foundation SA Inc	1 407	1 179

8.1 Funding to non-government organisations (continued)	2011 $'000	2010 $'000
Disability Living Inc	1 403	1 365
Carer Support & Respite Centre Inc	1 380	1 229
Northern Carer's Network Inc	1 339	1 248
Comrec Australia Pty Ltd	1 326	1 153
Carers Association of SA Inc	1 275	1 231
Masonic Homes Ltd	1 272	1 453
Alzheimers Australia SA Inc	1 264	1 134
Australian Red Cross Society	1 249	1 032
Stanhope Healthcare Services (SA) Pty Ltd	1 128	1 089
Lifestyle Assistance and Accommodation Service Inc	1 118	1 097
Seniors Information Service Inc	1 069	634
Boandik Lodge Inc	1 061	970
EBL Disability Services Inc	1 058	1 045
Xlent Disability Services	1 032	914
Other	42 976	39 655
Total funding to non-government organisations	274 569	257 976

Payments to non-SA Government organisations, where total payments to an organisation are greater than $1 million are individually disclosed above.

Payments less than $1 million are in 'Other'. This excludes payments for children's payments and emergency financial assistance.

9. Other expenses	2011 $'000	2010 $'000
Bad and doubtful debts	82	96
Donated assets	-	1 050
Total other expenses	82	1 146

Other expenses paid/payable to entities within the SA Government:		
Bad and doubtful debts	32	23
Total other expenses - SA Government	32	23

10. Revenue from rent, fees and charges		
Employee services*	77 482	72 424
Insurance recoveries	1 108	1 216
Recoveries	18 230	18 089
Business services	15 256	15 117
Fees, fines and penalties	494	526
Rent	829	777
Patient and client fees	11 964	10 235
Total rent, fees and charges	125 363	118 384

Rent, fees and charges received/receivable from entities within SA Government:		
Employee services*	77 482	72 424
Insurance recoveries	91	233
Recoveries	11 698	12 122
Business services	15 256	15 117
Fees, fines and penalties	205	152
Rent	677	648
Total rent, fees and charges - SA Government	105 409	100 696

* Represents the recovery of costs for the provision of employee related services to Housing SA.

11. Commonwealth revenues

	2011	2010
	$'000	$'000
National partnership payments:		
Home and Community Care	109 427	99 965
HACC Services for Veterans	1 455	1 428
Social Housing*	-	14 990
Remote Indigenous Housing	19 381	97 910
Nation Building and Jobs Plan	84 855	299 192
Aged Care Assessment	5 096	6 808
Homelessness	9 613	7 225
Housing Affordability Fund*	-	9 500
Other	5 335	5 253
Total Commonwealth revenues	235 162	542 271

* There was no Commonwealth funding received in 2010-11 for National Partnership - Social Housing and the Housing Affordability Fund. The $15 million and $9.5 million received respectively in 2009-10 was one-off funding.

12. Interest revenues

	2011	2010
	$'000	$'000
Interest on funds held	54	41
Total interest revenues	54	41

13. Net gain (loss) from disposal of non-current assets

	2011	2010
Land and buildings:		
Proceeds from disposal	1 509	180
Net book value of assets disposed	(1 391)	(273)
Net gain (loss) from disposal of land and buildings	118	(93)
Plant and equipment:		
Proceeds from disposal	3	-
Net book value of assets disposed	(122)	(131)
Net gain (loss) from disposal of plant and equipment	(119)	(131)
Total assets:		
Total proceeds from disposal	1 512	180
Total value of assets disposed	(1 513)	(404)
Total net gain (loss) from disposal of assets	(1)	(224)

14. Other revenues

	2011	2010
Gain on revaluation of non-current assets	-	4 811
Other	4 837	5 528
Total other revenues	4 837	10 339
Other revenues received/receivable from entities within SA Government:		
Other	702	790
Total other revenues - SA Government	702	790

15. Revenues from (Payments to) SA Government

15.1 SA Government appropriation

	2011	2010
Appropriations from Consolidated Account pursuant to the *Appropriation Act*:		
General appropriation	985 393	874 290
DTF - contingency funds	10 736	23 785
Tax equivalent regime reimbursement - Housing SA	185 042	169 684
Total SA Government appropriation	1 181 171	1 067 759

15.2 Grants from SA Government agencies

	2011	2010
State capital grants	837	3 086
Community Development Fund	3 443	3 400
Other	9 583	11 284
Total grants from SA Government agencies	13 863	17 770

15.3 Payments to SA Government

	2011	2010
	$'000	$'000
Other payments to the Consolidated Account	(396)	-
Total payments to SA Government	(396)	-
Total revenues from (payments to) SA Government	1 194 638	1 085 529

16. Unexpected funding commitments

The Department is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Department on the premise that these funds are expended in a manner consistent with the terms of the program.

As at 30 June 2011, the Department had outstanding funding commitments to the following programs:

	2011	2010
	$'000	$'000
Home and Community Care programs	5 883	2 719
DFC Equipment program	1 252	-
Community Development and Employment program	631	-
Aged Care Assessment program	425	-
National Partnership Agreement on Indigenous Economic Participation - (Youth and Family Centre programs)	360	-
Community Development Fund	294	-
Seniors Card Replacement	247	-
Community Protection Panel	219	-
Magill Secure Care Sustainment	194	-
Adolescent Community Brokerage	149	-
Flexible Working Arrangements for Older South Australians	32	-
Management of Donated Goods after Disaster project	30	-
Recovery Workforce Development Strategy	27	-
Stockport Community Recovery project	25	-
Homelessness Response Team (HART)	-	204
Total operating funding commitments	9 768	2 923
Cavan Youth Training Centre - Goldsborough Road	1 458	-
APY Lands Houses - staff accommodation	640	-
Cavan Training Centre Upgrade - Jonal Drive	605	-
Domiciliary Care SA - Northern office*	324	209
Community residential care facilities	197	-
Client and Case Management System	27	41
Seniors Card Replacement project - production equipment	8	-
Strathmont Centre	-	33
Total capital funding commitments	3 259	283
Total unexpended funding commitments	13 027	3 206

* Previously referred to in 2009-10 as Tregenza Avenue - office redevelopment.

17. Cash and cash equivalents

	2011	2010
Special Deposit Account with the Treasurer	50 852	39 785
Advance account	339	339
Other deposits	864	1 390
Total cash and cash equivalents	52 055	41 514

Cash deposits are recognised at their nominal amounts.

Commissioners of Charitable Funds

Other deposits include $534 000 ($485 000) held by the Commissioners of Charitable Funds.

On the 24 November 2010, the Health Services Charitable Gifts Bill was introduced into the House of Assembly. The purpose of this Bill, passed on the 5 May 2011, was to revise and update the existing *Public Charities Funds Act 1935*, under which the Commissioners of Charitable Funds operated.

Commissioners of Charitable Funds

The Health Services Charitable Gifts Act 2011, as stated in The South Australian Government Gazette, was proclaimed by the Governor on 30 June 2011. The Act (No 15 of 2011) will come into operation on 1 July 2011. The *Public Charities Funds Act 1935* will be repealed.

The arrangements whereby donations and bequests were previously vested in the Commissioners on behalf of the former Public Health Entities, Intellectual Disability Services Council (IDSC) and Metropolitan Domiciliary Care ceased as at 30 June 2011.

The Health Services Charitable Gifts Board must, on the request of the Minister to whom the *Family and Community Services Act 1972* is committed, transfer to that Minister funds held. This will occur in early 2011-12.

Deposits with the Treasurer

Includes funds of $8.335 million ($3.382 million) held in the Accrual Appropriation Excess Fund Account. The balance of these funds is not available for general use, ie funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

18. Receivables

	2011	2010
	$'000	$'000
Current:		
Debtors	21 596	10 533
Allowance for doubtful debts	(183)	(195)
Employee related services recoverable	11 306	11 091
Overpaid salaries	225	243
Sundry	229	217
Grant receivables	383	-
Prepayments	2 581	223
GST receivable	3 513	3 040
Total current receivables	39 650	25 152
Non-current:		
Sundry	480	435
Employee related services recoverable	16 839	16 878
Total non-current receivables	17 319	17 313
Total receivables	56 969	42 465
Receivables from SA Government entities:		
Debtors	17 909	7 309
Allowance for doubtful debts	(64)	(32)
Employee related services recoverable	28 145	27 969
Sundry	69	69
Grant receivables	383	-
Prepayments	152	-
Total receivables - SA Government	46 594	35 315

Movements in 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 in 'Other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movements in the allowance for doubtful debts (impairment loss)	2011	2010
	$'000	$'000
Carrying amount at 1 July	195	139
Increase (Decrease) in the allowance	82	96
Amounts written off	(94)	(40)
Carrying amount at 30 June	183	195

Bad and doubtful debts

The Department has recognised a bad and doubtful debt expense of $82 000 ($96 000) in the Statement of Comprehensive Income.

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 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.

Maturity and analysis of receivables - refer note 29.

Categorisation of financial instruments and risk exposure information - refer note 29.

19. Inventories

	2011	2010
Current - held for distribution at no or nominal amount:	$'000	$'000
Inventories held for distribution at cost:		
Stores	284	307
Drug supplies	-	12
Total current inventories held for distribution at no or nominal amount	284	319
Total inventories	284	319

20. Property, plant and equipment

	2011	2010
Land and buildings:		
Vacant land at valuation (fair value)	7 010	7 010
Site land at valuation (fair value)	211 715	212 940
Buildings and improvements at valuation (fair value)	58 982	52 641
Buildings at cost (deemed fair value)	2 846	2 846
Accumulated depreciation - buildings and improvements	(12 780)	(11 025)
Total land and buildings	267 773	264 412
Leasehold improvements:		
Leasehold improvements at cost (deemed fair value)	20 824	13 911
Accumulated amortisation - leasehold improvements	(9 439)	(7 881)
Total leasehold improvements	11 385	6 030
Plant and equipment:		
Computing equipment at cost (deemed fair value)	997	763
Accumulated depreciation - computing equipment at cost	(766)	(611)
Motor vehicles at cost (deemed fair value)	268	300
Accumulated depreciation - motor vehicles at cost	(218)	(220)
ILEP equipment at cost (deemed fair value)	6 557	5 483
Accumulated depreciation - ILEP equipment at cost	(3 775)	(3 046)
Other plant and equipment at cost (deemed fair value)	3 917	3 798
Accumulated depreciation - other plant and equipment at cost	(2 251)	(2 106)
Total plant and equipment	4 729	4 361
Total property, plant and equipment at valuation (fair value)	277 707	272 591
Total property, plant and equipment at cost (deemed fair value)	35 409	27 101
Total accumulated amortisation	(9 439)	(7 881)
Total accumulated depreciation	(19 790)	(17 008)
Total property, plant and equipment	283 887	274 803

Valuation of land and buildings
Refer note 2.9.

Impairment
There were no indications of impairment of property, plant and equipment and infrastructure at 30 June 2011.

20.1 Reconciliation of land, buildings and leasehold improvements

The following table shows the movement of land, buildings and improvements, and leasehold improvements during 2010-11.

2011	Vacant land $'000	Site land $'000	Buildings & imprvmnts $'000	Leasehold imprvmnts $'000	Total land, buildings & leasehold imprvmnts $'000
Carrying amount at 1 July	7 010	212 940	44 462	6 030	270 442
Purchases	-	42	-	450	492
Assets received for nil consideration	-	-	-	6 423	6 423
Disposals	-	(1 267)	(78)	(46)	(1 391)
Depreciation and amortisation for the year	-	-	(1 757)	(1 562)	(3 319)
Transfers from works in progress	-	-	6 421	90	6 511
Carrying amount at 30 June	7 010	211 715	49 048	11 385	279 158

20.2 Reconciliation of plant and equipment

The following table shows the movement of plant and equipment during 2010-11.

2011	Computing equipment $'000	Motor vehicles $'000	ILEP equipment $'000	Other plant & equipment $'000	Total plant & equipment $'000
Carrying amount at 1 July	152	80	2 437	1 692	4 361
Purchases	41	-	1 253	212	1 506
Disposals	-	-	(41)	(39)	(80)
Depreciation and amortisation for the year	(155)	(30)	(867)	(267)	(1 319)
Transfers from works in progress	193	-	-	68	261
Carrying amount at 30 June	231	50	2 782	1 666	4 729

21. Capital works in progress

	2011 $'000	2010 $'000
Property, plant and equipment in progress at cost (deemed fair value)	17 756	6 100
Intangibles in progress at cost (deemed fair value)	484	518
Total capital works in progress	18 240	6 618

Reconciliation of capital works in progress

The following table shows the movement of capital works in progress during 2010-11:

2011	Total capital works in progress $'000
Carrying amount at 1 July	6 618
Purchases	19 094
Transfers to completed works	(7 571)
Works in progress adjustments	99
Carrying amount at 30 June	18 240

22. Intangible assets

	2011 $'000	2010 $'000
Computer software at cost (deemed fair value)	7 830	7 106
Accumulated amortisation - computer software	(1 521)	(737)
Total intangible assets	6 309	6 369

Reconciliation of intangible assets

The following table shows the movement of intangible assets during 2010-11:

2011	Total intangible assets $'000
Carrying amount at 1 July	6 369
Disposals	(42)
Transfers from works in progress	799
Amortisation for the year	(817)
Carrying amount at 30 June	6 309

Impairment

There were no indications of impairment on intangible assets at 30 June 2011.

23. Payables

	2011	2010
Current:	$'000	$'000
Creditors	37 551	28 093
Grants to South Australian Housing Trust - tax equivalent regime*	-	21 417
Other accrued expenses	2 617	1 351
Employee benefit on-costs	8 309	9 519
Other	203	130
Total current payables	48 680	60 510
Non-current:		
Employee benefit on-costs	5 030	5 351
Total non-current payables	5 030	5 351
Total payables	53 710	65 861
Payables to SA Government entities:		
Creditors	16 283	10 411
Grants to South Australian Housing Trust - tax equivalent regime*	-	21 417
Other accrued expenses	-	40
Employee benefit on-costs	12 285	13 810
Total payables - SA Government entities	28 568	45 678

* There was no tax equivalent regime (TER) income tax payable for 2010-11 due to the South Australian Housing Trust reporting a net loss. The TER is calculated as the net result before income tax less the Nation Building Economic Stimulus Plan grant revenue.

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 benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand.

Maturity and analysis of payables - refer note 29.

Categorisation of financial instruments and risk exposure information - refer note 29.

24. Employee benefits

	2011	2010
Current:	$'000	$'000
Annual leave	35 167	32 994
Long service leave	13 033	13 792
Accrued salaries and wages	5 604	11 180
Total current employee benefits	53 804	57 966
Non-current:		
Long service leave	56 694	53 374
Total non-current employee benefits	56 694	53 374
Total employee benefits	110 498	111 340

The total current and non-current employee liabilities (ie aggregate employee benefits plus related on-costs) for 2011 is $62.113 million ($67.485 million) and $61.724 million ($58.725 million) respectively.

The liability for long service leave was determined through an actuarial assessment undertaken by Mercer (Australia) Pty Ltd. A salary inflation rate of 2.5 percent (2.5 percent) per annum was used and a discount rate of 5 percent (5.1 percent) per annum, based on the gross six year (10 year) Commonwealth Government bonds rate at 30 June 2011. The proportion of leave taken in service for 2011 was assumed to be 35 percent (45 percent) in accordance with the factor set out in APS 5.24. The net financial effect of the changes in assumptions in the current financial year is a decrease of $325 000.

25. Borrowings

	Note	2011 $'000	2010 $'000
Non-current:			
Advance - Treasury imprest account		285	285
Total non-current borrowings - SA Government		285	285
Total borrowings		285	285

26. Provisions

	Note	2011 $'000	2010 $'000
Current:			
Insurance	26.1	109	136
Workers compensation	26.2	9 895	8 168
Total current provisions		10 004	8 304
Non-current:			
Insurance	26.1	141	187
Workers compensation	26.2	30 942	25 416
Total non-current provisions		31 083	25 603
Total provisions		41 087	33 907

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

26.1 Reconciliation of insurance

The following table shows the movement of insurance:

	Public liability $'000	Property $'000	2011 Total $'000	Public liability $'000	Property $'000	2010 Total $'000
Carrying amount at 1 July	266	57	323	2 196	53	2 249
Increase to provision due to new claims	241	115	356	696	38	734
Reduction due to payments	(26)	(19)	(45)	(102)	(14)	(116)
Net revision of estimates	(281)	(103)	(384)	(2 524)	(20)	(2 544)
Carrying amount at 30 June	200	50	250	266	57	323

26.2 Reconciliation of workers compensation

The following table shows the movement of workers compensation:	2011 $'000	2010 $'000
Carrying amount at 1 July	33 584	33 011
Increase to provision due to revision of estimates	19 696	12 340
Reduction due to payments	(12 443)	(11 767)
Carrying amount at 30 June	40 837	33 584

27. Other liabilities

	2011	2010
Current:		
Unclaimed monies	115	114
Lease incentive	637	-
Total current other liabilities	752	114
Non-current:		
Lease incentive	5 415	-
Total non-current liabilities	5 415	-
Total other liabilities	6 167	114
Other liabilities with SA Government entities:		
Total other liabilities - SA Government	-	-

28. Equity

	2011	2010
Contributed capital	74 325	43 799
Retained earnings	16 859	1 233
Asset revaluation surplus	114 813	115 549
Total equity	205 997	160 581

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

29. Financial instruments/Financial risk management

29.1 Categorisation of financial instruments

		2011		2010	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	Note	$'000	$'000	$'000	$'000
Cash and cash equivalents	17, 32	52 055	52 055	41 514	41 514
Receivables	18	53 456	53 456	39 425	39 425
Total financial assets		105 511	105 511	80 939	80 939
Financial liabilities					
Payables	23	53 710	53 710	65 861	65 861
Borrowings	25	285	285	285	285
Total financial liabilities		53 995	53 995	66 146	66 146

The amount of receivables and payables disclosed above excludes statutory receivables and payables such as GST input tax credit payable and recoverable.

29.2 Credit risk

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations resulting in financial loss to the Department.

The Department has minimal concentration of credit risk. The Department does not engage in high risk hedging for its financial assets.

29.3 Ageing analysis of financial assets

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

	Past due by			
	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
2011	$'000	$'000	$'000	$'000
Not impaired:				
Receivables	197	124	1 595	1 916
Impaired:				
Receivables	-	-	(183)	(183)
	197	124	1 412	1 733
2010				
Not impaired:				
Receivables	837	420	1 599	2 856
Impaired:				
Receivables	-	-	(195)	(195)
	837	420	1 404	2 661

The amount of receivables and payables disclosed above excludes statutory receivables and payables such as GST input tax credit payable and recoverable.

29.4 Maturity analysis of financial assets and liabilities

	Contractual maturity			
	Carrying amount	Less than 1 year	1-5 years	More than 5 years
2011				
Financial assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents	52 055	52 055	-	-
Receivables	53 456	36 137	8 058	9 261
Total financial assets	105 511	88 192	8 058	9 261
Financial liabilities:				
Payables	53 710	48 680	5 030	-
Borrowings	285	-	-	285
Total financial liabilities	53 995	48 680	5 030	285

29.4 Maturity analysis of financial assets and liabilities (continued)

		Contractual maturity		
2010	Carrying amount	Less than 1 year	1-5 years	More than 5 years
Financial assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents	41 514	41 514	-	-
Receivables	39 425	22 112	8 030	9 283
Total financial assets	80 939	63 626	8 030	9 283
Financial liabilities:				
Payables	65 861	60 510	5 351	-
Borrowings	285	-	-	285
Total financial liabilities	66 146	60 510	5 351	285

Maturity analysis of receivables and payables excludes statutory receivables and payables such as GST receivables and payables.

29.5 Liquidity risk

Liquidity risk arises where the Department is unable to meet its financial obligations as they are due to be settled. The Department is funded principally from appropriation by the SA Government. The Department works with DTF to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through the SA Government budgetary process to meet the expected cash flows. The Department settles undisputed accounts within 30 days from the date of the invoice or the date the invoice is first received.

The Department's exposure to liquidity risk is insignificant based on past experience and current assessment of risk. The carrying amount of financial liabilities shown at note 29.1 represents the Department's maximum exposure to financial liabilities.

29.6 Market risk

Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk may arise through interest bearing liabilities, including borrowings. The Department's interest bearing liabilities are managed through SAFA and any movement in interest rates are monitored on a daily basis. Any exposure to foreign currency risks is managed by SAFA.

Sensitivity disclosure analysis

A sensitivity analysis has not been undertaken for the interest rate risk of the Department as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

30. Unrecognised contractual commitments

30.1 Capital commitments

	2011	2010
	$'000	$'000
Capital expenditure contracted at the reporting date but not recognised as liabilities in the financial report, are as follows:		
Within one year	55 998	3 795
Total capital commitments	55 998	3 795

Included in capital expenditure commitments above is $5.09 million ($345 000) which is the GST component of the capital expenditure commitments.

30.2 Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows:		
Within one year	18 014	17 655
Later than one year but not later than five years	51 350	53 526
Later than five years	39 692	39 351
Total operating lease commitments (including GST)	109 056	110 532

Included in the operating lease commitments above is $9.91 million ($10.05 million) which is the GST component of the operating lease payments.

The Department has many lease agreements. These leases are for administrative purposes and vary in length. Lease payments are monthly and predominantly paid in advance. Some lease agreements have renewal options for a determined period, exercisable by both the lessor and lessee.

31. Contingent assets and liabilities

The Department is not aware of any contingent assets or liabilities.

32. Cash flow reconciliation

	2011	2010
Reconciliation of cash and cash equivalents at 30 June as per:	$'000	$'000
Statement of Cash Flows	52 055	41 514
Statement of Financial Position	52 055	41 514
Reconciliation of net cash provided by (used in) operating activities to net cost of providing services:		
Net cash provided by (used in) operating activities	(5 774)	12 378
SA Government appropriation	(1 181 171)	(1 067 759)
Grants from SA Government agencies	(13 863)	(17 770)
Payments to SA Government	396	-
	(1 200 412)	(1 073 151)
Non-cash items:		
Depreciation	(3 076)	(2 754)
Amortisation	(2 379)	(1 615)
Assets transferred	-	(1 050)
Gain (Loss) from disposal of non-current assets	(1)	(224)
Revaluation increments (decrements)	-	4 811
Bad and doubtful debts	(82)	(96)
Works in progress adjustment	99	(978)
Changes in assets and liabilities:		
Increase (Decrease) in receivables	14 586	4 692
Increase (Decrease) in inventories	(35)	(51)
Decrease (Increase) in payables and provisions	10 711	(26 180)
Decrease (Increase) in employee benefits	842	(10 439)
Decrease (Increase) in other liabilities	(1)	104
Net cost of providing services	(1 179 748)	(1 106 931)

33. Remuneration of board and committee members

There are various committees, forums, groups, panels and councils that have been created to assist the Department in meeting its objectives. In addition, there are committees that have been created by the Minister. Where any of the members are remunerated, certain disclosures are required under the APFs issued by DTF.

All members of the board/committees, including those who may have resigned or their term had expired during the financial year, are listed below:

Charitable and Social Welfare Board (Community Benefit SA)

Mark Clayton Henley (Chair)
Gary David Storkey (Chair)
Declan Jonathon Andrews (Member)
Letitia Ashworth (Member)
Christina Pauline Birch (Member)
Michelle Lee-Anne Jones (Member)

Child Death and Serious Injury Review Committee

Dymphna Eszenyi (Chair)
Roger William Byard (Member)
Daniel Cox (Member)
Angela Marie Davis (Member)
Dianne Gursansky (Member)
Janine Nicola Harvey (Member)
Diana Margaret Hetzel (Member)
Barry John Jennings (Member)
Sandra Anne Miller (Sandy) (Member)
Thomas Ian Osborn (Member)
Michelle Papillo (Member)
Dana Shen (Member)
Nigel Stewart (Member)
Helen Wighton (Member)

Council for the Care of Children Committee

Diana Margaret Hetzel (Chair)
Keith Bartley (Member)
Deborah Bond (Member)
Barbara (Jane) Chapman (Member)
Kaye Colmer (Member)
Jane Mulcuster Cooper (Member)
Luigi Salvatore Degennaro (Member)
Angelique Edmonds (Member)
Thoma (Thom) Manning (Member)
Joslene Mazel (Member)
Kiara Rahman (Member)
Christopher Robinson (Member)
Emily Rozee (Member)
Nerida Michelle Sanders (Member)
Simon Schrapel (Member)
Anthony Sherbon (Member)
Phillip Thomas Slee (Member)
David Swan (Member)

Ministerial Advisory Board on Ageing

Rosemary Anne Crowley (Chair)
David Caudrey (Ex Officio)
Kenneth John Coventry (Member)
Patricia Lesley Greethead (Member)
Graeme John Hugo (Member)
Gerard McEwen (Member)
Patricia Kaye Mickan (Member)
Janice Dorothy Rigney (Member)
Graham Robert Strathearn (Member)
Marjorie Ann (Marj) Tripp (Member)
Dana Vukovich (Member)

Minister's Disability Advisory Council

Lorna Elizabeth Hallahan (Chair)
Neil Lillecrap (Deputy Chair)
Suzanne Mary Carman (Ex Officio)
David Caudrey (Ex Officio)
Katharine Elisabeth Annear (Member)
Jacqueline Elise Beard (Member)
Silvana Gant (Member)
Michelle Gaye Hagarty (Member)
Evdokia Kalaitzidi (Member)
Gaelle Mellis (Member)
Michael John Taggart (Member)

Risk Management and Audit Committee

Mary Patetsos (Chair)
Peter Agars (Member)
Peter Bull (Member)
Michael Evans (Member)
Geoff Lamshed (Member)

State Emergency Relief Fund

Barry Joseph Grear (Chair)
Suzanne Mary Carman (Member)
Angela Chooi (Member)
Veronica Margaret Faggotter (Member)
Sherree Goldsworthy (Member)
Helen Kay Lamont (Member)
Raina Nella Nechvoglod (Member)

Supported Residential Facilities Advisory Committee

Barbara (Jane) Chapman (Chair)
Alister Lyndon Armstrong (Member)
Monica Baker (Deputy Member)
Phillip Beddall (Member)
(Sheila) Carol Bouwens (Deputy Member)
Kevin Duke (Member)
Shaunee Fox (Member)
Peter Heysen (Member)
Ann Irving (Deputy Member)
Neville Kitchin (Member)
Michael Livori (Deputy Member)
Mariann Rose McNamara (Member)
Anne Megaw (Deputy Member)
Natasha Miliotis (Deputy Member)
Kirin Moat (Deputy Member)
Paul Nikolettos (Member)
Debra Petrys (Member)
Penelope Richardson (Member)
Paula Elizabeth Ryan (Member)
Angela Wang (Member)
Susan Whitington (Member)
Jillian Yvonne Whittaker (Deputy Member)
Carolyn Ann Wigg (Deputy Member)
Susan Wilkes (Member)
Helen Wright (Member)
Joyce Yeomans (Deputy Member)

Deputies listed may or may not have attended a committee meeting during the financial year. Total income received, or due to be receivable by members was $120 000 ($110 000).

The number of members whose income from the entity falls within the following bands is:	2011 Number	2010 Number
$nil	41	38
$1 - $9 999	51	46
$10 000 - $19 999	2	1
Total	94	85

In accordance with DPC Circular 16, government employees did not receive any remuneration for board/committee or forum duties during the financial year. Benefits given by the Department to superannuation funds or otherwise in connection with the retirement of members were $10 000 ($10 000).

During the financial year, no loans were made to members. At the reporting date, no outstanding loans exist with members.

Unless otherwise disclosed, transactions between related parties are on conditions no more favourable than those which it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

34. Events after balance date

There are no known events after balance date that affect this general purpose financial report in a material manner.

35. Administered items

The revenues, expenditures, assets and liabilities that were administered but not controlled by the Department have not been included in the financial statements. These administered transactions and balances are regarded as significant in relation to the Department's overall financial performance and in accordance with APF II, separate consolidated administered financial statements and notes to the accounts have been prepared.

36. Residential aged care sector reporting

The former Julia Farr Services (JFS) was an approved provider of residential aged care (RAC) with 62 places licensed by the Commonwealth Department of Health and Ageing. Effective 1 July 2007, the Governor proclaimed the dissolution of JFS and all assets and liabilities vested in or held by JFS were transferred or assigned to or vested in, the Minister for Disability. Certain assets held by the former JFS are subject to the terms and conditions of the Home for Incurables Trust and the Minister for Disability has been appointed as trustee. The trust assets are administered but not controlled by the Department, hence they are not included in the accounts of the Department.

The former Intellectual Disability Services Council (IDSC) was also an approved provider of residential aged care with 32 places licensed by the Commonwealth Department of Health and Ageing. On 29 June 2006 the Governor proclaimed to dissolve IDSC in association with reforms to the governance arrangements within the SA Government with respect to the management of the provision of disability services. Effective 1 July 2006, the Board of IDSC dissolved and the assets and liabilities of IDSC were transferred, assigned or were vested in the Minister for Disability.

Statement of Comprehensive Income for the year ended 30 June 2011

	Residential Aged Care			
	Highgate Disability SA	Northgate Disability Services SA		
NAPS ID*	1021	3051		2011
RACS ID**	6402	6203	Non-RAC	Total
Expenses:	$'000	$'000	$'000	$'000
Employee benefit expenses	4 185	3 053	455 363	462 601
Supplies and services	2 422	949	218 894	222 265
Depreciation and amortisation	1	143	5 311	5 455
Grants, subsidies and client payments	-	-	854 760	854 760
Net loss from disposal of non-current assets	-	-	1	1
Other expenses	-	-	82	82
Total expenses	6 608	4 145	1 534 411	1 545 164
Income:				
Rent, fees and charges	1 178	714	123 471	125 363
Commonwealth revenues	1 399	1 723	232 040	235 162
Interest revenues	-	-	54	54
Other revenues	-	-	4 837	4 837
Total income	2 577	2 437	360 402	365 416
Net cost of providing services	(4 031)	(1 708)	(1 174 009)	(1 179 748)
Revenues from SA Government:				
SA Government appropriation	-	-	1 181 171	1 181 171
Grants from SA Government agencies	-	-	13 863	13 863
Payments to SA Government	-	-	(396)	(396)
Total revenues from SA Government	-	-	1 194 638	1 194 638
Net result	(4 031)	(1 708)	20 629	14 890

* National Approved Provider System (NAPS)
** Residential Aged Care Service (RACS)

Statement of Financial Position as at 30 June 2011

		Residential Aged Care			
		Highgate Disability SA	Northgate Disability Services SA		
	NAPS ID	1021	3051		2011
	RACS ID	6402	6203	Non-RAC	Total
Current assets:		$'000	$'000	$'000	$'000
Cash and cash equivalents*		-	-	52 055	52 055
Receivables		27	17	39 606	39 650
Inventories		-	-	284	284
Total current assets		27	17	91 945	91 989
Non-current assets:					
Receivables		7	5	17 307	17 319
Property, plant and equipment		-	10 102	273 785	283 887
Capital works in progress		-	-	18 240	18 240
Intangible assets		-	-	6 309	6 309
Total non-current assets		7	10 107	315 641	325 755
Total assets		34	10 124	407 586	417 744
Current liabilities:					
Payables		210	140	48 330	48 680
Employee benefits		562	388	52 854	53 804
Provisions		132	97	9 775	10 004
Other liabilities		-	-	752	752
Total current liabilities		904	625	111 711	113 240
Non-current liabilities:					
Payables		45	34	4 951	5 030
Employee benefits		505	386	55 803	56 694
Borrowings		-	-	285	285
Provisions		413	305	30 365	31 083
Other liabilities		-	-	5 415	5 415
Total non-current liabilities		963	725	96 819	98 507
Total liabilities		1 867	1 350	208 530	211 747
Net assets		(1 833)	8 774	199 056	205 997

* Cash deficits in residential aged care are funded by contributions from SA Government.

Statement of Comprehensive Income for the year ended 30 June 2010

	Residential Aged Care			
	Highgate Disability SA	Northgate Disability Services SA		
NAPS ID	1021	3051		2010
RACS ID	6402	6203	Non-RAC	Total
Expenses:	$'000	$'000	$'000	$'000
Employee benefit expenses	3 728	3 144	429 594	436 466
Supplies and services	2 860	892	192 997	196 749
Depreciation and amortisation	1	131	4 237	4 369
Grants, subsidies and client payments	-	-	1 139 012	1 139 012
Net loss from disposal of non-current assets	-	-	224	224
Other expenses	6	-	1 140	1 146
Total expenses	6 595	4 167	1 767 204	1 777 966
Income:				
Rent, fees and charges	1 212	647	116 525	118 384
Commonwealth revenues	1 432	1 621	539 218	542 271
Interest revenues	-	-	41	41
Other revenues	-	-	10 339	10 339
Total income	2 644	2 268	666 123	671 035
Net cost of providing services	(3 951)	(1 899)	(1 101 081)	(1 106 931)
Revenues from SA Government:				
SA Government appropriation	-	-	1 067 759	1 067 759
Grants from SA Government agencies	-	-	17 770	17 770
Total revenues from SA Government	-	-	1 085 529	1 085 529
Net result	(3 951)	(1 899)	(15 552)	(21 402)

Statement of Financial Position as at 30 June 2010

		Residential Aged Care			
		Highgate Disability SA	Northgate Disability Services SA		
	NAPS ID	1021	3051		2010
	RACS ID	6402	6203	Non-RAC	Total
Current assets:		$'000	$'000	$'000	$'000
Cash and cash equivalents*		-	-	41 514	41 514
Receivables		25	16	25 111	25 152
Inventories		-	-	319	319
Total current assets		25	16	66 944	66 985
Non-current assets:					
Receivables		6	5	17 302	17 313
Property, plant and equipment		-	10 244	264 559	274 803
Capital works in progress		-	-	6 618	6 618
Intangible assets		-	-	6 369	6 369
Total non-current assets		6	10 249	294 848	305 103
Total assets		31	10 265	361 792	372 088
Current liabilities:					
Payables		134	116	60 260	60 510
Employee benefits		495	396	57 075	57 966
Provisions		107	87	8 110	8 304
Other liabilities		-	-	114	114
Total current liabilities		736	599	125 559	126 894
Non-current liabilities:					
Payables		39	41	5 271	5 351
Employee benefits		434	456	52 484	53 374
Borrowings		-	-	285	285
Provisions		333	272	24 998	25 603
Total non-current liabilities		806	769	83 038	84 613
Total liabilities		1 542	1 368	208 597	211 507
Net assets		(1 511)	8 897	153 195	160 581

* Cash deficits in residential aged care are funded by contributions from SA Government.

Statement of Administered Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Expenses:			
Employee benefit expenses		246	270
Supplies and services		1 269	1 057
Depreciation and amortisation expense		761	659
Grants, subsidies and client payments	A4	154 569	143 702
Client trust fund payments		12 572	12 052
Total expenses		169 417	157 740
Income:			
Grants and contributions		10 616	11 145
Revenue from rent, fees and charges		441	5 306
Interest revenues		926	680
Revaluation of investment property		-	270
Client trust fund receipts		13 008	12 371
Other income		112	112
Total income		25 103	29 884
Net cost of providing services		(144 314)	(127 856)
Revenues from (Payments to) SA Government:			
SA Government appropriation		151 492	141 106
Payment to SA Government under Cash Alignment Policy	A5	(7 556)	-
Total revenues from (payments to) SA Government		143 936	141 106
Net result		(378)	13 250
Other comprehensive income:			
Changes in property, plant and equipment asset revaluation surplus		-	4 494
Total other comprehensive income		-	4 494
Total comprehensive result		(378)	17 744

Statement of Administered Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash and cash equivalents		53 220	51 174
Receivables		600	1 086
Total current assets		53 820	52 260
Non-current assets:			
Property, plant and equipment	A8.1	36 105	36 866
Investment property	A8.2	2 594	2 594
Total non-current assets		38 699	39 460
Total assets		92 519	91 720
Current liabilities:			
Payables		6 905	5 709
Overdraft		21	21
Employee benefits		-	17
Provisions		-	2
Total current liabilities		6 926	5 749
Total liabilities		6 926	5 749
Net assets		85 593	85 971
Equity:			
Retained earnings		55 391	55 769
Asset revaluation surplus		30 202	30 202
Total equity		85 593	85 971

Statement of Administered Changes in Equity
for the year ended 30 June 2011

	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2009	25 708	42 519	68 227
Net result for 2009-10	-	13 250	13 250
Gain on revaluation of property, plant and equipment during 2009-10	4 494	-	4 494
Total comprehensive result for 2009-10	4 494	13 250	17 744
Balance at 30 June 2010	30 202	55 769	85 971
Net result for 2010-11	-	(378)	(378)
Total comprehensive result for 2010-11	-	(378)	(378)
Balance at 30 June 2011	30 202	55 391	85 593

Statement of Administered Cash Flows
for the year ended 30 June 2011

		2011	2010
		Inflows	Inflows
		(Outflows)	(Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Cash outflows:			
Payments to SA Government		(7 556)	-
Employee benefit payments		(265)	(268)
Concessions		(127 346)	(115 809)
Payments of grants, subsidies and client payments		(26 191)	(25 978)
Payments for supplies and services		(1 108)	(948)
Client trust fund payments		(12 572)	(12 052)
Other payments		(2)	-
Cash used in operations		(175 040)	(155 055)
Cash inflows:			
Receipts from SA Government		151 492	141 106
Rent, fees and charges		330	4 944
Grants and contributions		11 265	11 628
Interest received		915	615
Client trust fund receipts		13 008	12 371
Other receipts		75	270
Cash generated from operations		177 085	170 934
Net cash provided by (used in) operating activities	A9	2 045	15 879
Cash flows from financing activities:			
Cash outflows:			
Cash overdraft		1	21
Cash provided by (used in) financing activities		1	21
Net cash provided by (used in) financing activities		1	21
Net increase (decrease) in cash and cash equivalents		2 046	15 900
Cash and cash equivalents at 1 July		51 174	35 274
Cash and cash equivalents at 30 June		53 220	51 174

Schedule of Expenses and Income attributable to Administered Activities
for the year ended 30 June 2011

(Activities - refer note A3)	1		2		3	
	2011	2010	2011	2010	2011	2010
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefit expenses	-	-	7	17	1	5
Supplies and services	1 059	841	180	190	27	23
Depreciation and amortisation expense	-	-	-	-	761	659
Grants, subsidies and client payments	5 394	5 565	3 795	3 903	402	390
Client trust fund payments	-	-	-	-	-	-
Total expenses	6 454	6 406	3 982	4 110	1 191	1 077
Income:						
Grants and contributions	5 845	5 845	4 000	4 000	-	-
Revenue from rent, fees and charges	74	271	39	93	328	327
Interest revenues	28	37	-	-	380	285
Revaluation of investment property	-	-	-	-	-	270
Client trust fund receipts	-	-	-	-	-	-
Other income	110	110	-	-	-	-
Total income	6 057	6 263	4 039	4 093	708	882
Net cost of providing services	(396)	(143)	57	(17)	(483)	(195)
Revenues from (Payments to) SA Government:						
SA Government appropriation	-	-	-	-	-	-
Payment to SA Government under Cash Alignment Policy	-	-	-	-	-	-
Total revenues from (payments to) SA Government	-	-	-	-	-	-
Net result	(396)	(143)	57	(17)	(483)	(195)

(Activities - refer note A3)	4		5		6	
	2011	2010	2011	2010	2011	2010
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefit expenses	-	-	-	-	238	248
Supplies and services	-	-	-	-	-	-
Depreciation and amortisation expense	-	-	-	-	-	-
Grants, subsidies and client payments	-	-	-	-	-	-
Client trust fund payments	-	-	12 572	12 052	-	-
Total expenses	-	-	12 572	12 052	238	248
Income:						
Grants and contributions	-	-	-	-	257	246
Revenue from rent, fees and charges	-	-	-	-	-	-
Interest revenues	1	1	514	355	-	-
Revaluation of investment property	-	-	-	-	-	-
Client trust fund receipts	-	-	13 008	12 371	-	-
Other income	2	2	-	-	-	-
Total income	3	3	13 522	12 726	257	246
Net cost of providing services	3	3	950	674	19	(2)
Revenues from (Payments to) SA Government:						
SA Government appropriation	-	-	-	-	-	-
Payment to SA Government under Cash Alignment Policy	-	-	-	-	-	-
Total revenues from SA Government	-	-	-	-	-	-
Net result	3	3	950	674	19	(2)

Schedule of Expenses and Income attributable to Administered Activities for the year ended 30 June 2011 (continued)

(Activities - refer note A3)	7		8	
	2011	2010	2011	2010
Expenses:	$'000	$'000	$'000	$'000
Employee benefit expenses	-	-	-	-
Supplies and services	3	3	-	-
Depreciation and amortisation expense	-	-	-	-
Grants, subsidies and client payments	128 478	117 724	16 500	16 120
Client trust fund payments	-	-	-	-
Total expenses	128 481	117 727	16 500	16 120
Income:				
Grants and contributions	514	1 054	-	-
Revenue from rent, fees and charges	-	4 615	-	-
Interest revenues	-	-	-	-
Revaluation of investment property	-	-	-	-
Client trust fund receipts	-	-	-	-
Other income	-	-	-	-
Total income	514	5 669	-	-
Net cost of providing services	(127 967)	(112 058)	(16 500)	(16 120)
Revenues from (Payments to) SA Government:				
SA Government appropriation	134 573	124 890	16 919	16 216
Payment to SA Government under Cash Alignment Policy	(7 556)	-	-	-
Total revenues from (payments to) SA Government	127 017	124 890	16 919	16 216
Net result	(950)	12 832	419	96

(Activities - refer note A3)	9		Total	
	2011	2010	2011	2010
Expenses:	$'000	$'000	$'000	$'000
Employee benefit expenses	-	-	246	270
Supplies and services	-	-	1 269	1 057
Depreciation and amortisation expense	-	-	761	659
Grants, subsidies and client payments	-	-	154 569	143 702
Client trust fund payments	-	-	12 572	12 052
Total expenses	-	-	169 417	157 740
Income:				
Grants and contributions	-	-	10 616	11 145
Revenue from rent, fees and charges	-	-	441	5 306
Interest revenues	3	2	926	680
Revaluation of investment property	-	-	-	270
Client trust fund receipts	-	-	13 008	12 371
Other income	-	-	112	112
Total income	3	2	25 103	29 884
Net cost of providing services	3	2	(144 314)	(127 856)
Revenues from (Payments to) SA Government:				
SA Government appropriation	-	-	151 492	141 106
Payment to SA Government under Cash Alignment Policy	-	-	(7 556)	-
Total revenues from (payments to) SA Government	-	-	143 936	141 106
Net result	3	2	(378)	13 250

NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

A1. Background

The revenues, expenditures, assets and liabilities that were administered but not controlled by the Department for Families and Communities (the Department) have not been included in the financial statements of the Department. These administered transactions and balances are regarded as significant in relation to the Department's overall financial performance and in accordance with APF II, separate consolidated administered financial statements and notes to the accounts have been prepared.

A2. Accounting policies

The accounting policies pertaining to the administered items for the Department are contained in note 2 for the Department.

A3. Activities of administered items

1. Gamblers Rehabilitation
2. Community Benefit SA Program
3. Home for Incurables Trust*
4. Supported Residential Facilities Indemnity Fund
5. Client Trust Accounts
6. Minister's Salary
7. Concessions
8. Community Service Obligations
9. State Emergency Relief Fund

* Effective 1 July 2007, the Minister for Disability became the trustee of the Home for Incurables Trust by virtue of the vesting of assets and liabilities of the former Julia Farr Services (JFS). Separate financial information pertaining to the Home for Incurables Trust is in note A12.

Client trust accounts

The Department for Families and Communities acts as trustee of client trust accounts, relating to clients of the former Intellectual Disability Services Council and the former JFS. The balance of the client trust accounts at 30 June 2011 was $11.284 million ($10.334 million). These amounts cannot be used by the Department to achieve its own objectives, and accordingly are not included in the controlled financial statements.

	2011	2010
	$'000	$'000
Opening balance 1 July	10 334	9 660
Receipts	13 522	12 726
Expenses	(12 572)	(12 052)
Closing balance 30 June	11 284	10 334

A4. Grants and subsidies and client payments

	2011	2010
Gamblers Rehabilitation	5 394	5 565
Community Benefit SA program	3 795	3 903
Home for Incurables Trust	402	390
Concessions	128 478	117 724
Community service obligations	16 500	16 120
Total grants, subsidies and client payments	154 569	143 702
Concessions:		
Water and sewerage rates	28 815	28 063
Council rates	32 834	32 744
Energy	28 817	24 814
Transport	30 729	25 763
Emergency Services levy	6 551	6 148
Other	732	192
Total concessions	128 478	117 724

A5. Payments to SA Government

	2011	2010
Concessions (Cash Alignment Policy transfer)	7 556	-
Total payments to SA Government	7 556	-

A6. Consultancies

The number and dollar amount of consultancies paid/payable (included in supplies and services) that fell within the following bands:	2011 Number	2011 $'000	2010 Number	2010 $'000
Above $50 000	-	-	1	59
Total paid/payable to the consultants engaged	-	-	1	59

A7. Unexpended funding commitments

The Department is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Department on the premise that these funds are expended in a manner consistent with the terms of the program. As at 30 June 2011, the Department had outstanding funding commitments to the following programs:

	2011 $'000	2010 $'000
Gamblers Rehabilitation Fund - Anti Poverty program	969	1 369
Community Benefit SA program	191	-
Total operating funding commitments	1 160	1 369
Total unexpended funding commitments	1 160	1 369

A8. Property, plant and equipment

(1) Property, plant and equipment

	2011 $'000	2010 $'000
Land and buildings:		
Site land (fair value)	14 621	14 621
Buildings and improvements (fair value)	22 245	22 245
Accumulated depreciation - buildings and improvements	(761)	-
Total land and buildings	36 105	36 866

Reconciliation of land and buildings

The following table shows the movement of land and buildings and improvements during 2010-11:

	Site land $'000	Buildings & improvements $'000	Total land & buildings $'000
Carrying amount at 1 July	14 621	22 245	36 866
Depreciation and amortisation	-	(761)	(761)
Carrying amount at 30 June	14 621	21 484	36 105

(2) Investment property

	2011 $'000	2010 $'000
Investment building	925	829
Revaluation increment	-	96
Fair value at 30 June	925	925
Investment land	1 669	1 495
Revaluation increment	-	174
Fair value at 30 June	1669	1 669
Total investment property at 30 June	2 594	2 594

A9. Cash flow reconciliation

Reconciliation of cash and cash equivalents at 30 June as per:	2011	2010
Statement of Administered Cash Flows	53 220	51 174
Statement of Administered Financial Position	53 220	51 174

Reconciliation of net cash provided by (used in) operating activities to net result

	2011	2010
Net cash provided by (used in) operating activities	2 045	15 879
Non-cash items:		
Depreciation and amortisation	(761)	(659)
Revaluation of investment property	-	270
Changes in assets and liabilities:		
Increase (Decrease) in receivables	(486)	(214)
Decrease (Increase) in payables	(1 195)	(2 023)
Decrease (Increase) in employee benefits	17	(3)
Decrease (Increase) in other liabilities	2	-
Net result	(378)	13 250

A10. Administered contingent assets and liabilities

The Department has no administered contingent assets and liabilities.

A11. Supported Residential Facilities Indemnity Fund

	2011	2010
	$'000	$'000
Opening balance 1 July	31	28
Receipts:		
Fees - councils[(1)]	2	2
Interest	1	1
Expenses:		
Expenses or claims	-	-
Closing balance 30 June	34	31

This note has been prepared to meet the requirements of section 56(11) of the *Supported Residential Facilities Act 1992* in reporting upon the operations of the Supported Residential Facilities Indemnity Fund. The note meets the specific requirements of the Act.

(1) Under the *Supported Residential Facilities Act 1992,* certain premises which provide residential accommodation are required to be licensed. That licence fee is payable to the local councils who monitor the residential accommodation. The Act requires the councils to remit 10 percent of fees collected for deposit in the Fund within 28 days after the end of the financial year in which the fees are received.

A12. Home for Incurables Trust

As part of wide ranging reforms relating to the delivery of disability services by the Department, effective 1 July 2007, JFS was dissolved and all assets and liabilities vested in or held by JFS were transferred or assigned or vested with the Minister for Disability. Certain assets held by the former JFS are subject to the terms and conditions of the Home for Incurables Trust. The original trust was established in June 1879 and was varied by the Supreme Court on 7 November 1997.

The former Board of JFS was trustee of the Home for Incurables Trust and on dissolution, the Board of JFS resolved to resign as trustee of the Home for Incurables Trust. The Minister for Disability is the trustee for the Home for Incurables Trust.

The role of the Trust is:

…to apply property vested in it for the purpose of providing for persons whose ability to live independently is temporarily or permanently impaired or in jeopardy as a consequence of an acquired brain injury or degenerative neurological condition or a physical condition resulting in disability including but not limiting the foregoing in any way whatsoever, the following services and facilities:

(a) by providing for them, in a variety of residential, centre and community based settings
- *(i) accommodation*
- *(ii) nursing, medical, allied health and attendant care service*
- *(iii) personal and community support services*
- *(iv) technical and personal support aids*
- *(v) rehabilitation, respite and recreational services*
- *(vi) out patient and day care services*
- *(vii) measures and services to enhance their quality of life;*

(b) by providing facilities for education research with respect to such persons; and

(c) by providing any services and facilities ancillary or in relation to the foregoing or by providing additional services and facilities that may be appropriate from time to time.

The following income, expenditures, assets and liabilities of the Home for Incurables Trust have been included in the administered items financial statements, but are separately disclosed in the following schedules in accordance with the governance requirements of the Trust.

Schedule of Income and Expenses - Home for Incurables Trust for the year ended 30 June 2011

	2011 $'000	2010 $'000
Expenses:		
Employee benefit costs	1	5
Supplies and services	27	23
Grants, subsidies and client payments	402	390
Depreciation and amortisation	761	659
Total expenses	1 191	1 077
Income:		
Rental income	328	327
Interest	380	285
Revaluation of investment property	-	270
Total income	708	882
Net result	(483)	(195)
Other comprehensive income:		
Changes in property, plant and equipment asset revaluation surplus	-	4 494
Total comprehensive income	-	4 494
Total comprehensive result	(483)	4 299

Schedule of Assets and Liabilities - Home for Incurables Trust as at 30 June 2011

	2011 $'000	2010 $'000
Current assets:		
Cash and cash equivalents:		
Deposits with the Treasurer	441	36
Deposits with SAFA	7 136	7 267
Total cash and cash equivalents	7 577	7 303
SAFA interest receivable	32	28
Total current assets	7 609	7 331
Non-current assets:		
Property, plant and equipment	36 105	36 866
Investment properties	2 594	2 594
Total non-current assets	38 699	39 460
Total assets	46 308	46 791
Net assets	46 308	46 791

Schedule of Changes in Equity - Home for Incurables Trust for the year ended 30 June 2011

	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2009	25 708	16 784	42 492
Net result for 2009-10	-	(195)	(195)
Gains on revaluation of property, plant and equipment during 2009-10	4 494	-	4 494
Total comprehensive result for 2009-10	4 494	(195)	4 299
Balance at 30 June 2010	30 202	16 589	46 791
Net result for 2010-11	-	(483)	(483)
Total comprehensive result for 2010-11	-	(483)	(483)
Balance at 30 June 2011	30 202	16 106	46 308

Schedule of Administered Cash Flows - Home for Incurables Trust for the year ended 30 June 2011

	2011	2010
Cash flows from operating activities:	$'000	$'000
Cash inflows:		
Interest revenue	376	275
Rental revenue	328	327
Total cash inflows	704	602
Cash outflows:		
Employee payments	(1)	(6)
Supplies and services	(27)	(22)
Grants, subsidies and client payments	(402)	(390)
Total cash outflows	(430)	(418)
Net cash inflows (outflows) from operating activities	274	184
Net increase (decrease) in cash and cash equivalents	274	184
Cash and cash equivalents at 1 July	7 303	7 119
Cash and cash equivalents at 30 June	7 577	7 303

Accounting policies

The accounting policies pertaining to the administered items for the Department are contained in note 2 for the Department.

Cash and cash equivalents

Cash and cash equivalents as reported in the Schedule of Assets and Liabilities - Home for Incurables Trust includes cash on hand, deposits held at call and other short-term, highly liquid investments with maturities of three months or less that are readily convertible to cash and which are subject to insignificant risk of changes in value. Cash and cash equivalents in the Schedule of Administered Cash Flows - Home for Incurables Trust comprise cash and cash equivalents as defined above. Cash is measured at nominal value.

Reconciliation of property, plant and equipment - Home for Incurables Trust	2011	2010
Property, plant and equipment:	$'000	$'000
Land and buildings:		
Site land (fair value)	14 621	14 621
Buildings and improvements (fair value)	22 245	22 245
Accumulated depreciation - buildings and improvements	(761)	-
Total land and buildings	36 105	36 866

Reconciliation of land and buildings - Home for Incurables Trust

The following table shows the movement of land and buildings and improvements for the Home for Incurables Trust during 2011.

	Site land	Buildings and imprvmnts	Total land and buildings
	$'000	$'000	$'000
Carrying amount at 1 July	14 621	22 245	36 866
Depreciation and amortisation for the year	-	(761)	(761)
Carrying amount at 30 June	14 621	21 484	36 105

Investment property - Home for Incurables Trust	2011	2010
	$'000	$'000
Investment building	925	829
Revaluation increment	-	96
Fair value at 30 June	925	925
Investment land	1 669	1 495
Revaluation increment	-	174
Fair value at 30 June	1 669	1 669
Total investment property at 30 June	2 594	2 594

Flinders University of South Australia

Functional responsibility

Establishment

The Flinders University of South Australia (the University) was established pursuant to *The Flinders University of South Australia Act 1966*.

Functions

The functions of the University are to provide higher education and research in an environment which fosters creativeness, advances intellectual knowledge and facilitates accessibility with the wider public community.

The University has a financial interest in a number of entities as detailed in notes 1, 35 and 36 to the financial statements.

Audit mandate and coverage

Audit authority

Audit of the financial report

Regulations under the PFAA provide that the University is a public authority. Consequently, subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the University for each financial year.

Assessment of controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the University in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Scope of audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an opinion to be formed on the financial report and internal controls.

For the year ended 31 December 2010, specific areas of audit attention included:

- expenditure
- payroll
- student revenue
- research grant revenue
- fixed assets
- general ledger
- cash and investments
- University governance and risk management.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of The Flinders University of South Australia and its controlled entities (the Consolidated Entity) as at 31 December 2010, their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, the *Higher Education Support Act 2003* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by The Flinders University of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised under 'Breaches of control environment' and in relation to general ledger, cash, payroll and expenditure as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of The Flinders University of South Australia have been conducted properly and in accordance with law.

Breaches of control environment – misappropriation of funds

In January 2010 the University detected that its internal control environment had been compromised, mainly in relation to aspects of control over the transfer and disbursement of funds. The University identified unauthorised financial transactions of a fraudulent nature that resulted in the misappropriation of University funds.

The general ledger and control processes that were breached and which resulted in the misappropriation of funds involved:

- unauthorised use of EFT facilities
- processing of journals that were not subject to independent review
- lack of independent review of bank reconciliations
- inadequate monitoring and review of system access privileges.

The misappropriation of funds commenced prior to the start of 2009 and continued into January 2010 when it was detected. Notes 8, 14 and 43 to the financial statements of the University make disclosures concerning the misappropriation of funds. Estimated losses from the misappropriation and brought to account in 2010 were $3.5 million ($8.7 million estimated losses were brought to account in 2009). Monies recovered/recoverable in 2010 totalled $9.2 million. In addition insurance recoveries of $2.0 million were also brought to account in 2010.

In 2010 Audit reviewed the progress the University had made to address the general ledger and control processes breached. While the University has strengthened the controls over the general ledger, bank reconciliations and access privileges, there remain some areas for further improvement. These matters are outlined below in 'Communication of audit matters'.

Communication of audit matters

Matters arising during the course of the audit were detailed in a management letter to the officers responsible for the governance of The Flinders University of South Australia. The significant matters raised with the University are detailed below. Certain of these matters are similar to issues reported to the University in previous years. The University's response to the management letter was considered to be generally satisfactory.

General ledger

The University implemented an online journal approval system during 2010. Audit review of user access to the online journal approval system noted the system was set up to allow a number of officers across the University to process journals to the general ledger without an independent review.

The independent check of manual journals ensures the accuracy and validity of financial adjustments to the University's financial records. Without an independent check of journals processed there is an increased risk of financial error and the processing of unauthorised journals.

The University's response satisfactorily addressed the matter.

Cash

The University adjusted its online banking arrangements with its banker in 2010. The changed arrangements provide an improved control environment for electronic funds processing. Whilst the University took this action certain control weaknesses were identified. In particular:

- the report used for the monthly review of access to online bank accounts did not include relevant details of the accounts to which users have access
- some payroll officers had authorising user access for a number of bank accounts even though payroll disbursements occur from one account
- accounts payable staff had authoriser access until June/July 2010
- a cashiers officer had authoriser access until March 2010.

In addition, authorised access forms for two current users could not be located.

The University brought forward a scheduled review of users access to online bank accounts once they were notified of the abovementioned matters.

The University subsequently advised the monthly review of online bank accounts access was amended to include details for all users and bank accounts.

Payroll

The audit of human resources payroll functions revealed the following matters:

- There was a general lack of documented policies and procedures for key payroll and human resource functions.
- The monitoring of time and leave recording for general autopay staff was lacking with some timesheets not being prepared and a number not authorised by supervisors.
- There was no requirement for permanent academic staff to maintain timesheets and therefore time worked and leave recorded cannot be monitored by the academic's supervisor.
- The payroll EFT file could be amended once uploaded into the online banking system and there was no requirement to check or authorise these changes.
- The checking of payroll adjustment reports by officers spread across the University was inconsistent. In some instances these were not checked at all.
- There was no review of user access to the payroll system.

The University's response outlined planned actions to address the matters raised.

Expenditure

In October 2008 the University implemented Basware, an electronic workflow system to manage the authorisation and payment of invoices. In response to the 2009 Audit recommendation the authorised invoice information manually uploaded from Basware to the general ledger was reconciled on a daily basis from September 2010. Audit noted there was no independent review of this reconciliation and this requirement was not documented in the University's policies and procedures.

The performance and independent review of reconciliations from a subsidiary system to the general ledger is a key control that ensures data is completely and accurately transferred between systems.

Basware users are established with approval limits to ensure they can only authorise expenditure consistent with approved financial authorisations. The University implemented a weekly check of user approval limit changes made in Basware from June 2010 and reconciled existing user approval limits in Basware to authorisations. Audit noted however:

- there was no annual review of user approval limits in Basware to ensure they were still appropriate
- there was no approved policy or procedure covering these requirements.

The University's response satisfactorily addressed the matters raised.

Interpretation and analysis of the financial report

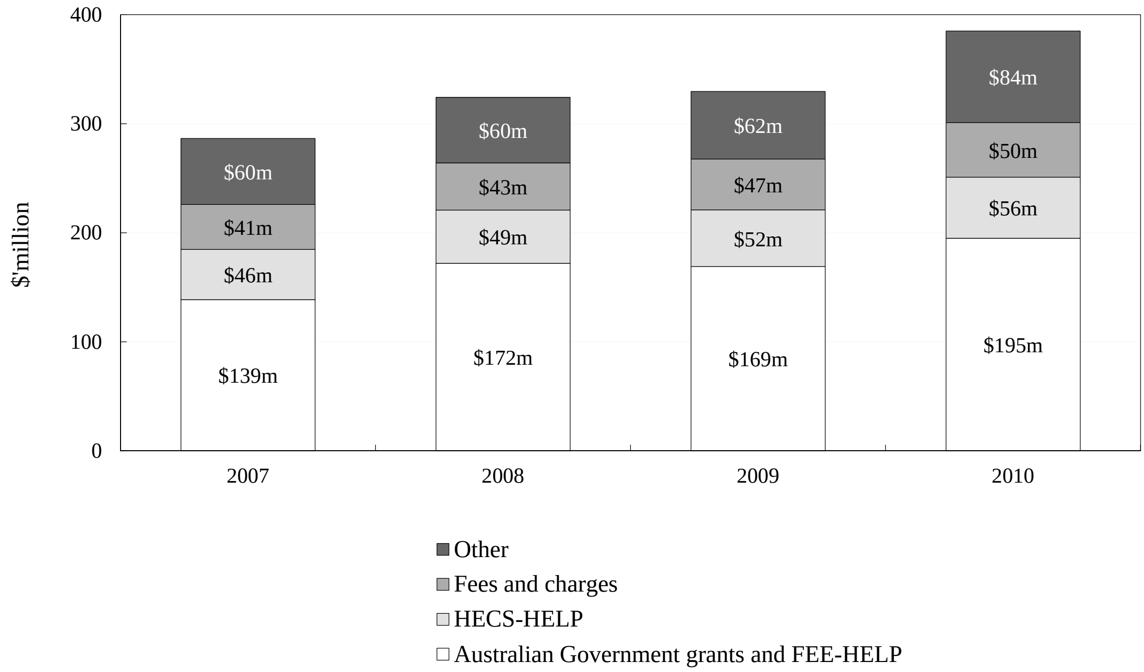
Highlights of the financial report (Consolidated)	2010 $'million	2009 $'million
Income		
Australian Government grants and FEE-HELP	195	169
HECS-HELP (Australian Government and student)	56	52
Fees and charges	50	47
Other	84	62
Total income	385	330
Expenses		
Employee related expenses	207	188
Other expenses	122	112
Total expenses	329	300
Operating result	56	30
Net cash provided by (used in) operating activities	74	45
Net cash provided by (used in) investing activities	(110)	(62)
Assets		
Current assets	190	145
Non-current assets	437	397
Total assets	627	542
Liabilities		
Current liabilities	54	47
Non-current liabilities	58	51
Total liabilities	112	98
Total equity	515	444

Income Statement

Income

Total income has increased by $55 million (17 percent) from 2009.

A structural analysis of operating income for the University for the four years to 2010 is presented in the following chart.



The above chart shows that the University is dependent to a large extent on financial assistance from the Australian Government. Income from Australian Government grants increased by $26 million (15 percent) from 2009. The major components of this increase were:

- an increase in other non-research grants of $13.2 million due mainly to funding for capital projects (eg Northern Territory Medical Program and capital health projects)
- a $12 million increase in the Commonwealth Grants Scheme due to annual indexation and an increase in student load
- a $5.6 million decrease in other grant funding due to program funding not provided in 2010
- an increase in other research funding of $6.5 million for additional research projects in 2010.

Other income increased by $22 million (35 percent) in 2010. The main components of this increase were a once-off $10 million donation and $11.2 million of actual and expected recoveries in misappropriated funds.

Expenses

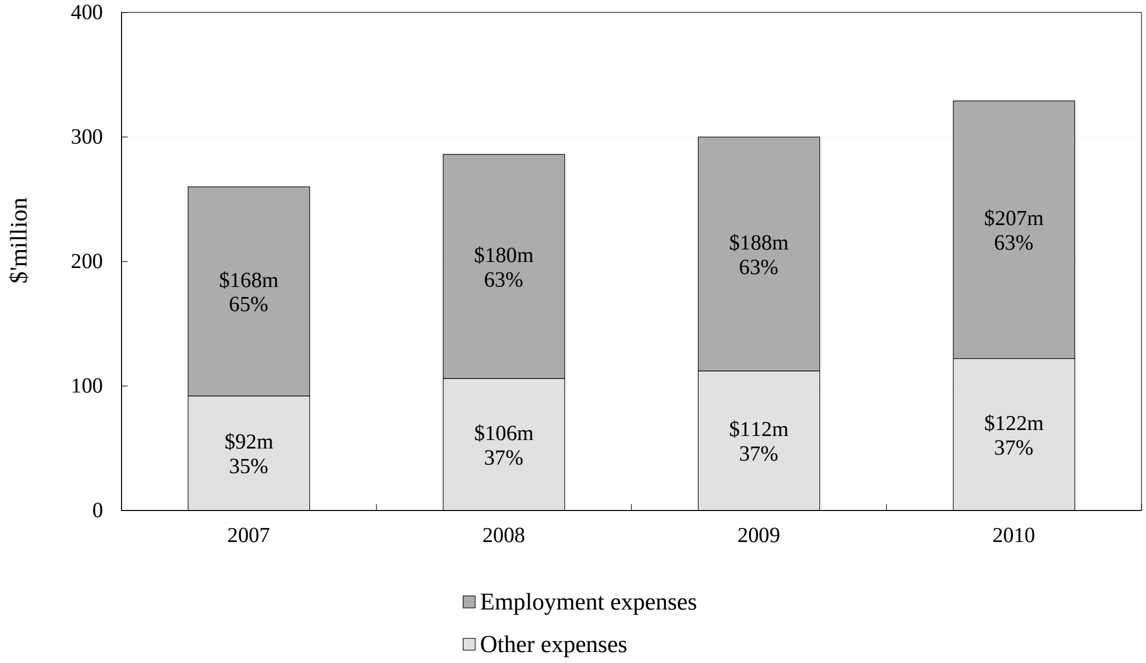
Total expenses increased by $29 million (10 percent). Employee related expenses increased by $19 million (10 percent) mainly as a result of Enterprise Bargaining Agreement increases.

Other expenses increased by $10 million (9 percent). The main components of this increase were:

- an increase of $1 million in depreciation and amortisation expense

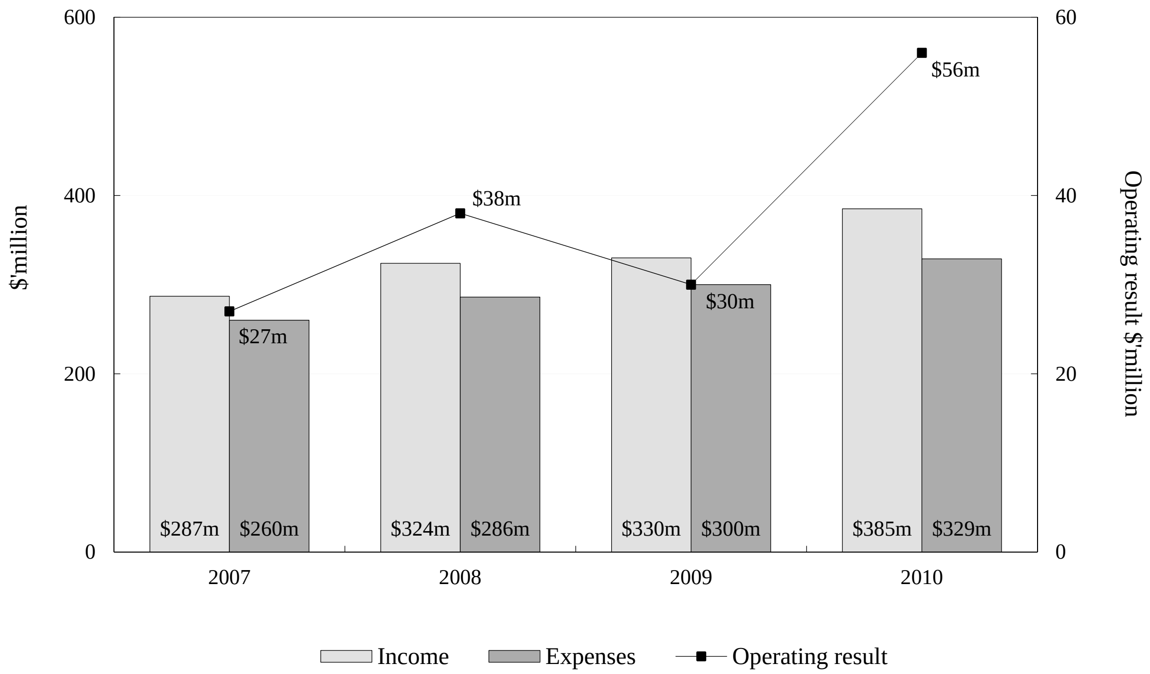
- a $5.3 million increase in repairs and maintenance expense due mainly to building maintenance and repairs and cleaning costs
- an increase in certain other expense items including $830 000 in consultancy fees and $1 million in travel, staff development and entertainment.

The following chart shows a structural analysis of the University's main operating expense items for the four years to 2010. It shows that the proportion of employment expenses to total expenditure has remained constant since 2007.



Operating result

The following chart shows the operating income, operating expenses and the operating result for the four years to 2010. The University recorded a $26 million (87 percent) increase to its operating result from 2009. The increase in operating result is due mainly to a large increase in Australian Government revenue for capital projects.



Statement of Financial Position

Total assets increased by $85 million (16 percent) and total liabilities increased by $14 million (14 percent) in 2010.

Current assets increased by $45 million (31 percent) due mainly to the University purchasing held to maturity, managed fund and equity investments during the year. Non-current assets increased by $40 million (10 percent) which is mainly attributable to a $34 million increase in the value of property, plant and equipment as a result of additions to buildings and infrastructure, equipment and library assets and the upward revaluation of buildings and infrastructure assets.

The main components of the $14 million (14 percent) increase in total liabilities were:

- a $7 million increase in provisions due mainly to the increase in the defined superannuation benefit obligation
- a $5 million increase in trade and other payables primarily due to an increase in capital works invoices outstanding.

The defined superannuation benefit obligation represents the unfunded superannuation liability for the University's beneficiaries of the State Superannuation Scheme. Under an existing arrangement the Australian Government funds this superannuation liability and therefore a corresponding increase is recorded in non-current receivables. The increase consequently does not affect the year end net asset position of the University.

Statement of Cash Flows

The following table summarises the net cash flows for 2010 and 2009.

	2010 $'million	2009 $'million
Net cash flows		
Operating	74	45
Investing	(110)	(62)
Change in cash	(36)	(17)
Cash at 31 December	39	75

Net cash from operating activities increased by $29 million (64 percent) in 2010. This increase in operating cash flow was principally due to the receipt of Australian Government funding for specific projects, in particular the Northern Territory Medical Program and capital health projects and a once-off donation of $10 million.

Net cash used in investing activities mainly reflects the University's significant purchases of property, plant and equipment and payments made for new financial asset investments.

Income Statement
for the year ended 31 December 2010

		Consolidated		University	
		2010	2009	2010	2009
Revenue from continuing operations:	Note	$'000	$'000	$'000	$'000
Australian Government financial assistance:					
Australian Government grants	1(o),2	192 241	166 054	192 123	165 745
HECS-HELP - Australian Government payments	2	48 638	44 617	48 638	44 617
FEE-HELP	2	3 054	3 145	3 054	3 145
State and Local Government financial assistance	3	16 853	16 701	16 605	16 174
HECS-HELP - student payments		7 780	7 316	7 780	7 316
Fees and charges	1(o),4	49 638	46 590	49 569	46 005
Investment revenue	1(o),5	12 545	10 183	10 329	8 412
Royalties, trademarks and licences	6	1 395	1 220	992	998
Consultancy and contracts	1(o),7	10 278	9 859	8 398	9 015
Other revenue	8	42 466	21 133	36 429	15 904
Total revenue from continuing operations		384 888	326 818	373 917	317 331
Other investment income	1(o),5	340	3 394	153	3 243
Gains (Losses) on disposal of assets	9	36	(398)	64	121
Total income from continuing operations		376	2 996	217	3 364
Total revenue and income from continuing operations		385 264	329 814	374 134	320 695
Expenses from continuing operations:					
Employee related expenses	1(h),10	207 385	187 944	201 833	182 902
Depreciation and amortisation	1(c),11	17 795	16 762	17 575	16 571
Repairs and maintenance	12	14 964	9 685	14 905	9 612
Impairment of assets	1(q),13	500	185	156	147
Other expenses	14	88 706	85 170	83 267	81 886
Total expenses from continuing operations		329 350	299 746	317 736	291 118
Operating result for the year		55 914	30 068	56 398	29 577
Operating result attributable to non-controlling interest		1	(15)	-	-
Operating result attributable to the University		55 915	30 053	56 398	29 577

Statement of Comprehensive Income
for the year ended 31 December 2010

		Consolidated		University	
		2010	2009	2010	2009
	Note	$'000	$'000	$'000	$'000
Operating result for the year		55 914	30 068	56 398	29 577
Gain (Loss) on revaluation of land, buildings, library and artwork	26	14 009	3454	14 009	3 454
Gain (Loss) on value of available-for-sale financial assets	26	1 851	(1 019)	2 119	(1 206)
Total comprehensive income		71 774	32 503	72 526	31 825
Total comprehensive income attributable to minority interest		1	(15)	-	-
Total comprehensive income attributable to the University		71 775	32 488	72 526	31 825

Statement of Financial Position
as at 31 December 2010

		Consolidated		University	
		2010	2009	2010	2009
Assets:	Note	$'000	$'000	$'000	$'000
Current assets:					
Cash and cash equivalents	1(d),15	38 762	74 536	37 376	71 888
Receivables	1(d),16	22 917	17 415	21 353	15 454
Inventories	1(l),17	488	475	240	209
Other financial assets	1(d),18	121 868	46 792	119 921	45 361
Other non-financial assets	19	5 766	6 136	5 732	6 085
Total current assets		189 801	145 354	184 622	138 997
Non-current assets:					
Receivables	1(d),16	39 160	35 304	39 160	35 304
Investment properties	1(e),20	12 015	11 312	12 015	11 312
Property, plant and equipment	1(p),21	375 597	341 244	374 119	339 861
Other financial assets	1(d),18	7 528	5 602	12 532	10 413
Intangible assets	1(g),22	3 128	3 275	2 789	2 792
Total non-current assets		437 428	396 737	440 615	399 682
Total assets		627 229	542 091	625 237	538 679
Liabilities:					
Current liabilities:					
Trade and other payables	1(d),23	25 388	21 344	24 219	19 336
Provisions	1(h),1(j),24	19 555	18 730	19 351	18 514
Other liabilities	1(d),25	8 555	6 718	9 538	7 909
Total current liabilities		53 498	46 792	53 108	45 759
Non-current liabilities:					
Trade and other payables	1(d),23	4 347	3 754	4 347	3 741
Provisions	1(h),1(j),24	53 913	47 848	53 740	47 663
Total non-current liabilities		58 260	51 602	58 087	51 404
Total liabilities		111 758	98 394	111 195	97 163
Net assets		515 471	443 697	514 042	441 516
Equity:					
Parent Entity interest:					
Reserves	26	239 993	175 430	247 489	182 658
Retained surplus	26	275 462	268 250	266 553	258 858
Total Parent Entity interest		515 455	443 680	514 042	441 516
Non-controlling interest		16	17	-	-
Total equity		515 471	443 697	514 042	441 516

Statement of Changes in Equity
for the year ended 31 December 2010

Consolidated	Reserves	Retained earnings	Total: Owners of the parent	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2009	168 417	242 775	411 192	2	411 194
Profit or loss	4 578	25 475	30 053	15	30 068
Revaluation of land, buildings, library and artwork	3 454	-	3 454	-	3 454
Gain on available-for-sale financial assets	(1 019)	-	(1 019)	-	(1 019)
Total comprehensive income	7 013	25 475	32 488	15	32 503
Balance at 31 December 2009	175 430	268 250	443 680	17	443 697
Balance at 1 January 2010	175 430	268 250	443 680	17	443 697
Profit or loss	48 703	7 212	55 915	(1)	55 914
Revaluation of land, buildings, library and artwork	14 009	-	14 009	-	14 009
Gain on available-for-sale financial assets	1 851	-	1 851	-	1 851
Total comprehensive income	64 563	7 212	71 775	(1)	71 774
Balance at 31 December 2010	239 993	275 462	515 455	16	515 471

Parent	Reserves	Retained earnings	Total
	$'000	$'000	$'000
Balance at 1 January 2009	175 832	233 859	409 691
Profit or loss	-	29 577	29 577
Transfer to reserves	4 578	(4 578)	-
Revaluation of land, buildings, library and artwork	3 454	-	3 454
Gain on available-for-sale financial assets	(1 206)	-	(1 206)
Total comprehensive income	6 826	24 999	31 825
Balance at 31 December 2009	182 658	258 858	441 516
Balance at 1 January 2010	182 658	258 858	441 516
Profit or loss	-	56 398	56 398
Transfer to reserves	48 703	(48 703)	-
Revaluation of land, buildings, library and artwork	14 009	-	14 009
Gain on available-for-sale financial assets	2 119	-	2 119
Total comprehensive income	64 831	7 695	72 526
Balance at 31 December 2010	247 489	266 553	514 042

Statement of Cash Flows
for the year ended 31 December 2010

		Consolidated		University	
		2010	2009	2010	2009
		Inflows	Inflows	Inflows	Inflows
		(Outflows)	(Outflows)	(Outflows)	(Outflows)
Cash flows from operating activities:	Note	$'000	$'000	$'000	$'000
Australian Government grants received	2(h)	246 643	214 106	246 526	213 826
OS-HELP (net)	2(h)	56	-	56	-
Superannuation supplementation	2(h)	1 704	1 425	1 704	1 425
State Government grants received		16 778	16 605	16 530	16 078
Local Government grants received		75	260	75	96
HECS-HELP - student payments		7 780	7 316	7 780	7 316
Receipts from student fees and other customers		101 925	87 637	90 481	81 544
Dividends received		3 601	3 149	1 430	1 264
Interest received		6 576	6 701	6 473	6 648
Other investment income		1 336	1 351	1 394	1 407
Payments to suppliers and employees (inclusive of GST)		(315 899)	(287 247)	(301 466)	(278 248)
GST recovered from the ATO		2 492	2 218	2 492	2 208
Net misappropriation of funds	43	1 021	(8 653)	1 021	(8 653)
Net cash provided by (used in) operating activities	39	74 088	44 868	74 496	44 911
Cash flows from investing activities:					
Proceeds from sale of property, plant and equipment and investments		1 203	1 369	402	514
Payments for property, plant and equipment		(38 561)	(30 392)	(37 327)	(29 164)
Payments for investment property		-	(1 247)	-	(1 247)
Loan to joint venture partner		(300)	-	(300)	-
Payments for financial assets		(72 113)	(31 523)	(71 484)	(30 003)
Increase (Decrease) in funds held on behalf of other entities		(91)	(244)	(299)	(1 601)
Net cash provided by (used in) investing activities		(109 862)	(62 037)	(109 008)	(61 501)
Cash flows from financing activities:					
Proceeds from borrowings		-	-	-	-
Net cash provided by (used in) financing activities		-	-	-	-
Net increase (decrease) in cash and cash equivalents		(35 774)	(17 169)	(34 512)	(16 590)
Cash and cash equivalents at 1 January		74 536	91 705	71 888	88 478
Cash and cash equivalents at 31 December	1(d)(i),39	38 762	74 536	37 376	71 888
Non-cash financing and investing activities	40				

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to the years presented unless otherwise stated.

(a) Basis of preparation

The financial statements are a general purpose financial report. They have been prepared on a full accrual basis and in accordance with AASs, AASB interpretations, the requirements of the Department of Education, Employment and Workplace Relations (DEEWR)* and other State/Australian Government legislative requirements.

The financial statements are generally consistent with relevant provisions of the TIs issued pursuant to the PFAA and the APF issued pursuant to the TIs, except where they conflict with the DEEWR guidelines.

The financial report has been prepared based on a 12 month operating cycle and is presented in Australian dollars. The consolidated financial statements (the Economic Entity) comprise the accounts of the University (the Parent Entity) and all of its subsidiaries.

Compliance with International Financial Reporting Standards (IFRS)
AASs include Australian equivalents to IFRS. The financial statements and notes comply with the AASs some of which contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements.

Historical cost convention
The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical accounting estimates
The preparation of financial statements in conformity with AASs requires management to make judgments, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments are made by management in the application of AASs that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in this accounting policy note and relevant notes to the financial statements. The main items with critical assumptions are DEEWR financial assistance for student load, superannuation receivable and provision, investment classifications, valuation of property, plant and equipment where not independently valued, long service leave liability, annual leave liability, workers compensation provision and depreciation.

* DEEWR requirements are specified in the publication 'Financial Statement Guidelines for Australian Higher Education Providers for the 2010 Reporting Period'.

(b) Principles of consolidation

Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the University as at 31 December and the revenues and expenses of all subsidiaries for the financial years shown. The consolidated financial statements (the Economic Entity) comprise the accounts of the University (the Parent Entity) and all of its subsidiaries. A subsidiary is any entity controlled by the University. Control exists where the University has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities. A list of subsidiaries is contained in note 35.

Unrealised gains on transactions between the Economic Entity and its subsidiaries are eliminated to the extent of the Economic Entity's interest in the subsidiaries. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Economic Entity. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated Income Statement and Statement of Financial Position respectively.

(c) Depreciation and amortisation

The basis for depreciation and the depreciation rates are reviewed annually. Depreciation is calculated on a straight-line basis on all property, plant and equipment, other than land and works of art, which are not depreciated. The following rates are based on the estimated useful life of the assets to the University:

Item	*Percentage*
Depreciation:	
Buildings and infrastructure	2.5 - 20.0
Equipment:	
Motor vehicles	20.0
General equipment	10.0 - 33.3
Computer hardware	33.3
Furniture	10.0
Aircraft	10.0
Library collection	10.0
Amortisation:	
Computer software	20.0

The gross amount of depreciable assets and the related accumulated depreciation is provided within note 21. Depreciation expense by asset class is shown in note 11.

(d) Financial instruments

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at bank, deposits with financial institutions at call within three days and term deposits maturing in less than 90 days from the date invested that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank accounts are recognised at nominal amounts. Note disclosure is made in note 15.

For the Statement of Financial Position, cash and cash equivalents exclude bank overdrafts, as they are included within other liabilities.

For the Statement of Cash Flows, cash and cash equivalents are net of bank overdrafts.

(ii) Receivables

Receivables are shown at amounts due from customers, inclusive of GST and reduced for expected credit losses (provision for doubtful debts). The University's credit terms are net 30 days. Note disclosure is made in note 16.

Details regarding the receivable from the Australian Government relating to the State Superannuation Scheme are disclosed in note 1(h)(iv).

(iii) Financial assets (investments)

Subsequent to initial recognition, investments in subsidiaries are measured at fair value. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Parent Entity financial statements. In accordance with AASB 139 other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held to maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

The Consolidated Entity has classified certain shares, convertible notes and property trust investments as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Held to maturity investments

Indexed bonds and fixed interest securities are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period.

Available-for-sale financial assets
Certain shares held are classified as being available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period. This category includes investments classified as 'available-for-sale' and any investments that do not fit the definitions for inclusion in the previous categories. Consequently it should not be assumed that the University has plans to dispose of these assets.

Loans and receivables
Trade receivables, loans, and other receivables are recorded at cost less impairment. The carrying amount of investments is reviewed annually by the University to ensure that all items are carried at fair value. Note disclosure for other financial assets (investments) is made in note 18.

(iv) *Payables*
Payables are shown at amounts due to suppliers, inclusive of GST and exclusive of any applicable discounts that will be taken. Note disclosure is made in note 23. The amounts are unsecured and are usually paid within 30 days of recognition.

(v) *Interest bearing liabilities*
The University has no loans or borrowings. However the University receives deposits from subsidiaries, certain joint ventures and related external entities for group investment along with University funds and shares the investment income with those entities. Note disclosure is made in note 25.

(vi) *Other liabilities: funds held on behalf of external entities*
Funds held on behalf of external entities are shown at amounts due. These do not incur any interest charges. Note disclosure is made in note 25.

(e) Investment property
Investment properties exclude properties held to meet service delivery objectives of the University. The University holds investment properties which are measured on a fair value basis. Independent valuations are undertaken annually. At each reporting date, the reported value is reviewed to ensure that it does not differ materially from the property's fair value at that date. Changes to fair value are recorded in the Income Statement as other income.

The investment properties were independently valued at fair value as at 31 December 2010 by Peter Lornie, AAPI, CPV, BComm(VFM) of Southwick Goodyear Pty Ltd.

(f) Website costs
Costs in relation to websites are charged as expenses in the period in which they are incurred.

(g) Intangible assets
(i) *Research and development*
Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the Income Statement as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Income Statement as an expense when incurred.

The University expenses development costs when incurred, as the expenses are not recoverable beyond reasonable doubt. One of the University's subsidiaries, Flinders Partners Pty Ltd, has the rights to commercialise intellectual property arising from the University. Development costs incurred by Flinders Partners Pty Ltd are treated as deferred expenditure:

- during the assessment phase of projects, until financial viability is determined
- for projects expected to be financially viable, to offset future revenue.

(i) Research and development (continued)

Development costs treated as deferred expenditure are included in the Consolidated Statement of Financial Position and are disclosed under note 22 as project costs carried forward.

The recoverability of deferred expenditure is reviewed annually and any amounts previously deferred that are no longer expected to be recovered are charged to the net operating result.

(ii) Software costs

The University capitalises certain software costs with a purchase price greater than $50 000 and an expected useful life greater than 12 months, together with external costs associated with implementation. These are recorded on the basis of cost and then amortised once the system is operational. Note disclosure is made in note 22.

(h) Employee expenses

Employee expenses expected to be settled within one year have been recognised at their nominal amount. These liabilities are measured at the amounts expected to be paid when the liability is settled. On-costs on the leave liabilities accruing to employees are recognised as provisions and on costs not accruing to employees are classed as payables as required under APF IV, APS 5.25. Benefits expected to be settled later than one year have been measured at the present value of the estimated applicable future cash flows to be made for those benefits and related on costs.

(i) Long service leave

The long service leave liability is independently actuarially estimated each year in accordance with AASB 119. The last update was performed at 31 December 2010 by Stuart Mules, FIAA, of Mercer (Australia) Pty Ltd. The assumptions used by the actuary include:

- investment earnings rate of 5.51 percent per annum
- salary inflation rate of 3 percent for the first year and 4 percent per annum thereafter
- on costs have been applied at the rate of 26.9 percent
- the proportion of leave taken in service is 74 percent, the balance at termination of service.

The current portion represents the amount expected to be paid in the following 12 months. Note disclosure is made in notes 23 and 24.

(ii) Annual leave

The calculation to measure the value of annual leave has assumed a 4 percent salary inflation factor, as required by APF IV, APS 5.5. The current portion represents the amount expected to be paid in the following 12 months. Note disclosure is made in notes 23 and 24.

(iii) Sick leave

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken each year is less than the annual entitlement for sick leave.

(iv) Superannuation

Superannuation schemes

Superannuation schemes exist to provide benefits to University employees and their dependents upon resignation, retirement, disability or death. The contributions made to these schemes by the University and the emerging cost from unfunded schemes are expensed in the Income Statement. Except in the case of multi-employer schemes such as UniSuper, the University recognises, as an asset or a liability, the difference between the employer established defined benefit superannuation scheme's accrued benefits and the net market value of the scheme's assets. Note 33 provides details in respect of the individual schemes.

Superannuation Scheme No. 1

Since 31 December 2008 the scheme has no members and it was wound up in January 2010.

Unfunded superannuation - State Superannuation Scheme

The Superannuation Supplementation Program funding is no longer recognised as revenue since it is in respect of an existing liability. This has resulted in the removal of the deferred government superannuation revenue from the Income Statement, and the expense (now a net amount) is still shown within employee related expenses. As the University has a defined benefit scheme which is fully covered by the Superannuation Supplementation Program it has reported a nil expense in the Statement of Comprehensive Income.

Unfunded superannuation - State Superannuation Scheme (continued)
An arrangement exists between the Australian Government and the State Government to meet the unfunded liability for the University's beneficiaries of the State Superannuation Scheme on an emerging cost basis. This arrangement is evidenced by the *State Grants (General Revenue) Amendment Act 1987*, *Higher Education Funding Act 1988* and subsequent amending legislation. Accordingly the unfunded liabilities have been recognised in the Statement of Financial Position under 'Provisions' with a corresponding asset recognised under 'Receivables'. The recognition of both the asset and the liability consequently does not affect the year end net asset position of the University or the Economic Entity.

(v) *Invalidity Scheme*
The Invalidity Scheme exists to provide benefits to a small number of staff in the event of invalidity. Details are disclosed in note 33.

(vi) *Severance*
Provision is made for severance payments where it is probable payments will be made under industrial awards for fixed-term staff. The liability for severance payments is disclosed in note 24.

(i) ***Foreign currency***

(i) *Functional and presentation currency*
The consolidated financial statements are presented in Australian dollars which is the Economic Entity's functional and presentation currency.

(ii) *Transactions and balances*
Foreign currency transactions were converted to Australian currency at the rates of exchange prevailing at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement. Note 27 discloses foreign currency monetary items outstanding at balance date.

(j) ***Workers compensation***
The University is responsible for payments of workers compensation and is registered with WorkCoverSA as an exempt employer. Lawsons Risk Management Services Pty Ltd administer workers compensation arrangements on behalf of the University.

The provision for workers compensation liability is actuarially determined each year. The valuation as at 31 December 2010 was performed by Laurie Brett, FIA, FIAA. The method used is the claims paid development method where all past claims are brought to current values with an allowance for late claims reporting and administration costs. The liability for workers compensation is disclosed in note 24.

(k) ***GST***
The University recognises revenues and expenses net of the amount of GST, except where the amount of GST incurred by the University is not recoverable from the taxation authority.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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

Commitments and contingencies are disclosed net of GST recoverable from or payable to the ATO.

(l) ***Inventories***
Inventories are stores of consumable items including printing and maintenance materials and are measured at cost. Annual stocktakes are used to verify inventory account balances. Other small inventories of consumable items including stationery, fuel and antisera are expensed as purchased. Note disclosure is made in note 17.

(m) ***Investments in business undertakings***
Subsidiaries
Investments in subsidiaries are carried in the University's Statement of Financial Position at fair value. Dividends are brought to account when they are declared. Note disclosure is made in note 35.

Joint ventures

- *Joint venture operations*
  The University's interest in the share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the University's Statement of Financial Position and Income Statement, where material. Details of joint ventures are included in note 36.

- *Joint venture entities*
  The University has a material interest in one joint venture entity. The University uses the proportional consolidation method to include its share of the financial data. Disclosure is made in note 36.

(n) Leased assets

University as lessee

Leases of assets where substantially all the risks and benefits of ownership, but not legal ownership, are transferred to the University are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the present value of the minimum lease payments, including any guaranteed residual value. They are then amortised on a straight-line basis over the lease term.

Leases of assets where substantially all the risks and benefits of ownership remain with the lessor are classified as operating leases. Payments made under an operating lease are expensed in the period to which the payment relates.

University as lessor

The University leases space in three investment properties to external entities. Accommodation on campus is leased to students. The University also leases a small amount of space on its main campus to commercial entities for provision of services to students and staff and a portion of the Lincoln Marine Science Centre to other research entities. The leases are all classified as operating leases.

Note disclosure is made in note 32(b).

(o) Revenue recognition

(i) Australian Government financial assistance

DEEWR provide annual grants for teaching and research to the University each year and these are brought to account in the period in which they are received because the University has control of the funds and there is not a direct reciprocal obligation to DEEWR. Certain grants are paid on a provisional basis, eg for student load, with funding adjustments made in the following year. Where material, the University makes appropriate estimates and adjusts the revenue in the year to which it relates.

Other revenue from DEEWR is brought to account when earned.

Other Commonwealth grant revenue is recognised when received.

Note disclosure is made in note 2.

(ii) Consultancy and contract research

Revenue from consultancy and contract research is recognised in the period in which the consultancies/contract services are provided. Research grant revenue is recognised as revenue when received. Note disclosure is made in note 7.

(iii) Donations

Donations are received in cash and non-cash forms. Non-cash donations are recognised at the University's estimate of the fair value of the items donated. Note disclosure is made in note 8.

(iv) Fees and charges: student revenue

Revenue comprises fees from students for the provision of courses. The fees are recognised in the periods during which the courses are provided. Note disclosure is made in note 4.

(v) Investment income

Interest income is recognised as it accrues. For 'held to maturity assets', the indexation component of indexed bonds is recorded as revenue in the year that it is earned. Dividend income and imputation credits are recognised only when declared before the 31 December reporting date.

(v) *Investment income (continued)*
Income distributions from managed funds are recognised on receipt of official advice from investment companies of the University's entitlement to distributions. All movements in the value of investments classified as 'financial assets at fair value through profit and loss' are included in the net operating result. For 'available-for-sale investments' and investments classified as 'other financial assets', realised gains are included in the net operating result while unrealised gains and losses are taken to the asset revaluation reserve for investments except to the extent that unrealised losses exceed previous revaluation increments for all investments held in that reserve. Note disclosure is made in note 5.

(p) Property, plant and equipment
Property, plant and equipment are measured on a fair value basis. At each reporting date, the value of each asset class is reviewed to ensure that it does not differ materially from the asset class' fair value at that date. Where necessary, the asset class is revalued to reflect its fair value. Note disclosure is made in note 21.

(i) *Land*
Land is owned by the University in its own right and by the State Government. The value of land owned by the State Government is reflected in the University's financial statements on the basis that the University effectively controls the land occupied. Land controlled by the University was independently revalued as at 31 December 2010 by Peter Lornie, AAPI, CPV, BComm(VFM) of Southwick Goodyear Pty Ltd. Comprehensive independent land valuations are undertaken triennially with an annual update.

(ii) *Buildings and infrastructure*
Buildings and infrastructure controlled by the University were independently revalued as at 31 December 2010 by Peter Lornie, BComm(VFM), AAPI, CPV and Richard Wood, BAppSc(Val), AAPI, CPV of Southwick Goodyear Pty Ltd. The revaluation revealed there was no material change to infrastructure values although building values were updated to reflect the valuation. Comprehensive independent valuations are undertaken triennially with an annual update.

Buildings under construction are measured at cost.

(iii) *Library collection*
The library collection is revalued at Council's valuation on a triennial basis. As at 31 December 2010 the library collection was revalued to reflect fair value and is reported at Council's valuation. The value is depreciated over a 10 year period on a straight-line basis with assets at 10 years being disposed of for accounting purposes.

(iv) *Equipment*
This class of assets includes computer hardware (not software), furniture, vehicles, marine and general equipment. Individual items costing $10 000 or more are capitalised and recorded in the Statement of Financial Position initially at cost. Items costing less than $10 000 are recognised as an expense in the Income Statement in the period acquired. The depreciated value of equipment is deemed to be its fair value.

(v) *Leased buildings*
The University has entered into an arrangement with other entities to construct a joint venture asset. On completion of the construction, asset ownership has passed to the NT Government and the University has leased back the asset. The University initially recognises a lease asset as the value of its share of the construction cost and revalues it to fair value each year. The University depreciates the asset over the lease period.

(vi) *Works of art*
The works of art collection was revalued as at 31 December 2010 and is reported at Council's valuation based on fair value.

(q) Impairment of assets
At each reporting date, the University undertakes an assessment of its significant assets to determine if there is any evidence of impairment. Where an impairment exists, the University recognises an impairment loss. This is calculated as the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

(r) Doubtful debts
The collectability of receivables is assessed at balance date and provision made for any doubtful debts. Note disclosure is made in note 16.

(s) Income tax status

The activities of the University and its major subsidiaries are exempt from income tax.

The University is subject to FBT, GST and payroll tax.

(t) Borrowing costs

Neither the University nor its controlled entities have borrowings. If borrowings are taken up, borrowing costs are expensed in accordance with APS 3.6 requiring all not-for-profit entities to expense borrowing costs in the period incurred.

(u) Current and non-current classification

Assets and liabilities are characterised as either current or non-current. The University and the Economic Entity operate on a 12 month operating cycle. Assets and liabilities that are sold, consumed or realised as part of the 12 month operating cycle are classified as current. All other assets and liabilities are classified as non-current.

(v) Rounding to the nearest $'000

Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars.

(w) New or revised AASs

No new accounting standards which have been issued but are not yet effective have been early adopted in 2010. DEEWR have also specifically mandated that there is to be no early adoption of AASB 1053 'Reduced Disclosure Requirements' which would otherwise have allowed the University to apply Tier 2 disclosure requirements.

(x) Comparative figures

The previous year's figures are provided in the financial statements for comparative purposes. Where practicable, comparative figures have been adjusted to conform to changes in presentation and classification in the present year.

As noted in note 1(h)(iv), the disclosure in relation to the Superannuation Supplementation Scheme has been altered such that amounts previously recognised as income are now offset against the emerging cost expense, with no overall impact on the reported operating result. Comparative figures have been amended to reflect this change.

(y) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year.

2. Australian Government financial assistance including HECS-HELP and other Australian Government loan programs

		Consolidated		University	
		2010	2009	2010	2009
(a) Commonwealth Grants Scheme and other grants	Note 45.1	$'000	$'000	$'000	$'000
Commonwealth Grants Scheme (CGS)[#1]		92 205	81 843	92 205	81 843
Partnership & Participation Program[#2]		1 345	231	1 345	231
Indigenous Support Program		453	473	453	473
Disability Support Program		79	59	79	59
Workplace Reform Program		-	942	-	942
Workplace Productivity Program		-	101	-	101
Capital Development Pool		-	2 246	-	2 246
Diversity & Structural Adjustment Fund[#3]		-	1 668	-	1 668
Improving the Practical Component of Teacher Education Initiative		-	244	-	244
Transitional Cost Program		126	296	126	296
Total Commonwealth Grants Scheme and other grants		94 208	88 103	94 208	88 103

		Note	Consolidated 2010 $'000	Consolidated 2009 $'000	University 2010 $'000	University 2009 $'000
(b)	***Higher Education Loan Programs***	45.2				
	HECS-HELP		48 638	44 617	48 638	44 617
	FEE-HELP		3 054	3 145	3 054	3 145
	Total Higher Education Loan Programs		51 692	47 762	51 692	47 762
(c)	***Scholarships***	45.3				
	Australian Postgraduate Awards		2 810	2 041	2 810	2 041
	International Postgraduate Research Scholarship		304	410	304	410
	Commonwealth Education Cost Scholarships[#4]		745	771	745	771
	Commonwealth Accommodation Scholarships[#4]		1 201	1 054	1 201	1 054
	Indigenous Access Scholarships		30	(40)	30	(40)
	Total scholarships		5 090	4 236	5 090	4 236
(d)	***DIISR Research***	45.4				
	Joint Research Engagement Program[#5]		6 075	5 796	6 075	5 796
	Research Training Scheme		10 189	10 077	10 189	10 077
	Research Infrastructure Block Grants		3 058	3 023	3 058	3 023
	Implementation Assistance Program		58	112	58	112
	Australian Scheme for Higher Education Repositories		-	220	-	220
	Commercialisation Training Scheme		101	86	101	86
	Sustainable Research Excellence in Universities		1 359	-	1 359	-
	Total DIISR Research grants		20 840	19 314	20 840	19 314
(e)	***Other capital funding***	45.5				
	Teaching and Learning Capital Fund		-	8 790	-	8 790
	Total other capital funding		-	8 790	-	8 790

#1 Includes the basic CGS grant amount, CGS-Regional loading, CGS-Enabling loading and Maths and Science Transition loading and Full Fee Places Transition loading.
#2 Includes Equity Support Program.
#3 Includes Collaboration and Structural Adjustment Program.
#4 Includes National Priority and National Accommodation Priority Scholarships respectively.
#5 Includes Institutional Grants Scheme.

			Note	Consolidated 2010 $'000	Consolidated 2009 $'000	University 2010 $'000	University 2009 $'000
(f)	***Australian Research Council***						
	(i)	*Discovery*	45.6(a)				
		Project		2 541	2 875	2 541	2 875
		Fellowships		527	429	527	429
		Indigenous Researchers Development		66	-	66	-
		Total discovery		3 134	3 304	3 134	3 304
	(ii)	*Linkages*	45.6(b)				
		Special research initiatives		2 126	1 186	2 126	1 186
		Infrastructure		617	1 368	617	1 368
		International		85	182	85	182
		Projects		1 244	1 462	1 244	1 462
		Total linkages		4 072	4 198	4 072	4 198
	(iii)	*Networks and centres*	45.6(c)				
		Research networks		-	4	-	4
		Research centres		315	143	315	143
		Total networks and centres		315	147	315	147

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000	University 2010 $'000	University 2009 $'000
(g) Other Australian Government financial assistance					
National Health and Medical Research Council		8 771	10 659	8 771	10 659
Other research		19 629	13 118	19 511	12 809
Other non-research		35 705	13 637	35 705	13 637
Commonwealth scholarships		477	548	477	548
Total other Australian Government financial assistance		64 582	37 962	64 464	37 653
Total Australian Government financial assistance		243 933	213 816	243 815	213 507
Reconciliation					
Australian Government grants (a+c+d+e+f+g)		192 241	166 054	192 123	165 745
HECS-HELP - Australian Government payments		48 638	44 617	48 638	44 617
Other Australian Government loan loan programs (FEE-HELP)		3 054	3 145	3 054	3 145
Total Australian Government financial assistance		243 933	213 816	243 815	213 507
(h) Australian Government grants received – cash basis					
CGS and other DEEWR grants	45.1	98 041	86 234	98 041	86 234
Higher Education Loan Programs	45.2	51 854	48 086	51 854	48 086
Scholarships	45.3	4 448	5 117	4 448	5 117
DIISR Research	45.4	20 840	19 314	20 840	19 314
Other capital funding	45.5	-	8 790	-	8 790
ARC grants - discovery	45.6	3 011	3 125	3 011	3 125
ARC grants - linkages	45.6	7 533	5 478	7 533	5 478
Other Australian Government grants		60 916	37 962	60 799	37 682
Total Australian Government grants received - cash basis		246 643	214 106	246 526	213 826
OS-HELP (net)	45.7	56	-	56	-
Superannuation supplementation	45.8	1 704	1 425	1 704	1 425
Total Australian Government funding received - cash basis		248 403	215 531	248 286	215 251

3. State and Local Government financial assistance

	Consolidated 2010	Consolidated 2009	University 2010	University 2009
South Australian State Government financial assistance	12 646	12 876	12 578	12 721
South Australian Local Government financial assistance	75	96	75	96
Other State/Territory Governments financial assistance	4 132	3 729	3 952	3 357
Total State and Local Government financial assistance	16 853	16 701	16 605	16 174

4. Fees and charges

	Consolidated 2010	Consolidated 2009	University 2010	University 2009
Course fees and charges:				
Fee-paying overseas students	35 245	33 190	35 245	33 179
Fee-paying domestic postgraduate students	1 399	1 503	1 399	1 503
Fee-paying domestic undergraduate students	1 458	1 095	1 458	1 095
Fee-paying domestic non-award students	95	100	95	100
Other domestic course fees and charges	2 949	2 172	2 949	2 172
Total course fees and charges	41 146	38 060	41 146	38 049
Other non-course fees and charges:				
Student accommodation	4 646	4 508	4 646	4 508
Rental charges	856	865	794	799
Other student charges	513	489	513	489
Other hire fees	156	195	156	195
Parking fees	1 630	1 412	1 630	1 412
Other fees and charges	691	1 061	684	553
Total other fees and charges	8 492	8 530	8 423	7 956
Total fees and charges	49 638	46 590	49 569	46 005

		Consolidated		University	
5. Investment revenue and income		2010	2009	2010	2009
Investment revenue:	Note	$'000	$'000	$'000	$'000
Dividends:					
Wholly-owned subsidiaries		200	-	200	-
Other entities		3 401	3 149	1 230	1 375
		3 601	3 149	1 430	1 375
Interest		6 246	5 061	6 143	5008
Managed funds		1 362	622	1 362	622
Investment property rental revenue		1 336	1 351	1 394	1 407
Total investment revenue		12 545	10 183	10 329	8 412
Unrealised investment gains (losses):					
Movements in assets at fair value through profit and loss		(70)	3 588	(257)	3 437
Movements in fair value of investment properties		410	(194)	410	(194)
Total unrealised investment movements		340	3 394	153	3 243
Total investment revenue and income		12 885	13 577	10 482	11 655
6. Royalties, trademarks and licences					
Total royalties, trademarks and licences		1 395	1 220	992	998
7. Consultancy and contracts					
Consultancy		4 949	3 335	3 116	2 713
Contract research		5 329	6 524	5 282	6 302
Total consultancy and contracts		10 278	9 859	8 398	9 015
8. Other revenue					
Donations and bequests		10 595	899	10 595	899
Contribution of assets		832	1 918	832	1 918
Scholarships and prizes		835	610	835	610
Non-government grants		4 717	4 464	4 717	4 464
Reimbursements		5 070	4 005	4 957	4 003
Sales and other charges		7 699	7 228	2 025	2 275
Insurance recoveries		1 985	9	1 985	9
Recovery of misappropriated funds	43	9 203	-	9 203	-
Other revenue		1 530	2 000	1 280	1 726
Total other revenue		42 466	21 133	36 429	15 904
9. Gains (Losses) on disposal of assets					
Net gain (loss) on disposal of assets - refer below		36	(398)	64	121
Total other income		36	(398)	64	121
Proceeds from sale of assets:					
Investments		801	912	-	57
Property, plant and equipment		402	457	402	457
Total proceeds from sale of assets		1 203	1 369	402	514
Carrying amount of assets sold:					
Investments		829	1 374	-	-
Property, plant and equipment	21	338	393	338	393
Total carrying amount of assets sold		1 167	1 767	338	393
Net gains on sale of assets:					
Investments		-	-	-	57
Property, plant and equipment		64	64	64	64
Total net gains on sale of assets		64	64	64	121
Net losses on sale of assets:					
Investments		28	462	-	-
Property, plant and equipment		-	-	-	-
Total net losses on sale of assets		28	462	-	-
Net gain (loss) on sale of assets		36	(398)	64	121

	Consolidated		University	
10. Employee related expenses				
Employee benefits and on-costs	2010	2009	2010	2009
Academic:	$'000	$'000	$'000	$'000
Salaries	81 965	75 651	81 634	75 295
Contributions to superannuation and pension schemes:				
Emerging cost	207	225	207	225
Funded	12 180	11 182	12 103	11 126
Payroll tax	4 776	4 446	4 749	4 426
Workers compensation	238	310	232	306
Long service leave expense	2 589	1 333	2 583	1 325
Annual leave	6 850	6 393	6 826	6 339
Redundancy expenses	274	18	274	18
Total academic	109 079	99 558	108 608	99 060
Non-academic:				
Salaries	74 440	67 034	69 741	62 743
Contributions to superannuation and pension schemes:				
Emerging cost	52	56	52	56
Funded	10 891	9 864	10 710	9 726
Payroll tax	4 254	3 875	4 181	3 859
Workers compensation	233	293	214	289
Long service leave expense	2 105	1 152	2 098	1 141
Annual leave	6 214	5 672	6 112	5 588
Redundancy expenses	117	440	117	440
Total non-academic	98 306	88 386	93 225	83 842
Total employee benefits and on-costs	207 385	187 944	201 833	182 902
11. Depreciation and amortisation				
Depreciation:				
Buildings and infrastructure	8 852	8 091	8 852	8 091
Plant and equipment	4 018	3 506	3 798	3 315
Library collection	4 012	4 268	4 012	4 268
Total depreciation	16 882	15 865	16 662	15 674
Amortisation:				
Software	913	897	913	897
Total amortisation	913	897	913	897
Total depreciation and amortisation	17 795	16 762	17 575	16 571
12. Repairs and maintenance				
Buildings and grounds	7 372	5 317	7 314	5 317
Minor new works	3 617	1 235	3 617	1 235
Equipment and artwork	3 975	3 133	3 974	3 060
Total repairs and maintenance	14 964	9 685	14 905	9 612
13. Impairment of assets				
Bad and doubtful debts	115	170	74	147
Impairment of assets	385	13	82	-
Total impairment of assets	500	185	156	147
14. Other expenses				
Scholarships, grants and prizes	12 877	13 848	12 877	13 844
Non-capitalised equipment	7 493	6 272	7 482	6 241
Advertising, marketing and promotional expenses	2 545	2 473	2 511	2 468
Fees and charges	12 198	9 615	12 079	9 456
Consultancy fees	3 410	2 581	1 915	2 202
General consumables	9 194	7 092	7 992	6 260
Printing and photocopying	1 435	1 331	1 416	1 303
Operating lease rental expenses	2 603	2 508	2 603	2 508
Telecommunications	2 237	2 333	2 232	2 330

14. Other expenses (continued)

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000	University 2010 $'000	University 2009 $'000
Travel, staff development and entertainment		11 932	10 823	11 716	10 746
Utilities		4 135	3 152	4 109	3 142
Student related expenditure		2 654	2 080	2 644	2 067
Library		2 112	2 570	2 112	2 569
Software		2 395	2 385	2 395	2 379
Postage and freight		998	805	997	803
Insurance		1 317	1 130	1 317	1 099
Misappropriation expense	43	3 500	8 653	3 500	8 653
Other expenses		5 671	5 519	3 370	3 816
Total other expenses		88 706	85 170	83 267	81 886

15. Cash and cash equivalents

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000	University 2010 $'000	University 2009 $'000
Cash at bank and on hand		5 177	11 135	3 994	9 618
Cash deposits at call within three days		32	6 221	32	5 090
Term deposits maturing within 90 days		33 553	57 180	33 350	57 180
Total cash and cash equivalents	39	38 762	74 536	37 376	71 888

16. Receivables

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000	University 2010 $'000	University 2009 $'000
Current:					
Student fees		1 893	451	1 893	451
Provision for impaired receivables		(439)	(393)	(439)	(393)
		1 454	58	1 454	58
General debtors		18 806	15 234	16 994	13 175
Provision for impaired receivables		(343)	(377)	(343)	(377)
		18 463	14 857	16 651	12 798
Subsidiary debtors		-	-	256	119
Provision for impaired receivables		-	-	(8)	(21)
		-	-	248	98
Deferred government contribution for superannuation	33	3 000	2 500	3 000	2 500
Total current receivables		22 917	17 415	21 353	15 454
Non-current:					
General debtors		206	904	206	904
FCD Health line of credit		154	-	154	-
		360	904	360	904
Deferred government contribution for superannuation	33	38 800	34 400	38 800	34 400
Total non-current receivables		39 160	35 304	39 160	35 304
Total trade and other receivables		62 077	52 719	60 513	50 758

(a) Impaired receivables

As at 31 December 2010 current receivables of the group with a nominal value of $782 000 ($841 000) were impaired. The amount of the consolidated provision was $782 000 ($770 000). The provision is based on an aged analysis of the debt types based on collectability. It was assessed that a large portion of the receivables are expected to be recovered. The ageing of these receivables are as follows:

	Consolidated 2010 $'000	Consolidated 2009 $'000	University 2010 $'000	University 2009 $'000
Student fees:				
Three to six months	176	82	176	82
Over six months	202	263	202	263
	378	345	378	345
General debtors:				
Three to six months	60	51	60	51
Over six months	283	146	283	146
	343	197	343	197
Subsidiary debtors:				
Three to six months	-	-	-	-
Over six months	-	-	8	21
	-	-	8	21

(a) Impaired receivables (continued)

As at 31 December 2010 current receivables of the group with a nominal value of $6.888 million ($4.355 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of these receivables is as follows:

	Consolidated		University	
	2010	2009	2010	2009
Student fees:	$'000	$'000	$'000	$'000
Less than three months	145	99	145	99
Three to six months	1 283	37	1 283	37
Over six months	26	6	26	6
	1 454	142	1 454	142
General debtors:				
Less than three months	4 469	4 033	2 941	1 977
Three to six months	467	51	234	51
Over six months	498	129	405	129
	5 434	4 213	3 580	2 157

Movements in the provision for impaired receivables are as follows:

At 1 January	770	620
Provision for impairment recognised (derecognised) during the year	103	172
Receivables written off during the year as uncollectable	(91)	(22)
At 31 December	782	770

(b) Foreign exchange and interest rate risk

The carrying amounts of current receivables are denominated in the following currencies:

US dollars	166	91	166	28
Singapore dollars	-	71	-	71
Other	7	2	7	2
	173	164	173	101

The carrying amounts of all non-current receivables are denominated in Australian dollars.

Information regarding the effective credit risk of both current and non-current receivables in set out in the financial risk management disclosures at note 27.

(c) Fair value and credit risk

The carrying value is assumed to approximate their fair value for all receivables. For non-current receivables, fair values are based on cash flows discounted using a discount rate of 8 percent (8 percent) for general receivables. The FCD Health line of credit is a fixed interest rate of 10 percent. The superannuation receivable is always offset by a corresponding payable, nullifying credit risk for this line item. The maximum exposure to credit risk at the reporting date is the higher of the carrying amount and fair value of receivables. The Economic Entity does not hold any collateral as security.

Information regarding the effective credit risk of both current and non-current receivables is set out in the financial risk management disclosures at note 27.

17. Inventories

	Consolidated		University	
	2010	2009	2010	2009
Current:	$'000	$'000	$'000	$'000
Inventories held for other than distribution	488	475	240	209
Total current inventories	488	475	240	209
Total inventories	488	475	240	209

18. Other financial assets

Current:				
Held to maturity assets:				
Term deposits greater than 90 days	79 130	17 112	78 429	17 112
Indexed bonds	-	2 852	-	2 852
Total current held to maturity assets	79 130	19 964	78 429	19 964

18. Other financial assets (continued)

	Consolidated 2010 $'000	Consolidated 2009 $'000	University 2010 $'000	University 2009 $'000
Financial assets at fair value through profit or loss:^				
Managed Funds:				
Deutsche Bank Private Wealth Management	26	30	26	30
BlackRock Fixed Interest Investments	8 495	8 419	8 495	8 419
Goldman Sachs JB Were	3 995	339	3 995	339
	12 516	8 788	12 516	8 788
Property:				
Property trust	5	10	5	6
	5	10	5	6
Equities:				
Australian equities	30 217	18 030	28 971	16 603
Total financial assets at fair value through profit or loss	42 738	26 828	41 492	25 397
Total current other financial assets	121 868	46 792	119 921	45 361

^ Changes in fair values of other financial assets at fair value through profit or loss are recorded in investment revenue and income in the Income Statement and disclosed in note 5.

Non-current:	Note	Consolidated 2010 $'000	Consolidated 2009 $'000	University 2010 $'000	University 2009 $'000
Available-for-sale financial assets:					
Interests in business undertakings:					
Subsidiaries at Council valuation	35	-	-	8 771	8 503
Other entities		3 761	1 910	3 761	1 910
International equities		299	449	-	-
Australian equities		3 468	3 243	-	-
Total available-for-sale financial assets		7 528	5 602	12 532	10 413
Total non-current other financial assets		7 528	5 602	12 532	10 413
Total other financial assets		129 396	52 394	132 453	55 774

Held to maturity assets impairment and risk exposure

The maximum exposure to credit risk at the reporting date is the carrying amount of the assets.

None of the held to maturity assets are either past due or impaired.

All held to maturity assets are denominated in Australian currency. As a result there is no exposure to foreign currency risk. There is also no exposure to price risk as the assets will be held to maturity.

19. Other non-financial assets

	Consolidated 2010 $'000	Consolidated 2009 $'000	University 2010 $'000	University 2009 $'000
Current:				
Prepayments	5 766	6 136	5 732	6 085
Total other non-financial assets	5 766	6 136	5 732	6 085

20. Investment properties

	Consolidated 2010	Consolidated 2009	University 2010	University 2009
Non-current:				
Properties held for investment purposes	12 015	11 312	12 015	11 312
	12 015	11 312	12 015	11 312
Movements for the period:				
Opening balance at 1 January	11 312	10 259	11 312	10 259
Additions for the year	293	1 247	293	1 247
Revaluation for the year	410	(194)	410	(194)
Closing balance at 31 December	12 015	11 312	12 015	11 312
Amounts recognised in profit and loss for investment properties:				
Rental income	1 336	1 351	1 394	1 407
Direct operating expenses (income generating)	467	438	507	508
Direct operating expenses (non-income generating)	118	174	78	104
Total net amount recognised in profit and loss	751	739	809	795

21. Property, plant and equipment

	Consolidated		University	
Land, buildings and infrastructure	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Crown land:				
2010 independent valuation	32 310	-	32 310	-
2009 independent valuation	-	32 310	-	32 310
	32 310	32 310	32 310	32 310
Freehold land:				
2010 independent valuation	3 035	-	3 035	-
2009 independent valuation	-	2 987	-	2 987
	3 035	2 987	3 035	2 987
Total land	35 345	35 297	35 345	35 297
Buildings:				
2010 independent valuation	253 985	-	253 985	-
2009 independent valuation	-	237 033	-	237 033
Total buildings	253 985	237 033	253 985	237 033
Leased buildings:				
At cost	1 328	-	1 328	-
Total leased buildings	1 328	-	1 328	-
Infrastructure:				
2010 independent valuation	27 100	-	27 100	-
2009 Council valuation	-	26 974	-	26 974
At cost	-	3 366	-	3 366
Total infrastructure	27 100	30 340	27 100	30 340
	282 413	267 373	282 413	267 373
Accumulated depreciation	-	(14 330)	-	(14 330)
Total buildings and infrastructure	282 413	253 043	282 413	253 043
Buildings under construction	13 251	10 459	13 251	10 459
Total land, buildings and infrastructure	331 009	298 799	331 009	298 799
Library collection				
2010 University valuation	17 886	-	17 886	-
2007 University valuation	-	21 130	-	21 130
At cost	-	6 300	-	6 300
	17 886	27 430	17 886	27 430
Accumulated depreciation	-	(8 187)	-	(8 187)
Total library collection	17 886	19 243	17 886	19 243
Equipment				
At fair value	51 501	46 034	48 262	42 852
Accumulated depreciation	(31 329)	(29 323)	(29 568)	(27 524)
Total equipment	20 172	16 711	18 694	15 328
Works of art				
2010 University valuation	6 530	-	6 530	-
2009 University valuation	-	6 491	-	6 491
Total works of art	6 530	6 491	6 530	6 491
Total property, plant and equipment	375 597	341 244	374 119	339 861

Valuations of land and buildings

Land, buildings and infrastructure were revalued as at 31 December 2009 and 31 December 2010 by Peter Lornie, BComm(VFM), AAPI, CPV and Richard Wood, BAppSc(Val), AAPI, CPV of Southwick Goodyear Pty Ltd. The basis of the valuation was written down current value (existing use). The basis of valuation of land, buildings and infrastructure is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition.

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current year are as follows:

Consolidated 2010	Land $'000	Buildings and infra-structure $'000	Constr-uction in progress $'000	Library $'000	Equipment^ $'000	Works of art $'000	Total $'000
Balance at 1 January	35 297	253 043	10 459	19 243	16 711	6 491	341 244
Additions	-	893	25 764	3 493	7 374	39	37 563
Reclassification	-	22 529	(22 972)	-	443	-	-
Disposals	-	-	-	-	(338)	-	(338)
Revaluation increments (decrements)	48	14 800	-	(838)	-	-	14 010
Depreciation expense	-	(8 852)	-	(4 012)	(4 018)	-	(16 882)
Carrying amount at 31 December	35 345	282 413	13 251	17 886	20 172	6 530	375 597
Parent Entity 2010							
Balance at 1 January	35 297	253 043	10 459	19 243	15 328	6 491	339 861
Additions	-	893	25 764	3 493	7 059	39	37 248
Reclassification	-	22 529	(22 972)	-	443	-	-
Disposals	-	-	-	-	(338)	-	(338)
Revaluation increments (decrements)	48	14 800	-	(838)	-	-	14 010
Depreciation expense	-	(8 852)	-	(4 012)	(3 798)	-	(16 662)
Carrying amount at 31 December	35 345	282 413	13 251	17 886	18 694	6 530	374 119
Consolidated 2009							
Balance at 1 January	37 330	240 279	5 248	19 393	13 670	7 133	323 053
Additions	-	3 544	16 330	4 118	6 940	63	30 995
Reclassification	-	11 119	(11 119)	-	-	-	-
Disposals	-	-	-	-	(393)	-	(393)
Revaluation increments (decrements)	(2 033)	6 192	-	-	-	(705)	3 454
Depreciation expense	-	(8 091)	-	(4 268)	(3 506)	-	(15 865)
Carrying amount at 31 December	35 297	253 043	10 459	19 243	16 711	6 491	341 244
Parent Entity 2009							
Balance at 1 January	37 330	240 279	5 201	19 393	13 226	7 133	322 562
Additions	-	3 544	16 377	4 118	5 810	63	29 912
Reclassification	-	11 119	(11 119)	-	-	-	-
Disposals	-	-	-	-	(393)	-	(393)
Revaluation increments (decrements)	(2 033)	6 192	-	-	-	(705)	3 454
Depreciation expense	-	(8 091)	-	(4 268)	(3 315)	-	(15 674)
Carrying amount at 31 December	35 297	253 043	10 459	19 243	15 328	6 491	339 861

^ includes aircraft, previously disclosed as a separate asset class but no longer material.

Note: The University has restrictions imposed on the real property listed in this note under *The Flinders University of South Australia Act 1966*. Section 3(5) of the Act states:

> *The University must not alienate (except by way of lease for a term not exceeding 21 years), mortgage or charge land vested in or conveyed to the University on trust except with, and in accordance with any terms or conditions of, an approval given by the Governor.*

The University also occupies various sites in the Northern Territory on Crown land. The value of these properties is $13.2 million.

22. Intangible assets

	Consolidated		University	
	2010	2009	2010	2009
Non-current:	$'000	$'000	$'000	$'000
Software costs	9 011	8 164	9 011	8 164
Accumulated amortisation and impairment	(6 222)	(5 372)	(6 222)	(5 372)
Book value of software costs	2 789	2 792	2 789	2 792
Project costs carried forward (development costs)	339	483	-	-
Total intangible assets	3 128	3 275	2 789	2 792

	Software costs	Project costs	Total
Consolidated	$'000	$'000	$'000
At 1 January 2009:			
Cost	7 488	340	7 828
Accumulated amortisation and impairment	(4 475)	-	(4 475)
Net book amount	3 013	340	3 353
Year ended 31 December 2009:			
Opening net book amount	3 013	340	3 353
Additions	676	156	832
Impairment charge	-	(13)	(13)
Amortisation charge	(897)	-	(897)
Closing net book amount	2 792	483	3 275
At 1 January 2010:			
Cost	8 164	496	8 660
Accumulated amortisation and impairment	(5 372)	(13)	(5 385)
Net book amount	2 792	483	3 275
Year ended 31 December 2010:			
Opening net book amount	2 792	483	3 275
Additions	910	158	1 068
Disposals - cost	(63)	-	(63)
Disposals - accumulated amortisation	63	-	63
Impairment charge	-	(302)	(302)
Amortisation charge	(913)	-	(913)
Closing net book amount	2 789	339	3 128
At 31 December 2010:			
Cost	9 011	654	9 665
Accumulated amortisation and impairment	(6 222)	(315)	(6 537)
Net book amount	2 789	339	3 128

23. Trade and other payables

	Consolidated		University	
	2010	2009	2010	2009
Current:	$'000	$'000	$'000	$'000
Creditors	10 160	4 110	9 870	3 687
OS-HELP liability to Australian Government	201	145	201	145
Accrued expenses	10 559	12 689	9 680	11 112
Annual leave on-costs	1 915	1 758	1 915	1 754
Long service leave on-costs	2 553	2 642	2 553	2 638
Total current trade and other payables	25 388	21 344	24 219	19 336
Non-current:				
Creditors	254	150	254	150
Annual leave on-costs	1 267	1 108	1 267	1 104
Long service leave on-costs	2 826	2 496	2 826	2 487
Total non-current trade and other payables	4 347	3 754	4 347	3 741
Total trade and other payables	29 735	25 098	28 566	23 077

(a) ***Foreign currency risk***

The carrying amounts of the University and Economic Entity's trade payables are denominated in the following foreign currencies:

		Consolidated		University	
		2010	2009	2010	2009
	Note	$'000	$'000	$'000	$'000
Euro		24	27	24	27
US dollars		166	302	166	302
GBP		68	12	68	12
Other		34	37	34	37
		292	378	292	378

(b) ***Fair value***

The carrying amounts shown above approximate fair value.

24. Provisions

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000	University 2010 $'000	University 2009 $'000
Current provisions expected to be settled within 12 months:					
Employee benefits:					
Annual leave		6 415	5 844	6 239	5 664
Long service leave		9 520	9 734	9 492	9 698
Defined benefit obligation	33	3 000	2 500	3 000	2 500
Severance (contract employees)		289	255	289	255
Total employee benefits		19 224	18 333	19 020	18 117
Workers compensation		331	397	331	397
Total current provisions		19 555	18 730	19 351	18 514
Non-current:					
Employee benefits:					
Annual leave		4 126	3 579	4 126	3 567
Long service leave		10 677	9 315	10 504	9 142
Defined benefit obligation	33	38 800	34 400	38 800	34 400
Severance (contract employees)		81	115	81	115
Total employee benefits		53 684	47 409	53 511	47 224
Workers compensation		229	439	229	439
Total non-current provisions		53 913	47 848	53 740	47 663
Total provisions		73 468	66 578	73 091	66 177
Reconciliation of employee benefits:					
Current employee benefits		19 224	18 333	19 020	18 117
Non-current employee benefits		53 684	47 409	53 511	47 224
Leave on-costs (included in note 23)		8 561	8 004	8 561	7 983
Aggregate employee benefits		81 469	73 746	81 092	73 324
Reconciliation of leave provisions:					
Annual leave		10 541	9 423	10 365	9 231
Annual leave on-costs		3 182	2 866	3 182	2 858
Total annual leave provision		13 723	12 289	13 547	12 089
Long service leave		20 197	19 049	19 996	18 840
Long service leave on-costs		5 379	5 138	5 379	5 125
Total long service leave provision		25 576	24 187	25 375	23 965
Total leave provisions		39 299	36 476	38 922	36 054

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

Consolidated 2010	Workers compensation Current $'000	Workers compensation Non-current $'000
Carrying amount at 1 January	397	439
Additional provisions recognised	-	-
Unused amounts reversed	(66)	(210)
Carrying amount at 31 December	331	229

25. Other liabilities

	Consolidated		University	
Current:	2010	2009	2010	2009
Income in advance:	$'000	$'000	$'000	$'000
Fees and charges	4 975	4 287	4 930	4 243
Other	1 716	476	1 716	476
	6 691	4 763	6 646	4 719
Funds held on behalf of external entities	10	64	10	48
Total current other liabilities	6 701	4 827	6 656	4 767
Interest-bearing funds held on behalf of external entities: (1)				
Student entities	-	-	892	999
Other entities	1 854	1 891	1 896	1 891
Deposits from subsidiaries	-	-	94	252
Total current unsecured interest bearing liabilities	1 854	1 891	2 882	3 142
Total other liabilities	8 555	6 718	9 538	7 909

(1) Interest bearing liabilities consist of funds held at the request of related entities. These are not borrowings. The University invests these funds and provides an investment return to those entities. Funds held are at call. The University has no assets pledged as security for interest bearing liabilities.

26. Reserves and retained surplus

(a) Reserves

		Consolidated		University	
		2010	2009	2010	2009
Asset revaluation surplus:	Note	$'000	$'000	$'000	$'000
Property plant and equipment revaluation surplus		141 666	127 657	141 488	127 479
Available-for-sale investments revaluation surplus:		3 125	1 274	10 799	8 680
Total asset revaluation surplus		144 791	128 931	152 287	136 159
Capital surplus		44 765	8 582	44 765	8 582
Endowment surplus		18 062	9 771	18 062	9771
Grant surplus		31 844	27 604	31 844	27 604
Student loan surplus		531	542	531	542
Total reserves		239 993	175 430	247 489	182 658
Movements in reserves					
Property, plant and equipment revaluation surplus:					
Balance 1 January		127 657	124 203	127 479	124 025
Increment (Decrement) on revaluation of:					
Land	21	48	(2 033)	48	(2 033)
Buildings and infrastructure	21	14 799	6 192	14 799	6 192
Library	21	(838)	-	(838)	-
Artwork	21	-	(705)	-	(705)
Balance 31 December		141 666	127 657	141 488	127 479
Available-for-sale investments revaluation surplus:					
Balance 1 January		1 274	2 293	8 680	9 886
Increment (Decrement) on revaluation		1 851	(1 019)	2 119	(1 206)
Balance 31 December		3 125	1 274	10 799	8 680
Capital surplus:					
Balance 1 January		8 582	8 582	8 582	8 582
Transfer from retained surplus		36 183	-	36 183	-
Balance 31 December		44 765	8 582	44 765	8 582

(a) Reserves (continued)		Consolidated		University	
		2010	2009	2010	2009
Endowment surplus:	Note	$'000	$'000	$'000	$'000
Balance 1 January		9 771	11 737	9 771	11 737
Transfer from (to) retained surplus		8 291	(1 966)	8 291	(1 966)
Balance 31 December		18 062	9 771	18 062	9 771
Grant surplus:					
Balance 1 January		27 604	21 074	27 604	21 074
Transfer from (to) retained surplus		4 240	6 530	4 240	6 530
Balance 31 December		31 844	27 604	31 844	27 604
Student loan surplus:					
Balance 1 January		542	528	542	528
Transfer from (to) retained surplus		(11)	14	(11)	14
Balance 31 December		531	542	531	542

(b) Retained surplus

Movements in retained surplus were as follows:

Retained surplus at 1 January	268 250	242 775	258 858	233 859
Operating result for the period	55 915	30 053	56 398	29 577
Transfers (to) from reserves	(48 703)	(4 578)	(48 703)	(4 578)
Retained surplus at 31 December	275 462	268 250	266 553	258 858

(c) Nature and purpose of reserves

The asset revaluation surplus is used to record increases and decreases in the value of non-current assets.

The capital surplus is used to record funds dedicated to capital projects.

The endowment surplus is used to record the value of unspent gifts, prizes and bequests provided to the University.

The grant surplus is used to record the accumulated balance of funds restricted to grant research.

The student loan surplus is funds reserved for the purpose of providing loans to students.

27. Financial risk management

The Economic Entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest risk, cash flow interest risk and price risk), credit risk and liquidity risk. The University has a comprehensive suite of policies that deal with risk management including financial instrument risk.

The nature of the University's activities are generally lower risk. Investments tend to be largely held in term deposits with banking institutions and debtors are spread across a large number of customers. The University's investment policy requires investments to have a minimum credit rating of A. Derivative instruments are not used. The University holds funds on behalf of other entities associated with the University and these funds are invested with University investments with the entities receiving a share of the investment returns.

The following is the Economic Entity's accounting policies and terms and conditions for each class of financial asset, financial liability and equity instruments:

Recognised financial instruments	Note	Accounting policies	Terms and conditions
(i) Financial assets			
Cash at bank	1(d), 15	Recognised at nominal amounts.	Interest accrued credited to revenue in the period it is earned.
Deposits within three days	15	Recognised at nominal amounts.	Interest accrued credited to revenue in the period it is earned.
Term deposits	15	Recognised at market value.	Interest accrued credited to revenue as it is earned.
Indexed bonds	18	Recognised at market value.	Interest accrued credited to revenue as it is earned. Indexation factor credited to revenue as at year end.

27. Financial risk management (continued)

Recognised financial instruments	Note	Accounting policies	Terms and conditions
(i) Financial assets (continued)			
Equities	18	Recognised at market value.	Carrying amount of investments adjusted to market value monthly.
Managed funds	18	Recognised at market value.	Accrued distributions credited to revenue monthly. Capital increments/ decrements also recognised monthly.
Interest in business undertakings	18	Recognised at fair value.	Carrying amount of investments reviewed annually to ensure that it is not in excess of the recoverable amount of these investments.
Receivables	16	Shown at amounts due from customers, inclusive of GST and reduced for expected credit losses (provision for doubtful debts).	Credit is allowed for a 30 day term.
(ii) Financial liabilities			
Trade creditors and accruals	23	Liabilities are recognised for amounts to be paid in future for goods and services received, whether or not billed to the Economic Entity.	Trade liabilities are normally settled within 30 days of statement.
Interest bearing liabilities	25	Carried at their principal amounts.	Interest is credited monthly at the University's (weighted) interest earning rate on short-term investments.

Net fair value

At reporting date the carrying amount of financial assets and liabilities approximates their net fair values.

The Economic Entity's exposure to interest rate risks and the effective interest rates of financial assets and liabilities at balance date are shown below.

Interest rate risk exposure

2010 Financial assets: Current assets:	Floating interest rate $'000	1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Over 4 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Cash and cash equivalents	5 209	33 553	-	-	-	-	-	-	38 762
Receivables	-	230	-	-	-	-	-	22 687	22 917
Other financial assets	-	79 130	-	-	-	-	-	42 738	121 868
Total current assets	5 209	112 913	-	-	-	-	-	65 425	183 547
Non-current assets:									
Receivables	-	-	154	-	-	-	-	39 006	39 160
Other financial assets	-	-	-	-	-	-	-	7 528	7 528
Total non-current assets	-	-	154	-	-	-	-	46 534	46 688
Total financial assets	5 209	112 913	154	-	-	-	-	111 959	230 235
Weighted average interest rate - percent	4.25	5.91	10.00						
Financial liabilities:									
Current liabilities:									
Payables	-	-	-	-	-	-	-	25 388	25 388
Other liabilities	1 854	-	-	-	-	-	-	6 701	8 555
Total current liabilities	1 854	-	-	-	-	-	-	32 089	33 943
Non-current liabilities:									
Payables	-	-	154	-	-	-	-	4 193	4 347
Total non-current liabilities	-	-	154	-	-	-	-	4 193	4 347
Total financial liabilities	1 854	-	154	-	-	-	-	36 282	38 290
Weighted average interest rate - percent	5.65		10.00						
Net financial assets (liabilities)	3 355	112 913	-	-	-	-	-	75 677	191 945

Interest rate risk exposure (continued)

2009 Financial assets: Current assets:	Floating interest rate $'000	1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Over 4 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Cash and cash equivalents	17 356	57 180	-	-	-	-	-	-	74 536
Receivables	-	-	-	-	-	-	-	17 415	17 415
Other financial assets	-	19 964	-	-	-	-	-	26 828	46 792
Total current assets	17 356	77 144	-	-	-	-	-	44 243	138 743
Non-current assets:									
Receivables	-	-	-	-	-	-	-	35 304	35 304
Other financial assets	-	-	-	-	-	-	-	5 602	5 602
Total non-current assets	-	-	-	-	-	-	-	40 906	40 906
Total financial assets	17 356	77 144	-	-	-	-	-	85 149	179 649
Weighted average interest rate - percent	2.98	5.05							
Financial liabilities:									
Current liabilities:									
Payables	-	-	-	-	-	-	-	21 344	21 344
Other liabilities	1 891	-	-	-	-	-	-	4 827	6 718
Total current liabilities	1 891	-	-	-	-	-	-	26 171	28 062
Non-current liabilities:									
Payables	-	-	-	-	-	-	-	3 754	3 754
Total non-current liabilities	-	-	-	-	-	-	-	3 754	3 754
Total financial liabilities	1 891	-	-	-	-	-	-	29 925	31 816
Weighted average interest rate - percent	4.07								
Net financial assets (liabilities)	15 465	77 144	-	-	-	-	-	55 224	147 833

The Economic Entity does not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. The main risks the Economic Entity is exposed to through its financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Economic Entity has no borrowings and therefore its interest rate risk exposure is on the income side only. As at 31 December 2010 the Economic Entity held $117.7 million ($94.5 million) in term deposits and short-term deposits earning interest at market rates. Refer notes 15 and 18. The Economic Entity also held $8.5 million ($8.4 million) in fixed interest managed funds. Refer note 18.

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Economic Entity's exposure to foreign exchange risk is limited to its investments in international equities of $299 000 ($449 000). In 2010 there is also the equivalent of A$100 000 (A$215 000) of foreign currency held in a bank account and as indicated in note 16 there is A$173 000 (A$164 000) denoted in foreign currency receivables. There are A$292 000 (A$378 000) of trade and other payables denoted in foreign currency as per note 23.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The maximum exposure to credit risk at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements. Except for the following concentration of credit risk, the Economic Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Economic Entity:

- Superannuation receivable from DEEWR of $41.8 million ($36.9 million).

Liquidity risk is the risk that financial obligations will not be able to be met when they fall due. The University manages liquidity risk by monitoring forecast cash flows and maintains sufficient cash to maintain short-term flexibility and enable the University to meet financial commitments in a timely manner.

Sensitivity analysis

The following table summarises the sensitivity of the Economic Entity's financial assets and financial liabilities to interest rate risk and price risk.

		Interest rate risk				Price risk			
	Carrying	-1%		+1%		-1%		+1%	
	amount	Result	Equity	Result	Equity	Result	Equity	Result	Equity
2010	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:									
Cash and cash equivalents	38 762	(388)	(388)	388	388	-	-	-	-
Receivables	62 077	-	-	-	-	-	-	-	-
Other financial assets	129 396	(916)	(916)	916	916	(302)	(302)	302	302
Financial liabilities:									
Payables	29 735	-	-	-	-	-	-	-	-
Other financial liabilities	8 555	19	19	(19)	(19)	-	-	-	-
Total increase (decrease)	191 945	(1 285)	(1 285)	1 285	1 285	(302)	(302)	302	302

The interest rate risk on other financial liabilities not included above is nil as these funds are invested on behalf of related entities and they bear the interest rate risk. No sensitivity analysis has been prepared for foreign exchange risk as the risks are immaterial.

The above sensitivity analysis has been prepared on the assumption that all other variables remain constant.

Fair value measurements

Fair value measurements recognised in the Economic Entity Statement of Financial Position are categorised into the following levels:

	31.12.10	Level 1	Level 2	Level 3
Financial assets:	$'000	$'000	$'000	$'000
Other financial assets:				
Managed funds:				
Deutsche Bank Private Wealth Management	26	-	26	-
BlackRock Fixed Interest Investments	8 495	-	8 495	-
Goldman Sachs JB Were	3 995	-	3 995	-
Property:				
Property trust	5	-	5	-
Equities:				
Australian equities	33 685	-	30 217	3 468
International equities	299	-	-	299
Interests in business undertakings:				
Other entities	3 761	-	-	3 761
Total	50 266	-	42 738	7 528

Reconciliation of financial assets categorised as level 3:	Other financial
Level 3 financial assets 2010	assets
	$'000
Opening balance 1 January	5 602
Total gains or losses:	
In profit or loss	75
In other comprehensive income	1 851
Purchases	-
Settlements	-
Closing balance 31 December	7 528

28. Disaggregated information

The University operates in the field of higher education in Australia and provides teaching and research services. It has no material offshore operations.

29. Key management personnel disclosures

29.1 Responsible persons

The principal governing body of the University is its Council. All members of the University Council were appointed or elected under the provisions of *The Flinders University of South Australia Act 1966*. Council members include University employees who may be ex officio members or elected staff members.

No members of Council received any remuneration from the University other than by way of salary and related benefits arising from a normal employment relationship.

(a) Names of responsible persons

Council members in 2010

Persons listed were all Council members for the full year unless otherwise indicated. An asterisk indicates University employees.

Members ex officio

Chancellor

Sir Eric Neal, AC, CVO (to 28 February 2010)
Mr Stephen Gerlach, AM (from 1 March 2010)

Vice-Chancellor

Professor Michael Barber*

Presiding member of the Academic Senate

Professor Marika Tiggemann*

Members appointed by the Council

Mr Nicholas Begakis, AM
Ms Leonie Clyne
Dr Bronwyn Halliday
Mr John Hood (to 30 June 2010)
The Hon Dr Diana Laidlaw, AM
Ms Peggy Lau Flux
Mr Thomas Phillips, AM
Mr Michael Shanahan, AM
Mr Austin Taylor
Mr Ian Yates, AM

Member co-opted and appointed by the Council

Mr Richard Ryan, AO

Members elected by the academic staff

Associate Professor Kathryn Schuller*
Associate Professor Heather Smigiel*

Members elected by the general staff

Dr Leonie H Hardcastle*
Mr Ben Jacobs*

Student members elected by the students

Mr Samuel D Taylor (from 12 April 2010)
Ms Emily Crawford
Ms Peta Page

Directors of the University subsidiaries in 2010

Persons listed were directors for the full year unless otherwise indicated.

Flinders Bioremediation Pty Ltd

Professor Andrew Ball (Director/Chair)
Ms Rhonda Domin (to 24 February 2010)
Mr Anthony Francis (from 17 June 2010)

Flinders Campus Community Services

Ms Leonie Clyne (Chair)
Mr Peter Hogan
Ms Lucy Richards
Mr Andrew McHugh
Mr Andrew Nairn
Mr Simon Macdonald
Mr Michael Gunn
Ms Michelle Tatyzo (to 31 October 2010)
Mr Jarred Sferruzzi (to 31 October 2010)
Mr Heath McCallum (to 31 October 2010)
Mr Christopher Hansford (to 10 May 2010)
Mr Benjamin Hine (3 June 2010 to 31 October 2010)
Mr James Cumming (1 November to 31 December 2010)
Mr Joe Provenzano (1 November to 31 December 2010)
Mr Kim Thomas-Francis (1 Nov. to 31 December 2010)
Ms Celia Le (1 November to 31 December 2010)

Flinders MediTech Pty Ltd(1)

Mr John Branson (Chair) (to 17 July 2010)
Mr Anthony Francis
Mr Geoffrey Pitt
Mr Daniel Flaherty (to 22 December 2010)

Pancadia Pty Ltd(1)

Mr John Branson (Chair)
Mr Anthony Francis

Re-Time Pty Ltd(1)

Mr John Branson (Chair)
Mr Geoffrey Pitt
Mr David Day (from 17 June 2010)
Mr Anthony Francis (from 17 June 2010)

National Institute of Labour Studies Inc

Mr Mike Terlet, AO (Chair) (to 11 November 2010)
Ms Jan Andrews (to 11 November 2010)
Mr John Lesses, AM (to 11 November 2010)
Professor Kostas Mavromaras (to 11 November 2010)
Prof. Phyllis Tharenou (13 August to 11 November 2010)

(1) 100 percent owned by Flinders Partners Pty Ltd.
(2) National Institute of Labour Studies Inc subsidiary.

(a) Names of responsible persons (continued)

Lung Health Diagnostics Pty Ltd
Ms Barbara Fergusson (Chair)

Flinders Consulting Pty Ltd
Ms Leonie Clyne (Chair)

Flinders Partners Pty Ltd
Mr Thomas Phillips, AM (Chair) (from 17 June 2010)
Mr John Branson (Chair) (to 17 June 2010)
Mr Anthony Francis (Managing Director)
Mr Geoffrey Pitt
Professor David Day (from 21 January 2010)
Mr Daniel Flaherty (to 22 December 2010)
Ms Peggy Lau Flux (from 17 June 2010)

National Institute of Labour Studies Foundation Inc[(2)]
Mr Hedley Bachmann
Ms Barbara Fergusson (to 13 September 2010)
Professor Jonathon Pincus
Professor Phyllis Tharenou (from 13 August 2010)

(1) 100 percent owned by Flinders Partners Pty Ltd.
(2) National Institute of Labour Studies Inc subsidiary.

Remuneration of board members

The table comprises total remuneration that falls within the prescribed bandwidths for board members. Remuneration for executive officers who are also directors is shown as zero in this table, with their total remuneration shown under remuneration of executive officers. Individuals who serve as directors on more than one board are counted multiple times in the figures disclosed below.

	Consolidated		University	
	2010 Number	2009 Number	2010 Number	2009 Number
$nil	65	77	22	24
$1 - $9 999	-	7	-	-
$10 000 - $19 999	2	1	-	-
$20 000 - $29 999	2	1	-	-
$30 000 - $39 999	-	1	-	-
	69	87	22	24

	Consolidated		University	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Aggregate remuneration of board members	76	109	-	-

29.2 Key management personnel

Remuneration of key management personnel

The table comprises total remuneration that falls within the prescribed bandwidths for executives whose total remuneration is over $100 000.

	Consolidated		University	
Remuneration of executive officers	2010 Number	2009 Number	2010 Number	2009 Number
$100 000 - $109 999	-	1	-	1
$150 000 - $159 999	1	2	-	1
$160 000 - $169 999	1	-	1	-
$190 000 - $199 999	1	-	-	-
$200 000 - $209 999	-	1	-	1
$210 000 - $219 999	1	1	1	1
$220 000 - $229 999	1	-	1	-
$230 000 - $239 999	1	3	-	2
$240 000 - $249 999	2	-	2	-
$250 000 - $259 999	-	1	-	1
$270 000 - $279 999	-	2	-	2
$290 000 - $299 999	2	-	2	-
$300 000 - $309 999	1	-	1	-
$370 000 - $379 999	1	-	1	-
$470 000 - $479 999	-	1	-	1
$540 000 - $549 999	1	-	1	-
	13	12	10	10

Remuneration of key management personnel (continued)

	Consolidated		University	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Aggregate remuneration of executives	3 501	2 825	2 913	2 439

The DEEWR Guidelines specify that executives are defined 'as the CEO and/or any person in a senior management position considered to be part of the University's executive group who is directly accountable and responsible for the strategic direction and operational management of the entity'.[1]

29.3 Related party transactions

The remuneration includes salary, employer's superannuation costs and other benefits, including the associated FBT. No loans have been provided to key management personnel and any other transaction between personnel and the University has been undertaken on a normal commercial basis. The University leases residential accommodation to the Vice-Chancellor on normal commercial terms and conditions. From time to time University Council members have interests in entities with which the University conducts business. In all cases, transactions are undertaken on a normal commercial basis.

30. Remuneration of auditors

	Consolidated		University	
	2010	2009	2010	2009
Auditing the financial report:	$'000	$'000	$'000	$'000
South Australian Auditor-General	245	230	245	230
Other auditors	31	31	-	2
Total remuneration for auditing the financial report	276	261	245	232
Other audit services:				
South Australian Auditor-General	5	4	5	4
Total remuneration for other audit services	5	4	5	4
Total remuneration for audit services	281	265	250	236

31. Contingencies

Contingent liabilities

The University is an exempt employer for WorkCoverSA purposes. The University is required by WorkCoverSA to have a bank guarantee in place for the purposes of covering workers compensation liabilities in the event that the University was unable to pay them. As at 31 December 2010 the University had a bank guarantee facility of $1.72 million in place (total facility limit of $2.965 million).

Contingent assets

There are no material contingent assets.

32. Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		University	
	2010	2009	2010	2009
Building works:	$'000	$'000	$'000	$'000
Within one year	3 048	6 037	2 998	5 907
Later than one year but not later than five years	50	94	-	44
Later than five years	-	-	-	-
	3 098	6 131	2 998	5 951
Plant and equipment:				
Within one year	150	485	67	408
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	150	485	67	408

[1] Financial Statement Guidelines for Australian Higher Education Providers for the 2010 Reporting Period

(a) Capital commitments (continued)

	Consolidated		University	
	2010	2009	2010	2009
Intangible assets:	$'000	$'000	$'000	$'000
Within one year	-	23	-	23
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	-	23	-	23
Joint ventures:				
Within one year	-	-	-	-
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	-	-	-	-
Total capital commitments	3 248	6 639	3 065	6 382

(b) Lease commitments

The University has various operating leases of property and equipment. Lease amounts have only been included in the table where there is a non-cancellable commitment.

	Consolidated		University	
	2010	2009	2010	2009
University as lessee	$'000	$'000	$'000	$'000
Total lease payments recognised as an expense during the reporting period	2 603	2 508	2 603	2 508
Commitments				
Commitments in relation to leases contracted for as at the reporting date but not recognised as liabilities, payable:				
Within one year	1 228	1 126	1 228	1 126
Later than one year but not later than five years	2 794	2 507	2 794	2 507
Later than five years	2 629	2 496	2 629	2 496
Total lease commitments as lessee	6 651	6 129	6 651	6 129
University as lessor				
Lease receivables contracted but not included in the financial statements and receivable as follows:				
Within one year	389	843	395	886
Later than one year but not later than five years	416	460	416	460
Later than five years	11	55	11	55
Total lease commitments as lessor	816	1 358	822	1 401

In 2000 the University purchased the Mark Oliphant building in Science Park as an investment property. As at 31 December 2010 81 percent (69 percent) of the building is leased or available for lease to entities outside the Economic Entity. A further 8 percent (8 percent) is leased to entities outside the University but within the Economic Entity.

A portion of the Remote Health Precinct property is treated as an investment property and as at 31 December 2010 81 percent (81 percent) of this investment property is leased or available for lease to entities outside the Economic Entity. In 2009 the University acquired a residential investment property. This is leased out on a commercial basis.

The University has accommodation for 551 students available on campus that are leased on a yearly basis. As leases are not entered into until February and are completed before the end of the year, they are not included in the above figures.

The University leases a small amount of space on its main campus to commercial entities that provide services to students and staff.

(c) Other expenditure commitments

Commitments in existence at the reporting date but not recognised as liabilities, payable:

	Consolidated		University	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Within one year	2 245	2 230	2 245	2 230
Later than one year but not later than five years	169	313	169	313
Later than five years	29	57	29	57
Total other expenditure commitments	2 443	2 600	2 443	2 600

33. Superannuation schemes

The University contributes to the following employee superannuation funds:

(i) UniSuper

(a) UniSuper Defined Benefit Plan or Investment Choice Plan

UniSuper is classified as a multi-employer fund for the purposes of accounting and disclosure requirements contained in AASB 119.

UniSuper Management Pty Ltd administers the Scheme and UniSuper Ltd is the Trustee. The University contributes at a rate double the contributions made by employees. Employees' contributions are normally 7 percent of their gross salaries. The fund provides the option of defined benefits based on years of service and final average salary or an accumulation fund. The defined benefits scheme is fully funded. For accounting purposes the defined benefits scheme is treated as a defined contribution scheme under the multi-employer provisions of AASB 119 since UniSuper are unable to provide segregated information by university.

UniSuper reports its results on a financial year ending 30 June.

As at 30 June 2010 there is no funding surplus or deficit which currently affects, or is expected to affect, the amount of future contributions payable by participating employers to the Defined Benefit Plan.

Whilst still technically a defined benefit plan, in 2006 the UniSuper Trust Deed was amended so that in the event UniSuper assets are insufficient to provide for the benefits payable the Trustee must reduce member benefits on a fair and equitable basis instead of requesting additional payments from employers. The change in the UniSuper Trust Deed effectively alters the nature of the scheme to a defined contribution scheme.

(b) UniSuper Award Plus Plan

UniSuper Management Pty Ltd administers the scheme and TESS Superannuation Ltd is the Trustee. The University contributes to the scheme at a rate determined by the trust deed. The scheme is non-contributory for employees. The fund provides benefits based on the defined contributions of the University during the membership of the employee.

The University also makes contributions into the scheme for employee benefits arising under the Superannuation Guarantee Legislation.

(ii) South Australian Superannuation Scheme

The University has 82 (82) present and former employees who are members of closed State Government Pension and Lump Sum superannuation schemes. Under the schemes, defined benefits are paid as a lump sum or continuing pension on the termination of the employees' service, based on contributions made by the employee and the employees' final salary. Employee contributions and certain employer contributions are paid to the South Australian Superannuation Board (the Board) which is responsible for administering the schemes. Under current arrangements, the Board pays the benefits and is reimbursed by the University for the shortfall in the employer's contribution. The Commonwealth Government funds the University on an emerging cost basis and recovers the State's share of the cost directly from the State Government.

The University's superannuation liability with respect to future benefits for current employees and pensioners was assessed as at 31 December 2010. This assessment was performed by Brett and Watson Pty Ltd Consulting Actuaries on information that was provided by the Director Superannuation, South Australian Department of Treasury and Finance. The University's superannuation liability was assessed as being $41.8 million ($36.9 million). The net unfunded amount has been recognised in the accounts of the University as a liability with a corresponding receivable from the Commonwealth Government (see note 16). Recognition of the receivable from the Commonwealth is in accordance with DEEWR Guidelines and reflects an assessment that while there is no specific legislated requirement, the Commonwealth has committed to funding the University's emerging costs.

(ii) South Australian Superannuation Scheme (continued)

Assumptions adopted by the Actuary in determining the University's liability were:

• Rate of increase in CPI	2.5 percent per annum
• Rate of salary increases	4.0 percent per annum
• Investment earnings	7.0 percent per annum

These rates provide for a 1.5 percent real gap between CPI and salary increases and a further 3 percent real gap between salary increases and investment earnings.

The liability and asset have been classified as current and non-current according to the cash flow projections of the assessment.

	University	
	2010	2009
	$'000	$'000
University's gross liability	44 400	39 200
Funded component	(2 600)	(2 300)
Unfunded liability	41 800	36 900
Total obligation	41 800	36 900
Reimbursement rights (receivable from DEEWR)	41 800	36 900
Net liability	-	-
Payment received from DEEWR	1 726	1 447
Emerging cost payments to Super SA	1 985	1 728

(iii) Superannuation Scheme No. 1

Superannuation Scheme

Prior to the inception of UniSuper, the University operated its own schemes. Employees were given the option of transferring to UniSuper or remaining with the University's own scheme. Since 31 December 2008 there have been no members remaining in the Scheme and the Scheme was wound up in January 2010.

Invalidity Scheme

Certain staff are members of the Invalidity Scheme. Total membership is 8 (8). The Scheme was established to provide benefits to members who suffered disablement or temporary incapacity and the benefits are identical to those provided under the UniSuper defined benefit scheme.

The University is directly responsible for the financial administration of the Scheme and for ensuring that the future liabilities of the Scheme are adequately funded. In 2008 all of the staff covered by the Scheme transferred to UniSuper and, apart from a three year exclusion for existing medical conditions, and one staff member who was refused invalidity cover by UniSuper, all staff are now covered by UniSuper benefits. In light of this change the University reassessed the liability of the scheme and reduced it to zero, which remains unchanged as at the end of the financial year.

34. Related parties

Responsible persons and specified executives

Disclosures relating to Council members, directors of subsidiaries and specified executives are set out in note 29.

Wholly-owned Economic Entity

Ownership interests in subsidiaries are set out in note 35.

35. Subsidiaries

Flinders University is the Parent Entity or ultimate Parent Entity of the following entities, all of which are incorporated in Australia. The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

		Ownership interest	
		2010	2009
Name of entity	*Principal activity*	Percent	Percent
Flinders Bioremediation Pty Ltd	Develop and extend commercial activities of the University in the areas of soil bioremediation, organic waste management and related technologies.	100	100

35. Subsidiaries (continued)

Name of entity	*Principal activity*	Ownership interest 2010 Percent	Ownership interest 2009 Percent
Flinders Campus Community Services Pty Ltd	Provides on-campus services and support for students.	100	100
Flinders Consulting Pty Ltd	From 1 January 2008 Flinders Consulting merged its operations with Flinders Partners Pty Ltd.	100	100
Flinders Partners Pty Ltd	Commercialisation of University sourced intellectual property and conduct of commercial consultancies.	100	100
Flinders MediTech Pty Ltd (subsidiary of Flinders Partners Pty Ltd)	Medical device company.	100	100
Pancadia Pty Ltd (subsidiary of Flinders Partners Pty Ltd)	Biotech company.	100	100
Re-time Pty Ltd (subsidiary of Flinders Partners Pty Ltd)	Specialist eye-wear company.	100	100
Lung Health Diagnostics Pty Ltd	Biotech development company.	60	60
National Institute of Labour Studies (NILS Inc)^	Undertakes independent research and consultancy services in labour studies.	100	100
National Institute of Labour Studies Foundation Inc	Supports the activities of NILS Inc.	100	100

^ NILS Inc is in the process of being voluntarily liquidated and its operations have been transferred to the University.

36. Jointly controlled operations and assets

(a) Joint venture operations and assets

Name of entity	*Principal activity*	Output interest 2010 Percent	Output interest 2009 Percent
Joint venture operations			
Centre for Remote Health	Provision of health education and research to remote areas.	50	50
Greater Green Triangle University Department of Rural Health	Creation of a network of excellence in health professional education, population health, research and clinical service in the Greater Green Triangle region.	50	50
Joint venture assets			
Rubuntja Building, Alice Springs Hospital	Education and research services providing health services to local and remote indigenous populations.	41	-

The assets employed in the above jointly controlled operations and liabilities are detailed below. The amounts are included in the financial statements under their respective categories.

Centre for Remote Health	Consolidated 2010 $'000	Consolidated 2009 $'000	University 2010 $'000	University 2009 $'000
Current assets:				
Cash at bank	738	683	738	683
Receivables	55	8	55	8
Total current assets	793	691	793	691

Centre for Remote Health (continued)	Consolidated		University	
	2010	2009	2010	2009
Non-current assets:	$'000	$'000	$'000	$'000
Property, plant and equipment	3 113	2 881	3 113	2 881
Total assets	3 906	3 572	3 906	3 572
Current liabilities:				
Payables	5	-	5	-
Annual leave	42	46	42	46
Long service leave	30	30	30	30
Total current liabilities	77	76	77	76
Non-current liabilities				
Annual leave	36	32	36	32
Long service leave	58	44	58	44
Total non-current liabilities	94	76	94	76
Total liabilities	171	152	171	152
Share of assets employed in joint venture	3 735	3 420	3 735	3 420
Greater Green Triangle				
Current assets:				
Cash at bank	861	954	861	954
Total current assets	861	954	861	954
Non-current assets:				
Property, plant and equipment	98	114	98	114
Total assets	959	1 068	959	1 068
Current liabilities:				
Annual leave	40	34	40	34
Long service leave	4	2	4	2
Total current liabilities	44	36	44	36
Non-current liabilities				
Annual leave	34	21	34	21
Long service leave	65	54	35	54
Total non-current liabilities	99	75	99	75
Total liabilities	143	111	143	111
Share of assets employed in joint venture	816	957	816	957
Rubuntja				
Non-current assets:				
Property, plant and equipment	1 328	-	1 328	-

Joint venture operations and assets

The University's joint venture operations and assets have no contingent liabilities as at 31 December 2010 ($nil).

Other

The University has collaborative arrangements in place with a number of overseas institutions for joint teaching of students. Revenue is shared between the University and collaborating institutions. The University's share of revenue and expense is included in the Income Statement.

(b) Joint venture entities

The University has a material interest in one joint venture entity as disclosed below:

		Output interest	
		2010	2009
Name of entity	*Principal activity*	Percent	Percent
FCD Health Limited	Operates the Palmerston (NT) GP Super Clinic.	50	-

The assets employed in the above jointly controlled operations and liabilities are detailed below. The amounts are included in the financial statements under their respective categories.

(b) Joint venture entities (continued)

FCD Health	Consolidated 2010 $'000	Consolidated 2009 $'000	University 2010 $'000	University 2009 $'000
Current assets:				
Cash at bank	143	-	143	-
Receivables	103	-	103	-
Prepayments	3	-	3	-
Total current assets	249	-	249	-
Non-current assets:				
Property, plant and equipment	180	-	180	-
Total assets	429	-	429	-
Current liabilities:				
Payables	183	-	183	-
Loans	307	-	307	-
Total current liabilities	490	-	490	-
Total liabilities	490	-	490	-
Share of assets employed in joint venture	(61)	-	(61)	-

The University also participates in a number of other joint venture entities for which the University's interest is not considered to be material. Accordingly they have not been taken up in the accounts on an equity basis as per AASB 131.

Relevant disclosures are as follows:

Name of entity		*Reporting date*	*Principal activity*	Ownership interest 2010 Percent	Ownership interest 2009 Percent
Cooperative Research Centres (CRC)					
The Lowitja Institute (formerly Cooperative Research Centre for Aboriginal Health	(U)	30 June	Provides a cross cultural framework for strategic research leading to evidence based improvements in education and health practice.	15	15
Other joint venture entities					
Australian Housing and Urban Research Institute (AHURI) - Southern Research Centre	(U)	30 June	A cooperative venture between five universities to research housing and related issues with emphasis on economic, social and policy aspects.	11	9
eResearch SA	(U)	31 December	Supports and promotes the use of advanced and high-performance computing and communications.	25	33
Helpmann Academy for the Visual and Performing Arts Inc (Helpmann Academy)	(I)	30 June	Offers award courses for people seeking professional careers in the arts.	-*	-*
SABRENet Ltd	(I)	30 June	Delivers high capacity broadband network services to the education and research sector.	20	20
South Australian Centre for Economic Studies (SACES)	(U)	31 December	Conducts research on economic issues for government and private sector bodies.	50	50
South Australian Consortium of Information Technology and Telecommunications Inc (SACITT)	(I)	31 December	Explores collaborative IT&T research and development issues.	33	33
South Australian Health and Medical Research Institute (SAHMRI)	(I)	30 June	Ensures South Australia's strong position in health and medical research into the future.	17*	-
South Australian Tertiary Admission Centre (SATAC)	(U)	31 December	Agent for tertiary institutions in Adelaide for receiving and processing applications for admission to tertiary level course.	25	25

(I) Incorporated
(U) Unincorporated
* Partner but no right to residual assets
(^) Unisure Pty Ltd was wound up in 2010

(b) Joint venture entities (continued)

Name of entity		*Reporting date*	*Principal activity*	Ownership interest 2010 Percent	Ownership interest 2009 Percent
Other joint venture entities (continued)					
Innovate SA Inc (formerly The Centre for Innovation Inc)	(I)	30 June	To promote, encourage and facilitate continuing economic development.	33	33
The Ethics Centre of South Australia (ECSA)	(U)	31 December	Facilitates ethics research and teaching in South Australia.	25	33
Unisure Pty Ltd^	(I)	31 December	Provision of workers compensation services and investment of funds set aside for workers compensation.	-	33.3

(I) Incorporated
(U) Unincorporated
* Partner but no right to residual assets
(^) Unisure Pty Ltd was wound up in 2010

(c) Other information

(1) Capital expenditure commitments
No material capital expenditure commitments.

(2) Contingent liabilities
No material contingent liabilities.

(3) After balance date events
No material after balance date events.

37. Discontinuing operations

Neither the University nor the Economic Entity had any discontinuing operations.

38. Events occurring after the balance sheet date

There were no events that took place after reporting date that have a material impact on the financial statements of the University or the Economic Entity.

39. Reconciliation of operating result to net cash flows from operating activities

	Consolidated 2010 $'000	Consolidated 2009 $'000	University 2010 $'000	University 2009 $'000
Operating result for the period	55 914	30 068	56 398	29 577
Non-cash items:				
Depreciation and amortisation	17 795	16 762	17 575	16 571
Asset impairment	500	150	82	126
Net loss (gain) on sale of assets	(36)	398	(64)	(121)
Net contribution of assets	(832)	(1 422)	(832)	(1 422)
Unrealised investment losses(gains)	(340)	(3 394)	(153)	(3 243)
Investment expenses paid direct from funds	60	-	55	-
Foreign exchange loss	49	-	-	-
Transfer of misappropriation recoveries	(3 408)	-	(3 408)	-
Total of non-cash items	13 788	12 494	13 255	11 911
Change in assets and liabilities:				
Decrease (Increase) in receivables	(4 470)	3 244	(4 853)	3 376
Decrease (Increase) in inventories	(13)	(54)	(31)	2
Decrease (Increase) in other assets	370	(655)	353	(624)
Increase (Decrease) in payables	4 582	(838)	5 433	120
Increase (Decrease) in provisions	1 989	386	2 014	577
Increase (Decrease) in other liabilities	1 928	115	1 927	(28)
Net cash provided by operating activities	74 088	44 868	74 496	44 911

39. Reconciliation of operating result to net cash flows from operating activities (continued)

The cash and cash equivalents figures in note 15 are reconciled to cash and cash equivalents at the end of the year in the Statement of Cash Flows as follows:

	Consolidated		University	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Cash at bank and on hand	5 177	11 135	3 994	9 618
Cash deposits at call within three days	32	6 221	32	5 090
Term deposits maturing within 90 days	33 553	57 180	33 350	57 180
Cash and cash equivalents balance per Statement of Financial Position	38 762	74 536	37 376	71 888
Bank overdraft	-	-	-	-
Balance per Statement of Cash Flows	38 762	74 536	37 376	71 888

Financing facilities

The University has the following arrangements with the NAB Bank:

Overdraft facility(1)	500	500	500	500
Amount used	-	-	-	-
Unused overdraft facility	500	500	500	500
Visa credit cards facility(1)	4 055	4 070	4 000	4 000
Amount used	(472)	(422)	(466)	(408)
Unused credit cards facility	3 583	3 648	3 534	3 592

(1) These facilities are unsecured.

Cash balances not available for use

All cash balances are available for use (all available).

Tax status

The activities of the University are exempt from income tax as are all but one of its controlled entities.

40. Non-cash financing and investing activities

During the reporting period the University acquired works of art and library materials with an aggregate fair value of $830 000 ($1.442 million) by means of donations. These acquisitions are not reflected in the Statement of Cash Flows.

41. Assets and liabilities of trusts for which the University is trustee

The University is the trustee for the following trusts:

Trust name	*Purpose*
ADS Students	Payment of stipends to AusAID students
Sir Ewen Waterman(1)	Promotion and encouragement of biomedical science education

(1) The amount held in the Sir Ewen Waterman Trust is immaterial.

ADS students trust - assets and liabilities	Consolidated		University	
	2010	2009	2010	2009
Current assets:	$'000	$'000	$'000	$'000
Cash at bank	43	61	43	61
Receivables	-	-	-	-
Total current assets	43	61	43	61
Non-current assets:				
Total non-current assets	-	-	-	-
Total assets	43	61	43	61

ADS students trust - assets and liabilities (continued)	Consolidated		University	
	2010	2009	2010	2009
Current liabilities:	$'000	$'000	$'000	$'000
Trade and other payables	-	-	-	-
Total current liabilities	-	-	-	-
Non-current liabilities:				
Total non-current assets	-	-	-	-
Total liabilities	-	-	-	-
Net assets	43	61	43	61

The funds held in trust for AusAID are not included in the University's Income Statement and Statement of Financial Position.

42. Entity information

The University is a body corporate established by an Act of the South Australian Parliament, *The Flinders University of South Australia Act 1966*. It is domiciled in Australia and its address is Sturt Road, Bedford Park, South Australia, 5042. The University's Australian Business Number (ABN) is 65 542 596 200.

43. Misappropriation of funds

The 2010 financial statements include revenue of $9.203 million, being recovery of misappropriated funds (refer note 8). In addition, insurance recoveries of $1.95 million also relate to the misappropriation and are also reported in note 8. Note 14 discloses an amount of $3.5 million being the estimated expense in 2010 from misappropriation of funds ($8.653 million).

Note 16 includes an amount of $1.274 million in receivables, being the value of expected future recoveries of misappropriated funds.

44. Acronyms and abbreviations

AASB	Australian Accounting Standards Board
ARC	Australian Research Council
CGS	Commonwealth Grants Scheme
DEEWR	Department of Education, Employment and Workplace Relations
DIISR	Department of Innovation, Industry, Science & Research
FEE-HELP	Fee Higher Education Loan Programme (financial support for full-fee paying domestic students)
HECS-HELP	Higher Education Contribution Scheme - Higher Education Loan Program
HEFA	Higher Education Funding Agreement
IFRS	International Financial Reporting Standards
NH&MRC	National Health & Medical Research Council
OS-HELP	Overseas - Higher Education Loan Program

45. Acquittal of Australian Government financial assistance

45.1 DEEWR - CGS and other DEEWR grants

		University only					
		Commonwealth Grants Scheme[1]		Indigenous Support Program		Equity Support Program	
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)	Note	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
		96 105	76 696	453	473	1 345	231
Net accrual adjustments		(3 900)	2 047	-	-	-	-
Revenue for the period	2(a)	92 205	81 843	453	473	1 345	213
Surplus (Deficit) from the previous year		-	-	-	-	-	-
Total revenue including accrued revenue		92 205	81 843	453	473	1 345	213
Expenses including accrued expenses		(92 205)	(81 843)	(453)	(473)	(580)	(213)
Surplus (Deficit) for reporting period		-	-	-	-	765	-

(1) Includes the basic CGS grant amount, CGS-Regional loading, CGS-Enabling loading, Maths and Science Transition loading and Full Fee Places Transition loading.

45.1 DEEWR - CGS and other DEEWR grants (continued)

University only

Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)	Note	Disability Support Program 2010 $'000	Disability Support Program 2009 $'000	Workplace Reform Program 2010 $'000	Workplace Reform Program 2009 $'000	Workplace Productivity Program 2010 $'000	Workplace Productivity Program 2009 $'000
		79	59	-	942	-	221
Net accrual adjustments		-	-	-	-	-	(120)
Revenue for the period	2(a)	79	59	-	942	-	101
Surplus (Deficit) from the previous year		-	-	-	-	55	11
Total revenue including accrued revenue		79	59	-	942	55	112
Expenses including accrued expenses		(79)	(59)	-	(942)	(55)	(57)
Surplus (Deficit) for reporting period		-	-	-	-	-	55

University only

Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)	Note	Learning and Teaching Performance Fund 2010 $'000	Learning and Teaching Performance Fund 2009 $'000	Capital Development Pool 2010 $'000	Capital Development Pool 2009 $'000	Diversity and Structural Adjustment Fund(2) 2010 $'000	Diversity and Structural Adjustment Fund(2) 2009 $'000
		-	-	-	2 246	-	1 668
Net accrual adjustments		-	-	-	-	-	-
Revenue for the period	2(a)	-	-	-	2 246	-	1 668
Surplus (Deficit) from the previous year		246	332	-	3 602	2 013	1 008
Total revenue including accrued revenue		246	332	-	5 848	2 013	2 676
Expenses including accrued expenses		(100)	(86)	-	(5 848)	(1 085)	(663)
Surplus (Deficit) for reporting period		146	246	-	-	928	2 013

(2) Includes Collaboration and Structural Adjustment Programme.

University only

Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)	Note	Improving Practical Comp of Teach Ed 2010 $'000	Improving Practical Comp of Teach Ed 2009 $'000	Transitional Cost Program 2010 $'000	Transitional Cost Program 2009 $'000	Total 2010 $'000	Total 2009 $'000
		-	244	59	354	98 041	86 234
Net accrual adjustments		-	-	67	(58)	(3 833)	1 869
Revenue for the period	2(a)	-	244	126	296	94 208	88 103
Surplus (Deficit) from the previous year		-	-	-	-	2 314	4 953
Total revenue including accrued revenue		-	244	126	296	96 522	93 056
Expenses including accrued expenses		-	(244)	(126)	(296)	(94 683)	(90 742)
Surplus (Deficit) for reporting period		-	-	-	-	1 839	2 314

45.2 Higher Education Loan Programs

University only

Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)	Note	HECS-HELP (Australian Govt payments only) 2010 $'000	HECS-HELP (Australian Govt payments only) 2009 $'000	FEE-HELP 2010 $'000	FEE-HELP 2009 $'000	Total 2010 $'000	Total 2009 $'000
		49 187	44 156	2 667	3 930	51 854	48 086
Net accrual adjustments		(549)	461	387	(785)	(162)	(324)
Revenue for the period	2(b)	48 638	44 617	3 054	3 145	51 692	47 762
Surplus (Deficit) from the previous year		-	-	-	-	-	-
Total revenue including accrued revenue		48 638	44 617	3 054	3 145	51 692	47 762
Expenses including accrued expenses		(48 638)	(44 617)	(3 054)	(3 145)	(51 692)	(47 762)
Surplus (Deficit) for reporting period		-	-	-	-	-	-

45.3 Learning scholarships

University only

	Note	Australian Postgraduate Awards 2010 $'000	Australian Postgraduate Awards 2009 $'000	International Post-graduate Research Scholarships 2010 $'000	International Post-graduate Research Scholarships 2009 $'000	Commonwealth Education Cost Scholarships(3) 2010 $'000	Commonwealth Education Cost Scholarships(3) 2009 $'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		2 810	2 041	304	313	605	1 128
Net accrual adjustments		-	-	-	97	140	(357)
Revenue for the period	2(c)	2 810	2 041	304	410	745	771
Surplus (Deficit) from the previous year		113	(114)	-	-	-	390
Total revenue including accrued revenue		2 923	1 927	304	410	745	1 161
Expenses including accrued expenses		(2 563)	(1 814)	(304)	(410)	(739)	(1 161)
Surplus (Deficit) for reporting period		360	113	-	-	6	-

University only

		Commonwealth Accommodation Scholarships(3) 2010 $'000	Commonwealth Accommodation Scholarships(3) 2009 $'000	Indigenous Access Scholarships 2010 $'000	Indigenous Access Scholarships 2009 $'000	Total 2010 $'000	Total 2009 $'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		699	1 593	30	42	4 448	5 117
Net accrual adjustments		502	(539)	-	(82)	642	(881)
Revenue for the period	2(c)	1 201	1 054	30	(40)	5 090	4 236
Surplus (Deficit) from the previous year		-	529	-	59	113	864
Total revenue including accrued revenue		1 201	1 583	30	19	5 203	5 100
Expenses including accrued expenses		(1 201)	(1 583)	(26)	(19)	(4 833)	(4 987)
Surplus (Deficit) for reporting period		-	-	4	-	370	113

(3) Includes National Priority and National Accommodation Priority scholarships respectively.

45.4 DIISR Research

University only

	Note	Joint Research Engagement Program 2010 $'000	Joint Research Engagement Program 2009 $'000	Research Training Scheme 2010 $'000	Research Training Scheme 2009 $'000	Commercialisation Training Scheme 2010 $'000	Commercialisation Training Scheme 2009 $'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		6 075	5 796	10 189	10 077	101	86
Net accrual adjustments		-	-	-	-	-	-
Revenue for the period	2(d)	6 075	5 796	10 189	10 077	101	86
Surplus (Deficit) from the previous year		955	1 923	-	-	229	179
Total revenue including accrued revenue		7 030	7 719	10 189	10 077	330	265
Expenses including accrued expenses		(6 782)	(6 764)	(10 189)	(10 077)	(115)	(36)
Surplus (Deficit) for reporting period		248	955	-	-	215	229

University only

		Research Infrastructure Block Grants 2010 $'000	Research Infrastructure Block Grants 2009 $'000	Implementation Assistance Programme 2010 $'000	Implementation Assistance Programme 2009 $'000	Australian Scheme for Higher Education Repositories 2010 $'000	Australian Scheme for Higher Education Repositories 2009 $'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		3 058	3 023	58	112	-	220
Net accrual adjustments		-	-	-	-	-	-
Revenue for the period	2(d)	3 058	3 023	58	112	-	220
Surplus (Deficit) from the previous year		795	344	-	-	261	273
Total revenue including accrued revenue		3 853	3 367	58	112	261	493
Expenses including accrued expenses		(3 815)	(2 572)	(20)	(112)	(261)	(232)
Surplus (Deficit) for reporting period		38	795	38	-	-	261

45.4 DIISR Research (continued)

		University only			
		Sustainable Research Excellence in Universities		Total	
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)	Note	2010 $'000	2009 $'000	2010 $'000	2009 $'000
		1 359	-	20 840	19 314
Net accrual adjustments		-	-	-	-
Revenue for the period	2(d)	1 359	-	20 840	19 314
Surplus (Deficit) from the previous year		-	-	2 240	2 719
Total revenue including accrued revenue		1 359	-	23 080	22 033
Expenses including accrued expenses		(1 159)	-	(22 341)	(19 793)
Surplus (Deficit) for reporting period		200	-	739	2 240

45.5 Other capital funding

		University only					
		Better Universities Renewal Fund		Teaching and Learning Capital Fund		Total	
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)	Note	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
		-	-	-	8 790	-	8 790
Net accrual adjustments		-	-	-	-	-	-
Revenue for the period	2(f)	-	-	-	8 790	-	8 790
Surplus (Deficit) from the previous year		5 560	8 901	8 790	-	14 350	8 901
Total revenue including accrued revenue		5 560	8 901	8 790	8 790	14 350	17 691
Expenses including accrued expenses		(5 487)	(3 341)	(550)	-	(6 037)	(3 341)
Surplus (Deficit) for reporting period		73	5 560	8 240	8 790	8 313	14 350

45.6 Australian Research Council Grants

(a) Discovery

		University only			
		Projects		Fellowships	
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)	Note	2010 $'000	2009 $'000	2010 $'000	2009 $'000
		2 418	2 696	527	429
Net accrual adjustments		123	179	-	-
Revenue for the period	2(g)(i)	2 541	2 875	527	429
Surplus (Deficit) from the previous year		1 873	1 523	317	167
Total revenue including accrued revenue		4 414	4 398	844	596
Expenses including accrued expenses		(2 426)	(2 525)	(500)	(279)
Surplus (Deficit) for reporting period		1 988	1 873	344	317

		University only			
		Indigenous Researchers Development		Total	
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		2010 $'000	2009 $'000	2010 $'000	2009 $'000
		66	-	3 011	3 125
Net accrual adjustments		-	-	123	179
Revenue for the period	2(g)(i)	66	-	3 134	3 304
Surplus (Deficit) from the previous year		-	-	2 190	1 690
Total revenue including accrued revenue		66	-	5 324	4 994
Expenses including accrued expenses		(38)	-	(2 964)	(2 804)
Surplus (Deficit) for reporting period		28	-	2 360	2 190

(b) Linkages

		University only					
		Special Research Initiatives		Infrastructure		International	
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)	Note	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
		5 679	2 987	650	1 087	85	182
Net accrual adjustments		(3 553)	(1 801)	(33)	281	-	-
Revenue for the period	2(g)(ii)	2 126	1 186	617	1 368	85	182
Surplus (Deficit) from the previous year		1 253	192	176	-	183	4
Total revenue including accrued revenue		3 379	1 378	793	1 368	268	186
Expenses including accrued expenses		(860)	(125)	(477)	(1 192)	(174)	(3)
Surplus (Deficit) for reporting period		2 519	1 253	316	176	94	183

		University only			
		Projects		Total	
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		2010 $'000	2009 $'000	2010 $'000	2009 $'000
		1 119	1 222	7 533	5 478
Net accrual adjustments		125	240	(3 461)	(1 280)
Revenue for the period	2(g)(ii)	1 244	1 462	4 072	4 198
Surplus (Deficit) from the previous year		963	869	2 575	1 065
Total revenue including accrued revenue		2 207	2 331	6 647	5 263
Expenses including accrued expenses		(1 105)	(1 368)	(2 616)	(2 688)
Surplus (Deficit) for reporting period		1 102	963	4 031	2 575

(c) Networks and Centres

		University only					
		Research Networks		Research Centres		Total	
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)	Note	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
		-	-	-	-	-	-
Net accrual adjustments		-	4	315	143	315	147
Revenue for the period	2(g)(iii)	-	4	315	143	315	147
Surplus (Deficit) from the previous year		33	111	32	(7)	65	104
Total revenue including accrued revenue		33	115	347	136	380	251
Expenses including accrued expenses		(33)	(82)	(136)	(104)	(169)	(186)
Surplus (Deficit) for reporting period		-	33	211	32	211	65

45.7 OS-HELP

		University only	
		Total^	
	Note	2010 $'000	2009 $'000
Cash received during the reporting period		304	99
Cash spent during the reporting period		248	99
Net cash received		56	-
Cash surplus (deficit) from the previous period		145	145
Cash surplus (deficit) for reporting period	2(i)	201	145

^ OS-HELP is not included in income. The university effectively acts as a transfer agency with regard to the OS-HELP monies received from the Australian Government.

45.8 Superannuation supplementation

		University only	
		Total	
	Note	2010 $'000	2009 $'000
Cash received during the reporting period		1 704	1 425
University contribution in respect of current employees		258	281
Cash available		1 962	1 706
Cash surplus (deficit) from the previous period		(77)	56
Cash available for current period		1 885	1 762
Contributions to specified benefit funds		(1 985)	(1 839)
Cash surplus (deficit) this period	2(i)	(100)	(77)

Department of Further Education, Employment, Science and Technology

Functional responsibility

Establishment

The Department of Further Education, Employment, Science and Technology (DFEEST) is established as an administrative unit pursuant to the PSA. DFEEST's Chief Executive is responsible to the Minister for Employment, Training and Further Education and the Minister for Science and Information Economy.

Functions

DFEEST's main function is to provide vocational education and training through Training and Further Education (TAFE) institutes and other providers. For details of DFEEST's functions refer note 1 to the financial statements.

Audit mandate and coverage

Audit authority

Audit of the financial report

Subsection 31(1) (b) of the PFAA provides for the Auditor-General to audit the accounts of DFEEST for each financial year.

Assessment of controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by DFEEST in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls.

During 2010-11, specific areas of audit attention included:

- expenditure, including grants and accounts payable
- employee benefits
- revenue, including student fees and receivables
- cash management, including bank reconciliations
- fixed assets
- general ledger.

The work of internal audit was considered in planning and conducting the audit programs.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Department of Further Education, Employment, Science and Technology as at 30 June 2011, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Department of Further Education, Employment, Science and Technology in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised under 'Communication of audit matters' are sufficient to provide reasonable assurance that the financial transactions of the Department of Further Education, Employment, Science and Technology have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive. Responses to the audit matters were considered satisfactory. The main matters raised with DFEEST and the related responses are considered herein.

Payroll and human resources

Bona fide certificates

Consistent with previous years' audit findings managers were not always reviewing and returning bona fide certificates on a timely basis.

DFEEST responded that the process of bona fides has been re-addressed with HR Operations and a more targeted approach is being taken with non-complying managers.

System access levels incompatible with duties

Certain Shared Services SA (SSSA) payroll services officers are responsible for calculating and disbursing DFEEST payroll. These officers can also create positions within the Empower payroll system which is incompatible with their payroll processing duties.

DFEEST responded that SSSA will continue to create particular position numbers in Empower on behalf of DFEEST, however DFEEST will implement an audit report to validate new position numbers created by payroll services.

Empower user access reports

DFEEST does not review user access as SSSA is not providing user access reports.

DFEEST responded that HR Systems has added the Empower Users - Audit Report to the 2011-12 audit schedules to be reported on a quarterly basis and validated by the HR Systems team and HR Operations.

Hourly paid instructors

Timesheets for hourly paid instructors were not always being adequately reviewed.

DFEEST responded that a new system to pay hourly paid instructors will be implemented which, along with regular reporting, will address this issue.

Expenditure

Draft service design and operating level responsibilities

The SSSA Procure to Pay - Accounts Payable Service Design and Operating Level Responsibility (OLR) had not been finalised and signed. The OLR provides specific information about service elements.

DFEEST responded that it has submitted suggested improvements to SSSA for the Procure to Pay - Accounts payable Service Level Design and OLR.

Purchase orders

The DFEEST procurement policy provides that purchase orders must be raised for all DFEEST purchases, except for those exempted in the appendix to the policy.

In some instances DFEEST is not using purchase orders for relevant goods and services acquired.

DFEEST responded that procurement business partners will be advised to monitor non-compliance and advise persons not raising purchase orders to raise them. A quarterly review of a sample of invoices paid in the BASWARE purchasing system will be undertaken by Procurement to identify non-compliance.

Goods and services received

DFEEST officers are not recording all receipts of goods and services against their related purchase order in BASWARE. This has resulted in purchase orders remaining open in BASWARE despite the Department having received the goods and services ordered.

DFEEST responded that procurement business partners will be advised to monitor non-compliance and ensure appropriate receipting occurs.

Accounts payable reporting framework

SSSA was not providing system generated reports to DFEEST throughout the financial year to assist in the management of purchase orders, delegations and user access levels.

DFEEST responded it will discuss with SSSA the requirement for the final version of the accounts payable OLR to include these reports. It further advised that while the reports are not currently requirements of the OLR, the reports have been received and checked for accuracy and validity by DFEEST officers during the second half of the 2010-11 year.

e-Procurement control environment at SSSA

The audit review of the Department’s expenditure processes considered controls implemented by SSSA for the common e-Procurement systems. The e-Procurement systems were implemented during 2010-11 and provide a common automated systems platform for processing procurement and accounts payable transactions.

The review identified a number of areas of control weakness in the e-Procurement systems control environment at SSSA. The audit findings were communicated to SSSA and agencies at the conclusion of the review.

SSSA has advised proposed action to address the audit findings and recommendations. This matter is discussed in more detail in the Department of Treasury and Finance section of this Report.

Student revenue

Audit review focussed on TAFE SA Northern - Regency campus. However, findings may apply to all institutes where similar controls exist. The main control issue identified was that DFEEST did not consistently reconcile ARPOS (the receipting system) to the student management system (SMS) throughout the year.

DFEEST officers are currently investigating both December 2010 and June 2011 SMS-ARPOS audit reports and have resolved approximately 20 percent of outstanding reconciliation issues. The balance of outstanding issues will be investigated and resolved where possible by 30 November 2011.

Interpretation and analysis of the financial report

Highlights of the financial report

	2011 $'million	2010 $'million
Income		
Commonwealth Government grants	28	66
Student and other fees and charges	95	100
Other income	13	13
Total income	136	179
Expenses		
Employee benefits	283	291
Supplies and services	158	156
Grants and subsidies	74	72
Other expenses	20	19
Total expenses	535	538
Net cost of providing services	399	359
Net revenues from SA Government	382	399
Net result	(17)	40
Other comprehensive income		
Changes in property, plant and equipment asset revaluation surplus	(2)	-
Change in financial assets available for sale revaluation surplus	1	1
Total comprehensive result	(18)	41
Net cash provided by (used in) operating activities	-	50
Assets		
Current assets	84	105
Non-current assets	657	664
Total assets	741	769

	2011 $'million	2010 $'million
Liabilities		
Current liabilities	63	73
Non-current liabilities	57	57
Total liabilities	120	130
Total equity	621	639

Statement of Comprehensive Income

Expenses

Expenses decreased by $3 million to $535 million.

This is due mainly to a decrease in employee benefits expense of $8 million. TVSPs decreased by $14.3 million as the number of TVSPs paid decreased from 161 to 36.

This was offset by:

- an increase in salaries and wages of $4.9 million due to enterprise bargaining increases
- an increase in long service leave of $1.5 million partially due to the change in the DTF benchmark from seven to 6.5 years.

Employee benefits expense decreases were partially offset by increases in the costs of supplies and services of $1.8 million, grants and subsidies of $2.2 million and depreciation and amortisation of $1.4 million.

The main expense of DFEEST is employee benefits. Employee benefits of $283 million constituted 53 percent of total expenses. Other major expenses were $158 million for supplies and services and $75 million in grants and subsidies.

Income

Income decreased by $43 million to $136 million.

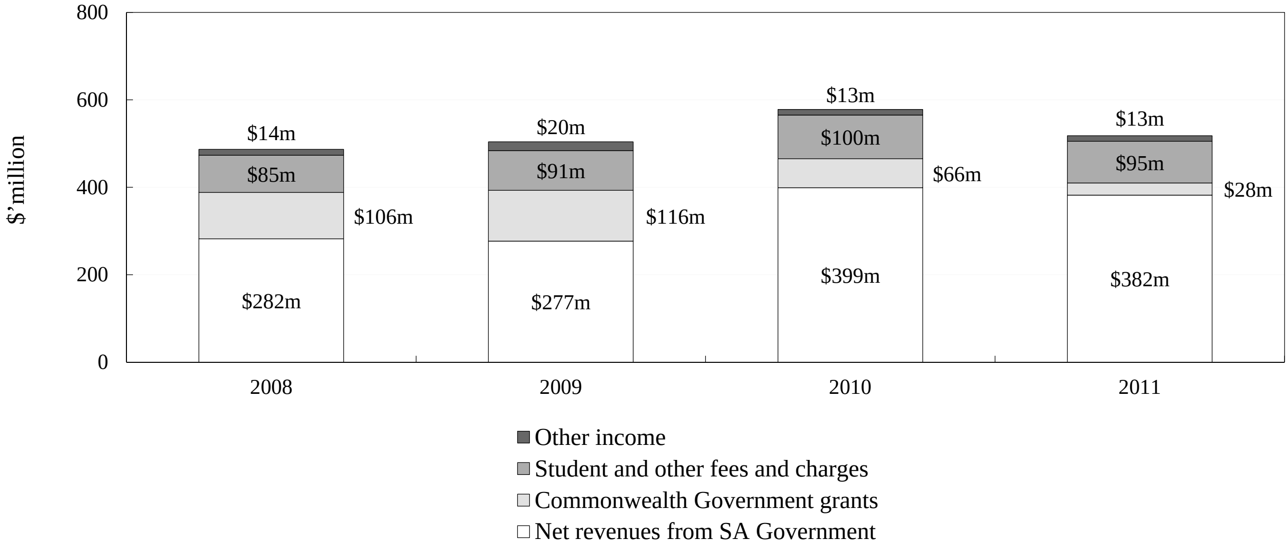
This is mainly due to a decrease in Commonwealth grants of $37.4 million. This is predominantly due to a decrease in funding for the following programs for the year:

- Productivity Places program revenue decreased by $18.5 million. As at 30 June 2010 DFEEST had commitments of $19.6 million against Commonwealth grants received in 2009-10, requiring less funding in 2010-11
- Training Infrastructure Investment for Tomorrow and Better TAFE Facilities were two components of the Commonwealth's Teaching and Learning Capital Fund for Vocational Education and Training. These decreased by $16.8 million and $13.2 million respectively as they were one year capital programs.

These were offset by a number of new programs totalling $11.6 million in revenue.

In addition, student and other fees and charges decreased by $5.4 million mainly due to a decrease in fee for service income from overseas students.

A structural analysis of DFEEST's income, including net revenues from the SA Government, for the four years to 2011 is presented in the following chart.



The chart shows the principal source of funding for DFEEST is the net revenues from the SA Government which totalled $382 million in 2010-11. The decrease in 2010-11 was mainly due to:

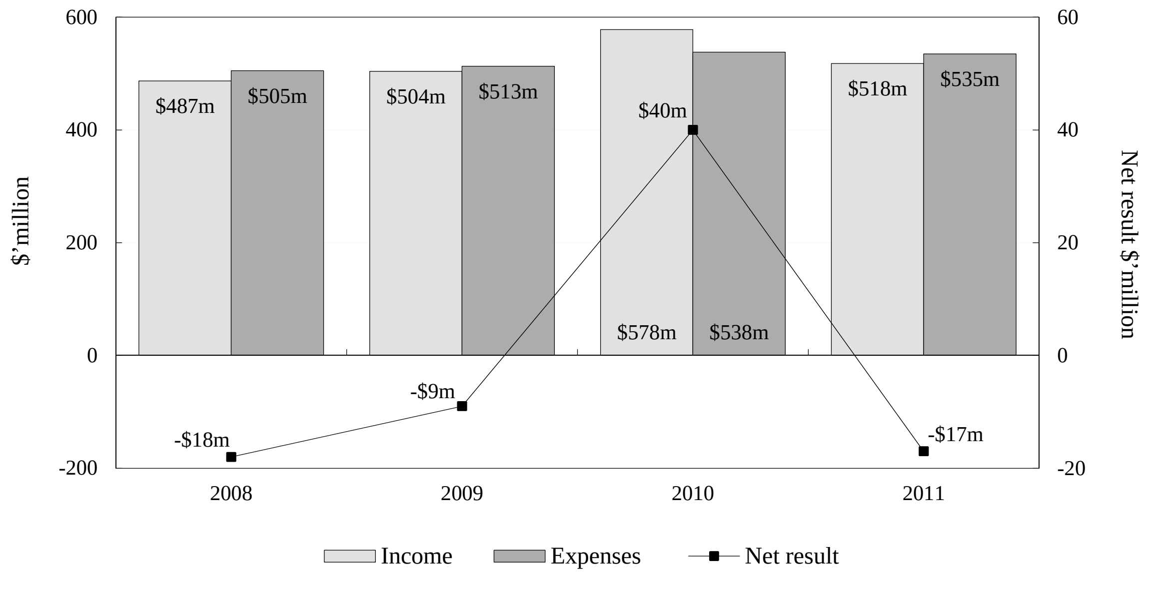
- a decrease in appropriation transfers from contingency provisions of $20.7 million relating to funding of TVSPs ($5.9 million) and the Productivity Places Program pilot program ($7.3 million)
- a decrease in accrual appropriation $2.4 million.

These decreases were offset by an increase in appropriations from Consolidated Account of $9.1 million.

Further, student and other fees and charges were increasing up to 2009-10. In 2010-11 this decreased by $5.3 million. Overseas students' fee for service revenue decreased by $2.6 million due to the effect of the strong Australian dollar and changed visa requirements.

Net result

The following chart shows the movement in income, expenses and the net result for the four years to 2011.



The net result for the 2010-11 year was a deficit of $17 million (surplus of $40 million). The change in net result is attributable mainly to:

- a decrease in Commonwealth Government grants of $38 million
- a decrease in net revenues from the SA Government of $17 million (for explanation of movement refer to commentary under 'Income')
- a decrease in student and other fees and charges income of $5 million
- a decrease in employee benefits expense of $8 million.

Statement of Financial Position

The Statement of Financial Position shows that the most significant items are:

	2011 $'million	2010 $'million
Assets:		
Cash and cash equivalents	65	86
Property, plant and equipment	636	651
Liabilities:		
Employee benefits	76	72

Property, plant and equipment is the most dominant item in the Statement of Financial Position, representing 86 percent of total assets. This item has decreased by $15 million due mainly to depreciation expense of $19 million and a revaluation decrement on revaluation of libraries of $2.4 million. This was offset by capital additions of $8.8 million.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2011.

	2011 $'million	2010 $'million	2009 $'million	2008 $'million
Net cash flows				
Operating	-	49.8	11.8	24.1
Investing	(21.4)	(41.1)	(7.1)	(9.5)
Financing	-	(0.5)	(0.5)	-
Change in cash	(21.4)	8.2	4.2	14.6
Cash at 30 June	64.6	86	77.8	73.6

Cash as at 30 June 2011 is $64.6 million. Of this amount, $59.8 million is held in an Accrual Appropriation Excess Funds Account which can only be used with the Treasurer or Under Treasurer's approval. DFEEST has current liabilities of $33.2 million (excluding provisions and employee entitlements).

Further commentary on operations

Student information system

In June 2009, the Department entered into a contract with an external party for $18.1 million over 10 years for the licensing of the student information system and to assist with the implementation and configuration of the system. The project planning and implementation of the system will total $20.4 million over three years from 2009-10. The new web-based system will manage student academic and financial records from initial enquiries, admission, enrolment, payment of fees, allocation of classes, recording of results and progression to completion and graduation.

The system went live on 14 June 2011 with the core elements of the students' lifecycle. This enables students to be admitted and register for classes, pay fees and view their results and academic history online.

As at 30 June 2011, the capitalised cost of the system was $12.9 million. Additional functionality will be delivered over the coming 12 months and it is expected that the system will be fully operational in 2012.

A review of aspects of the implementation process will be undertaken by Audit in 2011-12.

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Expenses:			
Employee benefits	5	282 907	290 632
Supplies and services	6	157 975	156 180
Grants and subsidies	7	74 553	72 305
Depreciation and amortisation	8	19 299	17 854
Net loss from the disposal of non-current assets	15	469	131
Other expenses	9	482	687
Total expenses		535 685	537 789
Income:			
Commonwealth grants	11	28 386	65 792
Student and other fees and charges	12	95 231	100 607
Other grants and contributions	13	8 305	9 889
Investment income	14	323	11
Other income	16	4 118	3 219
Total income		136 363	179 518
Net cost of providing services		399 322	358 271
Revenues from (Payments to) SA Government:			
Revenues from SA Government	17	394 688	408 633
Payments to SA Government	17	(12 643)	(9 923)
Total revenues from (payments to) SA Government		382 045	398 710
Net result		(17 277)	40 439
Other comprehensive income:			
Changes in property, plant and equipment asset revaluation surplus		(2 374)	-
Change in financial assets available-for-sale revaluation surplus	29	1 108	685
Total comprehensive result		(18 543)	41 124

Net result and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash and cash equivalents	18	64 675	85 981
Receivables	19	17 041	17 898
Inventories	23	887	972
Non-current assets classified as held for sale	20	1 578	-
Total current assets		84 181	104 851
Non-current assets:			
Receivables	19	239	248
Investments	29	4 999	3 891
Property, plant and equipment	21	635 681	650 691
Intangibles	22	15 895	9 909
Total non-current assets		656 814	664 739
Total assets		740 995	769 590
Current liabilities:			
Payables	24	27 612	39 407
Employee benefits	25	27 777	23 898
Provisions	26	2 101	1 934
Unearned revenue	27	4 827	7 211
Other current liabilities	28	753	1 135
Total current liabilities		63 070	73 585
Non-current liabilities:			
Payables	24	1 984	2 023
Employee benefits	25	48 114	48 379
Provisions	26	7 091	6 306
Total non-current liabilities		57 189	56 708
Total liabilities		120 259	130 293
Net assets		620 736	639 297
Equity:			
Retained earnings	31	395 220	412 515
Financial assets available-for-sale revaluation surplus	31	2 395	1 287
Asset revaluation surplus	31	223 121	225 495
Total equity		620 736	639 297

Total equity is attributable to the SA Government as owner

	Note
Unrecognised contractual commitments	32
Contingent assets and liabilities	33

Statement of Changes in Equity
for the year ended 30 June 2011

	Note	Asset revaluation surplus $'000	Financial assets available-for-sale revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2009		225 495	602	370 929	597 026
Error correction		-	-	(550)	(550)
Changes in accounting policy	3	-	-	400	400
Restated balance at 30 June 2009		225 495	602	370 779	596 876
Net result for 2009-10		-	-	40 439	40 439
Change in financial assets available-for-sale		-	685	-	685
Total comprehensive result for 2009-10		-	685	40 439	41 124
Net assets transferred as a result of an administrative restructure		-	-	140	140
Balance at 30 June 2010		225 495	1 287	411 358	638 140
Changes in accounting policy	3	-	-	1 303	1 303
Error correction		-	-	(146)	(146)
Restated balance at 30 June 2010		225 495	1 287	412 515	639 297
Net result for 2010-11		-	-	(17 277)	(17 277)
Change in financial assets available-for-sale	29	-	1 108	-	1 108
Loss on revaluation of library during 2010-11		(2 374)	-	-	(2 374)
Total comprehensive result for 2010-11		(2 374)	1 108	(17 277)	(18 543)
Net assets received as a result of an administrative restructure	34	-	-	(18)	(18)
Balance at 30 June 2011		223 121	2 395	395 220	620 736

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

Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011 Inflows (Outflows) $'000	2010 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefit payments		(277 944)	(291 016)
Payments for supplies and services		(182 142)	(177 081)
Payments for grants and subsidies		(74 553)	(72 305)
GST paid to the ATO		(4 215)	(4 126)
Other payments		(292)	(835)
Cash used in operations		(539 146)	(545 363)
Cash inflows:			
Commonwealth grants		28 386	65 792
Student and other fees and charges		96 519	97 878
Other grants and contributions		8 305	9 831
Interest received		38	11
GST recovered from the ATO		19 650	18 566
Dividends received		285	-
Other receipts		3 969	4 453
Cash generated from operations		157 152	196 531
Cash flows from SA Government:			
Receipts from SA Government		394 688	408 633
Payments to SA Government		(12 643)	(9 923)
Cash generated from SA Government		382 045	398 710
Net cash provided by (used in) operating activities	37	51	49 878
Cash flows from investing activities:			
Cash outflows:			
Purchase of property, plant and equipment		(15 811)	(34 418)
Purchase of intangibles		(5 557)	(7 338)
Cash used in investing activities		(21 368)	(41 756)
Cash inflows:			
Proceeds from property, plant and equipment		11	613
Cash generated from investing activities		11	613
Net cash provided by (used in) investing activities		(21 357)	(41 143)
Cash flows from financing activities:			
Cash outflows:			
Cash transferred as a result of restructuring activities		-	(542)
Net cash provided by (used in) financing activities		-	(542)
Net increase (decrease) in cash and cash equivalents		(21 306)	8 193
Cash and cash equivalents at 1 July		85 981	77 788
Cash and cash equivalents at 30 June	18	64 675	85 981

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2011

(Activities - refer note 4)	Employment and Skills Formation							
	Vocational Education and Training		Learning, Workforce Participation and Workforce Development		Regulatory Services		International and Higher Education	
	2011	2010	2011	2010	2011	2010	2011	2010
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefits	253 907	270 987	18 588	11 326	5 638	4 067	1 565	872
Supplies and services	148 931	148 810	5 972	4 856	1 058	1 279	1 020	222
Grants and subsidies	20 430	29 454	30 039	15 471	-	360	1 630	1 617
Depreciation and amortisation	19 299	17 854	-	-	-	-	-	-
Net loss on disposal of assets	469	122	-	5	-	2	-	-
Other expenses	450	651	15	18	12	13	2	1
Total expenses	443 486	467 878	54 614	31 676	6 708	5 721	4 217	2 712
Income:								
Commonwealth grants	19 722	65 068	8 621	573	1	4	-	1
Student and other fees and charges	94 461	99 974	93	118	654	512	9	-
Other grants and contributions	5 003	8 619	3 126	1 266	1	1	-	2
Investment income	295	11	18	-	5	-	2	-
Other income	3 688	2 894	92	-	38	184	82	18
Total income	123 169	176 566	11 950	1 957	699	701	93	21
Net cost of providing services	320 317	291 312	42 664	29 719	6 009	5 020	4 124	2 691
Revenues from (payments to) SA Government:								
Revenues from SA Government	311 668	339 750	46 918	29 845	6 009	5 870	4 092	4 281
Payments to SA Government	(12 643)	(9 923)	-	-	-	-	-	-
Net result	(21 292)	38 515	4 254	126	-	850	(32)	1 590

(Activities - refer note 4)	Science, Technology and Innovation							
	Science and Innovation		Information Economy		Bioscience Industry Development		Innovation Investment	
	2011	2010	2011	2010	2011	2010	2011	2010
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefits	2 492	1 483	717	1 897	-	-	-	-
Supplies and services	509	528	485	485	-	-	-	-
Grants and subsidies	12 217	13 362	1 579	2 898	6 882	7 556	1 776	1 587
Depreciation and amortisation	-	-	-	-	-	-	-	-
Net loss on disposal of assets	-	1	-	1	-	-	-	-
Other expenses	2	2	1	2	-	-	-	-
Total expenses	15 220	15 376	2 782	5 283	6 882	7 556	1 776	1 587
Income:								
Commonwealth grants	-	44	42	102	-	-	-	-
Student and other fees and charges	10	1	4	2	-	-	-	-
Other grants and contributions	175	-	-	1	-	-	-	-
Investment income	2	-	1	-	-	-	-	-
Other income	145	90	73	33	-	-	-	-
Total income	332	135	120	138	-	-	-	-
Net cost of providing services	14 888	15 241	2 662	5 145	6 882	7 556	1 776	1 587
Revenues from (payments to) SA Government:								
Revenues from SA Government	14 702	15 062	2 641	4 682	6 882	7 556	1 776	1 587
Payments to SA Government	-	-	-	-	-	-	-	-
Net result	(186)	(179)	(21)	(463)	-	-	-	-

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2011 (continued)

	Total	
	2011	2010
Expenses:	$'000	$'000
Employee benefits	282 907	290 632
Supplies and services	157 975	156 180
Grants and subsidies	74 553	72 305
Depreciation and amortisation	19 299	17 854
Net loss on disposal of assets	469	131
Other expenses	482	687
Total expenses	535 685	537 789
Income:		
Commonwealth grants	28 386	65 792
Student and other fees and charges	95 231	100 607
Other grants and contributions	8 305	9 889
Interest income	323	11
Other income	4 118	3 219
Total income	136 363	179 518
Net cost of providing services	399 322	358 271
Revenues from (payments to) SA Government:		
Revenues from SA Government	394 688	408 633
Payments to SA Government	(12 643)	(9 923)
Net result	(17 277)	40 439

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2011

(Activities - refer note 4)	Employment and Skills Formation							
	Vocational Education and Training		Learning, Workforce Participation and Workforce Development		Regulatory Services		International and Higher Education	
	2011	2010	2011	2010	2011	2010	2011	2010
Assets:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	-	-	-	-	-	-
Receivables	12 529	12 232	66	-	154	637	1	4
Inventories	887	972	-	-	-	-	-	-
Non-current assets held for sale	1 578	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	4 999	3 891
Property, plant and equipment	634 977	650 497	444	115	141	39	39	6
Intangibles	15 895	9 909	-	-	-	-	-	-
Total assets	665 866	673 610	510	115	295	676	5 039	3 901
Liabilities:								
Payables	20 218	26 443	1 483	1 947	92	55	22	109
Employee benefits	67 630	66 939	5 340	2 942	1 619	1 306	302	178
Provisions	-	-	-	-	-	-	-	-
Unearned revenue	4 827	7 211	-	-	-	-	-	-
Other liabilities	464	1 031	5	5	-	1	1	-
Total liabilities	93 139	101 624	6 828	4 894	1 711	1 362	325	287
Net assets	572 727	571 986	(6 318)	(4 779)	(1 416)	(686)	4 714	3 614

(Activities - refer note 4)	Science, Technology and Innovation							
	Science and Innovation		Information Economy		Bioscience Industry Development		Innovation Investment	
	2011	2010	2011	2010	2011	2010	2011	2010
Assets:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	-	-	-	-	-	-
Receivables	4	2	-	22	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Non-current assets held for sale	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Property, plant and equipment	61	15	19	19	-	-	-	-
Intangibles	-	-	-	-	-	-	-	-
Total assets	65	17	19	41	-	-	-	-
Liabilities:								
Payables	455	15	462	142	-	-	-	-
Employee benefits	838	407	162	505	-	-	-	-
Provisions	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-
Total liabilities	1 293	422	624	647	-	-	-	-
Net assets	(1 228)	(405)	(605)	(606)	-	-	-	-

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2011 (continued)

(Activities - refer note 4)	General/ Not attributable		Total	
	2011	2010	2011	2010
Assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents	64 675	85 981	64 675	85 981
Receivables	4 526	5 249	17 280	18 146
Inventories	-	-	887	972
Non-current assets held for sale	-	-	1 578	-
Investments	-	-	4 999	3 891
Property, plant and equipment	-	-	635 681	650 691
Intangibles	-	-	15 895	9 909
Total assets	69 201	91 230	740 995	769 590
Liabilities:				
Payables	6 864	12 719	29 596	41 430
Employee benefits	-	-	75 891	72 277
Provisions	9 192	8 240	9 192	8 240
Unearned revenue	-	-	4 827	7 211
Other liabilities	283	98	753	1 135
Total liabilities	16 339	21 057	120 259	130 293
Net assets	52 862	70 173	620 736	639 297

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Agency objectives and funding

(a) Objectives

To develop the skills and capability of the State's workforce and to maximise the opportunities for all South Australians to engage in work.

The portfolio plays a central role in achieving 14 of South Australia's Strategic Plan targets in the areas of employment, education and training, and science, technology and innovation.

The Department of Further Education, Employment, Science and Technology (the Department) undertakes a range of functions in order to meet its objectives and contribute to the achievement of South Australia's Strategic Plan objectives and targets. This includes:

- in conjunction with the Training and Skills Commission, the provision of strategic policy advice for developing the State's workforce
- ensuring high quality vocational education and training (VET) delivered by TAFE institutes, private registered training organisations and adult community education providers
- regulation of VET organisations, university and non-university higher education providers, and providers of English language intensive courses for overseas students
- regulation, administration and funding of apprenticeships and traineeships
- managing State funded employment and community development programs
- supporting the Government's strategic direction in the higher education sector
- raising the profile of South Australia in the international education market place
- developing policies and strategies, and delivery of programs, that create opportunities for Aboriginal people, young people, people with a disability and older workers
- provision of strategic advice and delivery of programs in the areas of science, technology, information economy and innovation policy.

(b) Funding

The Department is predominantly funded by State Government appropriations supplemented by Commonwealth grants. In addition income is generated from sales and a fee-for-service. These include:

- student fees and charges
- training for various organisations
- sale of curriculum material
- hire of facilities and equipment.

The financial activities of the Department are primarily conducted through a Special Deposit Account with DTF pursuant to section 8 of the PFAA. The Special Deposit Account is used for funds provided by State Government appropriation, Commonwealth grants and revenues from fees and charges.

(c) Principals of consolidation

Associates

Associates are all entities over which the Department has significant influence but not control, generally accompanying a shareholding of between 20 percent and 50 percent of the voting rights.

The Minister for Employment, Training and Further Education has a 100 percent interest in Austraining International Pty Ltd (Austraining). Although the Minister has control over Austraining it is not considered part of the Department's operations. The Department cannot influence the decisions of Austraining, nor can the Department dominate the financial and operational policies of Austraining. Consequently, Austraining has not been consolidated in the accounts. The value of Austraining is shown in the Statement of Financial Position under Investments.

Details of the investment in Austraining are set out in note 29.

The Minister for Employment, Training and Further Education has a 25 percent interest in SABRENet. SABRENet was registered on 28 September 2005 as a non-profit company limited by guarantee and has been recognised by the ATO as a tax exempt entity. The founding members are the three South Australian universities and the SA Government. The objects for which the company was established are to be a non-profit institution to further the use of advanced data networking for the conduct of research and education in South Australia for the benefit of South Australia and for the purposes of economic and social advancement in Australia generally. While the Minister has significant influence over SABRENet, his interest in SABRENet is limited to his use of SABRENet's asset (the network). That is, the Minister receives no return for its interest in SABRENet. SABRENet is not accounted for using the equity method as the Minister does not have access to the residual assets of the entity.

Institute councils are established under section 28 of the *Technical and Further Education Act 1975*. The council works with the directors of the TAFE institutes in the development of the business plans and monitors the performance of the institutes. At 30 June 2011 the three institute councils held an aggregate balance of $1.4 million. This balance is held in an interest bearing section 21 deposit account with DTF.

Joint venture entities

The Department has a 25 percent interest in the South Australian Tertiary Admissions Centre (SATAC). The interests in this joint venture are not considered to be material to the Department's core activities. Consequently, they have not been taken up in the accounts on an equity basis as per AASB 131.

SATAC is a joint venture of the three South Australian universities and the Minister for Education, Training and Employment. SATAC receives and processes undergraduate and postgraduate applications for admission to TAFE SA, Charles Darwin University and the three universities in South Australia.

2. Summary of significant accounting policies

(a) Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and TIs and APS promulgated under the provision of the PFAA.

Except for AASB 2009-12, which the Department has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2010. These are outlined in note 3.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Department's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APS require the following note disclosures, that have been included in these financial statements:

  (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items applies

  (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)

  (c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees

  (d) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement

  (e) employee TVSP information.

The Department'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 historical cost convention, except for certain assets that have been valued in accordance with the valuation policy applicable.

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

The financial statements have been prepared based on a 12 month 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 2011 and the comparative information presented for the year ended 30 June 2010.

(c) Reporting entity

The Department is a government department of the State of South Australia, established pursuant to the PSA. The Department is an administrative unit acting on behalf of the Crown.

The financial statements and accompanying notes reflect the use of assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right. Transactions and balances relating to administered resources are not recognised as departmental income, expense, assets and liabilities. As administered items are insignificant in relation to the Department's overall financial performance and position, they are disclosed in summary in note 39.

Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

(d) Transferred functions

The Public Sector (Reorganisation of Public Sector Operations) Notice 2010 (dated 1 July 2010) declared that the Bragg Institute and Royal Institution of Australia (RiAus) were transferred from DPC to the Department, effective 1 July 2010 (refer note 34).

(e) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or APSs has required a change. Where presentation or classification of items in the financial statements has been amended, comparative amounts have been reclassified unless reclassification is impracticable.

The restated comparative amounts do not replace the original financial statements for the preceding period.

(f) Income and expenses

Income and expenses 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.

Income

Income is recognised to the extent that it is probable that the flow of economic benefits to the Department will occur and can be reliably measured. The following are specific recognition criteria:

- Income from fees and charges is derived from the provision of goods and services to other SA Government agencies and to other clients and is recognised when invoices are raised.
- Income from disposal of non-current assets is recognised when control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount.
- Income from grants is recognised upon receipt of funding.
- Interest income is recognised as it accrues. Dividend income is recognised only when it is declared.
- Contribution income is recognised when control of the contribution or the right to receive the contribution and the income recognition criteria are met.
- Appropriations for program funding are recognised as revenues when the Department obtains control over the funding. Control over appropriations is normally obtained upon their receipt.

Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy.

Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Department will occur and can be reliably measured.

The following are specific recognition criteria:

- *Employee benefits expense*

  Employee benefits expense includes all costs related to employment including wages and salaries and leave entitlements. These are recognised when incurred.

  In regards to superannuation expenses, the amount charged to the Statement of Comprehensive Income represents the contributions made by the Department to the superannuation plan in respect of current services of current departmental staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

- *Grant expenses*

  Grants are amounts provided by the Department to entities for capital, specific or recurrent purposes and the name or category reflects the use of the grant. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation. The grants are paid when the conditions set out in the contract or correspondence are met.

(g) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Department has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(h) Events after the end of the reporting period

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years (refer note 35).

(i) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position include cash at bank and on hand.

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash at bank and cash on hand.

Cash is measured at nominal value.

(j) Receivables

Receivables include amounts receivable from trade, prepayments and other accruals.

Trade receivables arise in the normal course of providing goods and services to other agencies and to the public. Trade receivables are generally receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

The recoverability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Department will not be able to collect the debt.

(k) Inventory

Inventories include goods and other property held either for sale or distribution at no or nominal cost in the ordinary course of business.

Inventories held for distribution at no or nominal consideration, are measured at cost and adjusted when applicable for any loss of service potential. Inventories held for sale are measured at the lower of cost or their net realisable value.

Cost is assigned to low volume inventory items on a specific identification of cost basis.

Inventories comprise of learning modules, food and wine, wine making equipment, books, stationery, hair and beauty products and timber supplies.

The amount of any inventory write-down to net realisable value/replacement cost or inventory losses is recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are recognised as an expense reduction.

Bases used in assessing loss of service potential for inventory held for distribution at no or minimal cost include current replacement cost and technological or functional obsolescence.

(l) Non-current assets held for sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed one year from the date of classification.

Non-current assets classified as held for sale are presented separately from the other assets in the Statement of Financial Position.

(m) Property, plant and equipment

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 (excluding land) are subsequently measured at fair value less accumulated depreciation. Where assets are acquired for no consideration, or minimal value, they are recorded at their fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements then the assets are recognised at book value, ie the amount recorded by the transferor public authority immediately prior to the restructure.

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than $1 million.

Revaluation of non-current assets

All non-current assets are valued at written down current cost (a proxy for fair value); and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than three years.

Revaluation of non-current assets (continued)
Every three years, the Department revalues its land, buildings, improvements and libraries. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any revaluation increment is credited to the asset revaluation surplus, except to the extent that it reverses a revaluation decrement of the same asset class previously recognised as an expense, in which case the increase is recognised as income in the Statement of Comprehensive Income.

Any revaluation decrement is recognised in the Statement of Comprehensive Income as an expense, except to the extent that it offsets a previous revaluation increment for the same asset class, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in the revaluation surplus for that asset class.

The valuation methodology applied to specific classes of non-current assets under revaluations is as follows:

Land
Land is recorded on the basis of existing use market value. The most recent valuations for land were conducted as at 30 June 2009 by Liquid Pacific and Valcorp Aust Pty Ltd, independent valuers, on the basis of existing use market value.

Buildings and improvements
Buildings and improvements are valued at written down current cost. The building data provided in the statements relates specifically to buildings, paved areas, utility reticulation, fencing, sheds and other site infrastructure assets. The most recent valuations for building and infrastructure assets were conducted as at 30 June 2009 by Liquid Pacific and Valcorp Aust Pty Ltd, independent valuers, on the basis of written down current cost.

Buildings under construction are recorded as work in progress and are valued at cost.

Library collection
The library collection is recorded at replacement value. The most recent valuation was carried out as at 30 June 2011 by the Australian Valuation Office, an independent valuer, on the basis of depreciated replacement cost (a proxy for fair value).

Plant and equipment
Items of plant and equipment are recorded at fair value less accumulated depreciation.

All plant and equipment assets with a value of $10 000 or greater are capitalised.

Items under $10 000 are recorded in the Statement of Comprehensive Income as an expense in the accounting period in which they are acquired.

Intangibles
An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The Department only has intangible assets with finite lives. The amortisation period for the intangible assets is reviewed on an annual basis.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to $10 000.

All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 are expensed.

(n) Impairment
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. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

For revalued assets an impairment loss is offset against the asset revaluation surplus.

(o) Depreciation of non-current assets

Non-current assets are systematically depreciated/amortised using the straight-line method of depreciation over their useful lives. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to tangible assets such as property, plant, equipment and libraries. All assets are depreciated/amortised from the first day of the acquisition month. This method is considered to reflect the consumption of their service potential. The Department reviews useful lives of assets annually.

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

Depreciation/amortisation is calculated on a straight-line basis over the estimated useful life of the following classes of assets as follows:

	Useful life (years)
Buildings	15-60
Improvements	5-25
Paved areas	40-50
Computing and communication equipment	1-20
Other plant and equipment	1-47
Library collection	12-15
Intangibles	10-15

(p) Payables

Payables include creditors, accrued expenses and employment on-costs.

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 the Department.

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.

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

Employee benefit on-costs include superannuation contributions, workers compensation and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave.

Payroll tax is a State tax levied on total gross salary paid plus (non-cash) benefits and employer superannuation contributions. The estimated amount of payroll tax payable in respect of employee benefits liabilities is also shown as a payable in the Statement of Financial Position. Any increase or decrease in the level of required payroll tax provision is charged as an increase or decrease in the payroll tax expense in the Statement of Comprehensive Income. The payroll tax liability is only payable when employee benefits are paid.

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

(q) Employee benefits and employment related liabilities

Liabilities have been established for various employee benefits arising from services rendered by employees to balance date. Employee benefits include entitlements to wages and salaries, long service leave, annual leave and non-attendance days. Long-term benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Non-attendance days are accrued annually for employees engaged under the *Technical and Further Education Act 1975* but are non-cumulative.

Employment related expenses include on-costs such as employer superannuation and payroll tax on employee entitlements together with the workers compensation insurance premium. These are reported under ‘Payables’ as on-costs on employee benefits (refer note 24).

Salaries, wages, annual leave and non-attendance days
Liabilities for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

Long service leave
The liability for long service leave is recognised after an employee has completed 6.5 years of service. An actuarial assessment of long service leave undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Department's experience of employee retention and leave taken.

Sick leave
Sick leave is not provided for in the financial report, as it is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

(r) Financial assets (investment)

In accordance with AASB 139 other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held to maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Available-for-sale financial assets
Certain shares held are classified as being available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation surplus, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation surplus is included in profit or loss for the period. This category includes investments classified as 'available-for-sale' and any investments that do not fit the definitions for inclusion in any of the categories contained in AASB 139. Consequently it should not be assumed that the Department has plans to dispose of these assets.

(s) Provisions

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

Provisions are recognised when the Department 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.

When the Department expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Statement of Financial Position date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

(t) Leases

The Department has entered into a number of operating lease agreements, as lessee, for buildings and other facilities where the lessors effectively retain all risks and benefits incidental to ownership of the items held under the operating leases.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased assets.

Details of commitments of current non-cancellable operating leases are disclosed at note 32.

(u) Accounting for taxation

The Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST, Emergency Services levy and local government rate equivalents.

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

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

The net amount of GST recoverable from, or payable to, the ATO 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 is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

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

(v) Financial guarantees

At the time a financial guarantee contract is issued, it is recognised as a liability initially measured at fair value. If there is a material increase in the likelihood that the guarantee may have to be exercised, the financial guarantee is measured at the higher of the amount determined in accordance with AASB 137 and the amount initially recognised less cumulative amortisation, where appropriate.

In the determination of fair value, consideration is given to the following factors:

- the overall capital management/prudential supervision framework in operation
- the protection provided by the State Government by way of funding should the probability of default increase
- the probability of default by the guaranteed party
- the likely loss to the Department in the event of default.

The Department has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2011 (there was no material liability recognised for financial guarantee contracts in 2010).

Whilst no liability has been recognised for financial guarantee contracts, further note disclosures relating to financial guarantees are contained at note 33.

(w) Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

(x) Rounding

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

3. Changes in accounting policies

In accordance with the amendments to APS 4.8 within APF II, effective 1 July 2010, the Department has disclosed all employees whose normal remuneration is equal to or greater than the base executive level remuneration. Previously APS 4.8 within APF II required the Department to disclose all employees whose normal remuneration was equal to or greater than $100 000. This change is reflected in note 5.

During 2010-11 the Department changed various asset policies to improve alignment with DTF's APF III. These changed policies have resulted in the recognition of intangible assets above $10 000 for the period ending 30 June 2011 as well as the recognition of intangible assets above $10 000 in prior periods. The impact on prior periods has been disclosed within the statement of Changes in Equity.

Except for AASB 2009-12, which the Department has early-adopted, the AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the period ending 30 June 2011. The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Department.

4. Activities and subactivities

Activity: ***Employment and Skills Formation***

Description/Objective: To strengthen the economic prosperity and social well being of South Australians through strategic employment, skills formation and workforce development.

Subactivity: *Vocational Education and Training*

Provision of post-secondary VET by TAFE SA and other registered training organisations including:

- resource allocation of contestable and non-contestable funds
- funding of apprenticeships and traineeships
- support for post-secondary training and education
- providing state and national policy advice.

Subactivity: *Learning, Workforce Participation and Workforce Development*

Addressing the State's economic development and social inclusion objectives by:

- providing opportunities for people to participate in employment, training, skills development, and adult community education
- meeting the current and future labour and skill needs of industry
- providing state and national policy advice.

Subactivity: *Regulatory Services*

Administering the State's further education and training system through:

- provision of registration, accreditation and approval services for registered training organisations
- quality oversight of the state vocational education system, through the Training and Skills Commission
- administration of apprenticeships and traineeship system
- providing state and national policy advice.

Subactivity: *International and Higher Education*

Supporting the development of Adelaide as a centre for education, international education and South Australian education exports including the provision of marketing services, analysis and student and community support.

Provision of high-level strategic policy advice to the Minister on higher education policy and planning.

Activity: ***Science, Technology and Innovation***

Description/Objective: Provides the Government's principal strategic focus for science, technology, information economy and innovation policy development and program delivery that links government, business, industry and education sectors.

Subactivity: *Science and Innovation*

Provision of high level strategic advice to the Minister on maximising economic, environmental and social benefits from the State's scientific research and innovation by:

- identifying strategic priorities for State Government investment
- raising awareness and understanding of the benefits of science and innovation amongst government, business and the community
- facilitating coordinated and strategic bids for Commonwealth grants
- facilitating coordination of education and research activity with end-user (industry) requirements to maximise the benefits for South Australia.

Subactivity: *Information Economy*

Provision of high level strategic policy advice to the Minister and Government on the information economy and the ICT sector that:

- raises awareness and understanding of the information economy among government, business, industry and education providers
- develops strategy and facilities programs and projects relevant to promoting the information economy
- facilitate bids for significant Commonwealth grants.

Subactivity: *Bioscience Industry Development*

Development of the bioscience industry through providing assistance in business development, finance, infrastructure and marketing.

Subactivity: *Innovation Investment*

Provision of seed capital and business guidance to innovative companies commercialising research and development.

5. Employee benefits

	Note	2011 $'000	2010 $'000
Salaries and wages (including annual leave)		227 305	222 387
Superannuation		23 888	23 543
Payroll tax		13 020	12 942
Long service leave		10 340	8 876
Workers compensation		3 730	3 827
TVSPs		3 681	18 006
Other employee related costs		943	1 051
Total employee benefits		282 907	290 632

TVSPs

	Note	2011 $'000	2010 $'000
Amount paid to these employees:			
TVSPs		3 681	18 006
Annual leave and long service leave paid during the period		1 178	5 233
		4 859	23 239
Funding from DTF	17	3 307	9 152
Net amount paid to employees		1 552	14 087

The number of employees who were paid TVSPs during the reporting period was 36 (161).

Remuneration of employees The number of employees whose remuneration received or receivable falls within the following bands:	2011 Number (including TVSPs	2010 Number
$127 500 - $130 699[(i)]	-	2
$130 700 - $140 699	15	5
$140 700 - $150 699	6	4
$150 700 - $160 699	4	8
$160 700 - $170 699	2	4
$170 700 - $180 699	5	3
$180 700 - $190 699	2	2
$190 700 - $200 699	-	2
$200 700 - $210 699	2	2
$210 700 - $220 699	1	-
$220 700 - $230 699	4	2
$230 700 - $240 699	1	1
$260 700 - $270 699	2	1
$270,700 - $280 699	-	1
$280 700 - $290 699	-	1
$300 700 - $310 699[(ii)]	1	-
$310 700 - $320 699	-	1
$320 700 - $330 699[(iii)]	2	1
$340 700 - $350 699[(ii)(iii)]	1	1
$350 700 - $360 699[(ii)(iii)]	1	2
$360 700 - $370 699[(ii)]	2	-
$380 700 - $390 699[(iii)]	-	1
$450 700 - $460 699[(ii)]	1	-
Total	52	44

(i) This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2009-10.

(ii) This bandwidth includes employees that have received TVSPs during 2010-11.

(iii) This bandwidth includes employees that have received TVSPs during 2009-10.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, separation packages, FBT and any other salary sacrifice benefits.

The total remuneration received by these employees for the year was $10.3 million ($8.7 million).

For 2010-11, the above figures include six non-executive employees (five in 2009-10) who took TVSPs during the year.

The total remuneration received by these employees for the year was $2.2 million ($1.7 million).

For 2010-11, the above figures include four non-executive employees (one) who received leave paid on termination payments during the year but were not paid TVSPs.

Accounting policy change

In accordance with the revised APF II, the Department has changed it's accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who have received remuneration equal or greater than $100 000. The impact of this change in accounting policy is the number of employees disclosed (including TVSPs) has reduced by 260 for 2011 and 218 for 2010.

6. Supplies and services

	2011 $'000	2010 $'000
Funding to non-TAFE providers for VET	45 474	41 731
Printing and consumables	10 667	11 737
Minor works, maintenance and equipment	18 731	19 076
Information technology infrastructure and communications	20 498	17 730
Fees - contracted services (including consultants)	17 710	18 642

6. Supplies and services (continued)

	2011 $'000	2010 $'000
Trainee and apprenticeship reimbursements	733	996
Utilities	7 251	7 601
Cleaning	9 398	9 699
Vehicle and travelling expenses	6 742	6 717
Rentals and leases	6 233	6 193
Books, materials and copyright	3 031	3 501
SATAC and student support	1 932	2 113
Other	9 575	10 444
Total supplies and services	157 975	156 180
Supplies and services provided by entities within the SA Government:		
Funding to non-TAFE providers for VET	2 381	712
Minor works, maintenance and equipment	15 072	13 986
Information technology infrastructure and communications	3 716	3 142
Fees - contracted services (including consultants)	8 089	8 476
Utilities	1 357	1 335
Cleaning	7 986	8 404
Vehicle and travelling expenses	2 878	3 005
Rentals and leases	4 267	4 252
Other	538	562
Total supplies and services - SA Government entities	46 284	43 874

The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO due to the Department not holding a valid tax invoice or payments relating to third party arrangements.

Consultancies

	2011		2010	
The number and dollar amount of consultancies paid/payable (included in supplies and services) that fell within the following bands:	Number	$'000	Number	$'000
Below $10 000	1	10	5	21
Between $10 000 and $50 000	3	62	4	129
Above $50 000	1	88	1	57
Total paid/payable to the consultants engaged (GST exclusive)		160		207

7. Grants and subsidies

	2011 $'000	2010 $'000
Employment programs	24 029	22 116
VET programs	12 125	8 223
Science and information economy programs	22 444	25 250
Tertiary student transport concessions	11 157	10 965
National training infrastructure program	2 135	4 526
Other specific grants	2 663	1 225
Total grants and subsidies	74 553	72 305
Grants and subsidies paid/payable to entities within the SA Government:		
Employment programs	1 787	4 022
VET programs	80	1 919
Science and information economy programs	11 179	12 048
Tertiary student transport concessions	11 157	10 965
National training infrastructure program	128	107
Other specific grants	974	312
Total grants and subsidies - SA Government entities	25 305	29 373

8. Depreciation and amortisation

Buildings and improvements	14 481	13 283
Plant and equipment	2 275	2 300
Library	2 282	2 235
Intangibles	261	36
Total depreciation and amortisation	19 299	17 854

9. Other expenses

	Note	2011 $'000	2010 $'000
Audit fees	10	290	283
Allowance for doubtful debts and debt write-offs		190	394
Other		2	10
Total other expenses		482	687

10. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department	260	247
Other audit fees	30	36
Total auditor's remuneration paid/payable	290	283

No other services were provided by the Auditor-General's Department.

11. Commonwealth grants

Productivity Places program	8 437	26 907
Pre-Apprenticeship Training	3 493	-
Language Literacy and Numeracy Delivery Statewide	3 322	-
Indigenous Employment Program projects	2 610	-
National Training Infrastructure program	1 540	1 228
Australian Flexible Learning Framework	1 498	-
Group Training Scheme	1 189	1 311
Training Infrastructure Investment for Tomorrow	935	17 765
Better TAFE Facilities	732	13 903
Aged Care Workforce	689	-
National VET Data Strategy Action Group	500	500
Remote Indigenous Public Internet Access	42	42
Targeting Skills Needs in Regions	-	170
Skills subgroup	-	895
TAFE fee waivers for childcare qualifications	580	640
Other specific Commonwealth revenue	2 819	2 431
Total Commonwealth grants	28 386	65 792

2010-11 commitments

The Productivity Places program received $8.4 million of Commonwealth revenue in 2010-11 which was fully spent.

As part of the Pre-Apprenticeship Training program, $3.5 million was received in 2010-11 to deliver the Apprentice Kickstart Pre-Apprenticeship project under the National Partnership Agreement on Pre-Apprenticeship Training, of which $1.8 million is committed to be spent in 2011-12.

The Language Literacy and Numeracy Delivery Statewide program received $3.3 million of Commonwealth revenue in 2010-11 which was fully spent.

The Indigenous Employment Programs projects received $2.6 million of Commonwealth contributions in 2010-11 of which a commitment exists to spend the funding in the 2011-12 and 2012-13 financial years. The purpose of the funding is for six Aboriginal projects - Mentoring Aboriginal Apprentices; Mentoring Aboriginal People in Mining; Try a Trade Workshops; Pre-Employment Training; Up-skilling Indigenous Workers; Industry Clusters Training Support.

The National Training Infrastructure program received $1.5 million of Commonwealth contributions in 2010-11 which is committed to be spent in 2011-12 and out years. The committed funds are for the provision and development of skills centres and capital equipment.

The Aged Care Workforce program received $700 000 in 2010-11 of which $500 000 is committed to be spent in 2011-12 as part of providing personal care workers opportunities to upgrade their qualifications.

The National VET Data Strategy Action Group received $500 000 in 2010-11, of which a commitment exists to spend $400 000 for the agreed projects of the Action Group during 2011-12 financial year. The committed funds are for the purpose of progress work of the National VET Data Strategy.

2009-10 commitments

The Productivity Places program received $26.9 million of Commonwealth revenue in 2009-10, of which a commitment exists to spend $19.6 million in the 2010-11 financial year.

2009-10 commitments (continued)

The National Training Infrastructure program received $1.2 million of Commonwealth contributions in 2009-10 of which a commitment exists to spend $1.2 million in the 2010-11 financial year. The committed funds are for the provision and development of skills centres and capital equipment.

The Department has received $1.3 million of Commonwealth revenue for the Group Training Scheme in the financial year, $200 000 of which will be incurred in the 2010-11 financial year.

The National VET Data Strategy Action Group received a $500 000 one-off grant, of which a commitment exists to utilise $300 000 for the agreed projects of the Action Group during 2010-11 financial year. The committed funds are for the purpose of progress work of the National VET Data Strategy.

The Skills Sub Group received a $900 000 one-off grant, of which a commitment exists to spend $800 000 for projects which align to national priorities.

The Department has received $42 000 of Commonwealth revenue for the Remote Indigenous Public Internet Access in the financial year, $17 000 of which will be incurred in the 2010-11 financial year.

		Note	2011 $'000	2010 $'000
12.	**Student and other fees and charges**			
	Sales/fee-for-service revenue		57 697	63 370
	Student enrolment fees and charges		32 059	33 696
	Other user fees and charges		5 475	3 541
	Total fees and charges		95 231	100 607
	Fees and charges received/receivable from entities within the SA Government:			
	Sales/fee-for-service revenue		1 782	1 345
	Student enrolment fees and charges		1 874	931
	Other user fees and charges		563	189
	Total fees and charges - SA Government entities		4 219	2 465
13.	**Other grants and contributions**			
	Grants and subsidies revenue		3 065	4 458
	Miscellaneous contributions		733	854
	Donations		49	59
	Grants from entities within the SA Government		4 458	4 518
	Total other grants and subsidies		8 305	9 889
14.	**Investment income**			
	Dividends	17	285	-
	Interest from entities external to the SA Government		38	11
	Total investment income		323	11
15.	**Net gain (loss) from disposal of non-current assets**			
	Land and buildings:			
	Proceeds from disposals		-	560
	Net book value of assets disposed		(245)	(419)
	Net gain (loss) on disposals		(245)	141
	Plant and equipment:			
	Proceeds from disposals		11	53
	Net book value of assets disposed		(235)	(325)
	Net gain (loss) on disposals		(224)	(272)
	Total assets:			
	Proceeds from disposals		11	613
	Net book value of assets disposed		(480)	(744)
	Net gain (loss) on disposals		(469)	(131)

16. Other income

	2011 $'000	2010 $'000
Reimbursement of travel	107	-
Recoup of salaries	201	859
Insurance recoveries	311	-
Grant recoveries	579	-
Sundry income	2 920	2 360
Total other income	4 118	3 219

17. Revenues from (payments to) SA Government

	2011	2010
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	382 039	372 944
Accrual appropriation	9 177	11 563
Appropriation transfers from contingency[(1)]	3 472	24 126
	394 688	408 633
Payments to SA Government:		
Return of surplus cash pursuant to cash alignment policy	(11 221)	(9 923)
Other payments to Consolidated Account[(2)]	(1 422)	-
	(12 643)	(9 923)
Total revenues from (payments) to SA Government	382 045	398 710

(1) Includes an amount of $3.3 million ($9.2 million) for funding of TVSP payments (refer note 5).
(2) Includes payments to DTF for dividends received and land sales.

18. Cash and cash equivalents

	2011	2010
Deposits with the Treasurer	59 823	51 707
Special Deposit Account with DTF	4 798	34 209
Cash on hand	54	65
Total cash and cash equivalents	64 675	85 981

Deposits with the Treasurer

Comprises funds held in the Accrual Appropriation Excess Funds Account. The balances of these funds are not available for general use (ie funds can only be used in accordance with the Treasurer's/Under Treasurer's approval).

Interest rate risk

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

19. Receivables

	2011 $'000	2010 $'000
Current:		
Fees and charges receivable	13 230	13 111
Allowance for doubtful debts	(2 076)	(2 471)
Prepayments	1 322	1 602
GST recoverable from the ATO	4 201	5 523
Other receivables	364	133
Total current receivables	17 041	17 898
Non-current:		
Workers compensation receivable	239	248
Total non-current receivables	239	248
Total receivables	17 280	18 146
Receivables from SA Government entities:		
Receivables	983	1 492
Workers compensation receivable	239	248
Prepayments	14	-
Total receivables from SA Government entities	1 236	1 740

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired.

An allowance for impairment loss has been recognised in 'Other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movement in the allowance for doubtful debts	2011	2010
	$'000	$'000
Carrying amount at 1 July	2 471	2 204
Increase in the allowance	192	420
Amounts written off	(587)	(153)
Carrying amount at 30 June	2 076	2 471

Interest rate 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.

(a) Maturity analysis of receivables - refer note 38.3.
(b) Categorisation of financial instruments and risk exposure information - refer note 38.

20. Non-current assets held for sale	2011	2010
	$'000	$'000
Land at fair value	1 578	-
Balance at 30 June	1 578	-

During 2010-11 land at the old Victor Harbor site was identified as surplus to requirements. It is anticipated that the land at Victor Harbor will be sold by 30 June 2012.

21. Property, plant and equipment

Land and buildings:		
Land at fair value	154 212	155 790
Buildings and improvements at fair value/cost	938 489	924 378
Accumulated depreciation	(481 473)	(468 325)
Construction work in progress	2 065	12 562
	613 293	624 405
Plant and equipment:		
Plant and equipment at cost (deemed fair value)	33 457	32 498
Accumulated depreciation	(17 891)	(17 149)
	15 566	15 349
Libraries:		
Libraries at valuation	21 660	29 877
Accumulated depreciation	(14 838)	(18 940)
	6 822	10 937
Total property, plant and equipment at fair value	1 149 883	1 155 105
Total accumulated depreciation at 30 June	(514 202)	(504 414)
Total property, plant and equipment	635 681	650 691

Valuation of libraries

The valuation of libraries was performed by Kim Adams and Ian Noble, independent valuers from the Australian Valuation Office, as at 30 June 2011.

Impairment

There were no indications of impairment of property and plant and equipment assets at 30 June 2011.

Reconciliations

Reconciliations of the carrying amount of each class of non-current assets at the beginning and end of the current financial year are set out below:

2011	Land at fair value $'000	Buildings and imprvmnts $'000	Plant and equipment $'000	Construction work in progress $'000	Libraries at valuation $'000	Total $'000
Carrying amount at 1 July	155 790	456 053	15 349	12 562	10 937	650 691
Additions	-	-	2 727	5 482	541	8 750
Disposals	-	(245)	(235)	-	-	(480)
Net revaluation increment (decrement)	-	-	-	-	(2 374)	(2 374)
Other movements	(1 578)	15 689	-	(15 979)	-	(1 868)
Depreciation	-	(14 481)	(2 275)	-	(2 282)	(19 038)
Carrying amount at 30 June	154 212	457 016	15 566	2 065	6 822	635 681
2010						
Carrying amount at 1 July	154 715	440 851	15 405	1 621	12 583	625 175
Additions	1 075	-	2 569	39 426	589	43 659
Disposals	-	-	(325)	-	-	(325)
Net revaluation increment (decrement)	-	-	-	-	-	-
Other movements	-	28 485	-	(28 485)	-	-
Depreciation	-	(13 283)	(2 300)	-	(2 235)	(17 818)
Carrying amount at 30 June	155 790	456 053	15 349	12 562	10 937	650 691

22. Intangibles

	2011 $'000	2010 $'000
Computer software	14 910	717
Accumulated amortisation	(297)	(36)
Intangible work in progress	1 282	9 228
Total computer software	15 895	9 909

The computer software predominantly relates to the Department's student information system with a remaining useful life of 10 years and carrying amount of $12.8 million.

The Department has a $1.06 million contractual commitment for the acquisition of the Phoenix information system, in 2011-12.

Impairment

There were no indications of impairment on intangible assets at 30 June 2011.

Reconciliations

2011	Intangibles $'000	Intangibles work in progress $'000	Total $'000
Carrying amount at 1 July	681	9 228	9 909
Additions	-	6 247	6 247
Disposals	-	-	-
Net revaluation increment (decrement)	-	-	-
Other movements	14 193	(14 193)	-
Amortisation	(261)	-	(261)
Carrying amount at 30 June	14 613	1 282	15 895
2010			
Carrying amount at 1 July	-	881	881
Additions	717	8 347	9 064
Disposals	-	-	-
Net revaluation increment (decrement)	-	-	-
Other movements	-	-	-
Amortisation	(36)	-	(36)
Carrying amount at 30 June	681	9 228	9 909

23. Inventories

	2011 $'000	2010 $'000
Inventories held for sale	492	513
Inventories held for distribution	395	459
Total inventories	887	972

24. Payables

	2011	2010
Current:	$'000	$'000
Creditors	12 999	23 294
Accrued expenses	9 833	11 729
Employment on-costs	4 711	4 276
Other	69	108
Total current payables	27 612	39 407
Non-current:		
Employment on-costs	1 984	2 023
Total non-current payables	1 984	2 023
Total payables	29 596	41 430
Payables to SA Government entities:		
Creditors	3 319	12 925
Accrued expenses	5 656	8 406
Employment on-costs	6 695	6 299
Total payables to SA Government entities	15 670	27 630

As a result of an actuarial assessment performed by DTF, the average factor for the calculation of employer superannuation cost on-cost has changed from the 2010 rate of 10.8 percent to 10.3 percent. These rates are used in the employment on-cost calculation.

Interest rate and credit risk
Creditors are raised for all amounts billed but unpaid and accruals are raised where goods and services are received but an invoice has not yet been received. Sundry creditors are normally settled within 30 days. Employment on-costs are settled when the respective employee benefit 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.

(a) Maturity analysis of payables - refer note 38.3.
(b) Categorisation of financial instruments and risk exposure information - refer note 38.

25. Employee benefits

	2011	2010
Current:	$'000	$'000
Annual leave	10 031	9 559
Long service leave	7 301	4 848
Accrued salaries and wages	5 213	4 451
Non-attendance days	5 232	5 040
Total current employee benefits	27 777	23 898
Non-current:		
Long service leave	48 114	48 379
Total non-current employee benefits	48 114	48 379
Total employee benefits	75 891	72 277

The total current and non-current employee benefits (ie aggregate employee benefit plus related on-costs) for 2011 is $32.4 million and $50.1 million respectively.

As a result of an actuarial assessment performed by DTF, the benchmark for the measurement of long service leave liability has changed from the 2010 benchmark seven years to 6.5 years.

The net financial effect of the changes in the current financial year is an increase in the long service leave liability of $400 000 and employee benefit expense of $400 000.

The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

26. Provisions

	2011	2010
	$'000	$'000
Current:		
Workers compensation	2 101	1 934
Total current provisions	2 101	1 934
Non-current:		
Workers compensation	7 091	6 306
Total non-current provisions	7 091	6 306
Total provisions	9 192	8 240
Carrying amount at 1 July	8 240	7 613
Additional provision recognised	952	627
Carrying amount at 30 June	9 192	8 240

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Branch of DPC. These claims are expected to be settled within the next financial year.

27. Unearned revenue

	2011	2010
	$'000	$'000
Unearned revenue from SA Government entities	-	278
Unearned revenue from non-SA Government entities	4 827	6 933
Total unearned revenue	4 827	7 211

28. Other liabilities

Current:		
Deposits	655	1 037
Other liabilities	98	98
Total current other liabilities	753	1 135

29. Investments

	Austraining International Pty Ltd	
	2011	2010
	$'000	$'000
Contributed capital in subsidiary company	400	400
Share of retained profit (percentage)	100	100

	2011	2010
Retained profits attributable to subsidiary company:	$'000	$'000
Balance at 1 July	3 891	3 206
Share of operating profit after income tax	1 108	685
Total investments as at 30 June	4 999	3 891

Austraining International Pty Ltd

Austraining International Pty Ltd, which has a reporting date of 30 June, is controlled by the Minister for Employment, Training and Further Education. Its principal activity is to secure international contracts for work in VET.

The current investment value is based on unaudited financial statements as at 30 June 2011.

30. Adjustments to equity

	Asset revaluation surplus	Financial asset available-for-sale revaluation surplus	Retained earnings	Total
2010	$'000	$'000	$'000	$'000
Balance at 1 July 2009	225 495	1 287	411 508	638 290
Prior period adjustments to work in progress	-	-	(696)	(696)
Change in accounting policy for intangibles	-	-	1 703	1 703
Total equity as at 30 June 2010	225 495	1 287	412 515	639 297

Changes in accounting policy

This reflects an adjustment for intangibles due to the Department changing its accounting policy (refer note 3). The transactions adjusted were previously recognised as expenses prior to 30 June 2010.

Prior period adjustments

This reflects an adjustment for transactions previously recognised as assets at 30 June 2010.

31. Equity

	2011 $'000	2010 $'000
Retained earnings	395 220	412 515
Asset revaluation surplus	223 121	225 495
Financial asset available-for-sale revaluation surplus	2 395	1 287
Total equity	620 736	639 297

The asset revaluation surplus is used to record increments and decrements in the fair value of land, buildings and libraries to the extent that they offset one another.

32. Unrecognised contractual commitments

Remuneration commitments

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	5 718	10 693
Later than one year and not later than five years	8 008	10 677
Total remuneration commitments	13 726	21 370

Amounts disclosed include commitments arising from executive contracts and hourly paid instructors. The Department does not offer remuneration contracts greater than five years.

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial statements are payable as follows:		
Within one year	1 934	7 406
Later than one year and not later than five years	681	-
Total capital commitments	2 615	7 406

The Department's capital commitments relate to acquisition and implementation of the Phoenix information system and construction works at Berri Trade Centre.

Other commitments

These amounts are due for payment:		
Within one year	28 167	31 040
Later than one year and not later than five years	57 337	60 710
Later than five years	1 561	2 342
Total other commitments	87 065	94 092

The Department's other commitments relate to agreements for Productivity Places program contracts, cleaning contracts and other procurement commitments.

Operating leases commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	6 627	5 925
Later than one year and not later than five years	26 984	24 761
Later than five years	3 660	9 089
Total operating lease commitments	37 271	39 775

The Department's operating leases are for office accommodation and equipment. Office accommodation is leased from Department for Transport, Energy and Infrastructure. The leases are non-cancellable with some leases having the right of renewal.

Rent is payable in arrears.

33. Contingent assets and liabilities

The Department is not aware of any contingent assets.

There are a number of outstanding personal injury and common law claims not settled as at 30 June 2011 with an estimated settlement value of $77 350.

The Minister for Employment, Training and Further Education has provided a $3 million guarantee to Austraining International Pty Ltd which has not been invoked as at 30 June 2011.

The Minister for Employment, Training and Further Education has entered an agreement to provide Le Cordon Bleu with a 10 year interest free loan of $7 million conditional upon Le Cordon Bleu entering into a building contract for the development of Le Cordon Bleu's city training facility.

34. Transferred functions

Transferred in

Under the Public Sector (Reorganisation of Public Sector Operations) Notice 2010 (dated 1 July 2010) the Bragg Initiative and Royal Institution of Australia (RiAus) functions were transferred from DPC to the Department. The Bragg Institute transfer included one employee and budget funding of $200 000. The RiAus transfer had no net financial impact.

On transfer of the Bragg Institute, the Department recognised the following liabilities:

	$'000
Payables	2
Employee benefits liability	16
Total liabilities	18

Total liabilities assumed by the Department as a result of the administrative restructure were at the carrying amount of those liabilities in the transferor's Statement of Financial Position immediately prior to transfer. The net liability has been charged directly to equity.

35. After balance day events

On 1 July 2011, the Department announced the establishment of the Office of TAFE SA. This new office will work with an interim TAFE SA Board to help re-direct TAFE SA towards demand-driven funding and increased contestability under the Skills for All initiative. 2011-12 will be a year of transition with the aim to establish TAFE SA as a statutory authority from July 2012. The Office will be given substantial autonomy to manage the operations of TAFE SA. To highlight the separation between purchaser and provider the Office of TAFE SA will report directly to the Minister assisting the Minister for Employment, Training and Further Education, who will have responsibility for TAFE SA.

The interim TAFE SA Board will be chaired by the Chief Executive of the Department and include key corporate executive members as well as external members.

The Chief Executive of the Department will remain responsible for the staffing and financial outcomes of TAFE SA until the proposed establishment of TAFE SA as a statutory authority from July 2012.

36. Remuneration of board and committee members

Members that were entitled to receive remuneration during the 2010-11 financial year were:

Training and Skills Commission appointed until 31 August 2010

Prof D Bradley, AC (Chair)
P Dowd
J Giles
Prof R Green
Prof R Harris
Dr M Keating, AC
A Smith
P Vaughan
P Wright
J Chapman (Deputy to P Vaughn)
I Curry (Deputy to J Giles)

Training and Skills Commission appointed from 1 September 2010 until 31 August 2012

A Smith (Chair)
M Silva (Deputy Chair)
Dr J Buchanan
A Coker
P Dowd
J Giles
Dr M Keating, AC
L Palmer
P Vaughan
I Curry (Deputy to J Giles)
T Cruickshank (Deputy to P Vaughn) (resigned June 2011)
S Powell (Deputy to L Palmer)

Training Regulation Reference Group (previously Quality Reference Group) appointed until 31 August 2010

A Smith (Chair)
I Curry
D Frith
G Peak
K Thiele

Training Regulation Reference Group appointed from 1 September 2010 until 31 August 2012

M Silva (Chair)
I Curry
D Syme
M Aubrey
D Frith

Adult Community Education Reference Group appointed until 31 August 2010

P Wright (Chair)
P Ronan
M Smith
K Daniel
S Schrapel

Adult Community Education Reference Group appointed from 1 September 2010 until 31 August 2012

J Giles(Chair)
S Ross
J McCormick
P Wright

Premier's Science Research Council

Prof D Bursill (Co-Chair)
Prof B Brook
Dr I Chessell (resigned December 2010)
Dr I Gould
Dr W Harch
Dr A Koltunow
Prof R Lewis
Prof A Lopez
R McLeod
Prof T Monro
D Mutton
Prof R Norman (resigned December 2010)
Dr L Read
Prof A Rumbold (resigned December 2010)
Prof P Tharenou
Dr G Todd

Audit Risk Management Committee

W Einarson
I McLachlan (resigned)

Arts Advisory Board

R Archer, AO (Chair)
S Bowers
R Clemente (resigned November 2010)
G Cobham
J Covernton
A Ford
S Grieve
K Gould
A Hann
M Hill-Smith
J Macdonnell

The number of members whose income from the entity falls within the following bands is:	2011 Number	2010 Number
$1 - $9 999	27	13
$30 000 - $39 999	8	6
$40 000 - $49 999	1	1
$50 000 - $59 999	-	1
Total	36	21

Remuneration of board members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was $300 000 ($300 000).

Amounts paid to a superannuation plan for board/committee members was $18 069 ($18 689).

In accordance with DPC Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.

Unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

37. Reconciliation of cash and cash equivalents

	2011 $'000	2010 $'000
Cash and cash equivalents disclosed in the Statement of Financial Position	64 675	85 981
Balance as per the Statement of Cash Flows	64 675	85 981

37. Reconciliation of cash and cash equivalents (continued)

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services

	2011 $'000	2010 $'000
Net cash provided by (used in) operating activities	51	49 878
Depreciation and amortisation	(19 299)	(17 854)
Loss on sale of assets	(469)	(131)
Prior period adjustments	-	467
Restructure	(18)	140
Decrease (Increase) in employee benefits	(3 614)	(218)
Increase (Decrease) in receivables	(866)	(2 900)
Increase (Decrease) in inventories	(85)	37
Decrease (Increase) in payables	5 209	1 693
Decrease (Increase) in unearned revenue	2 384	4 328
Decrease (Increase) in other liabilities	382	5 626
Decrease (Increase) in provisions	(952)	(627)
Revenues from government	(394 688)	(408 633)
Payments to government	12 643	9 923
Net cost of providing services	(399 322)	(358 271)

38. Financial instruments

38.1 Categorisation of financial instruments

Details of 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 note 2.

	Note	2011 Carrying amount $'000	2010 Carrying amount $'000
Financial assets			
Cash and cash equivalents	18	64 675	85 981
Receivables	19	17 280	18 146
Investments:			
Held to maturity investments	29	4 999	3 891
Financial liabilities			
Payables	24	29 596	41 430
Other liabilities	27,28	5 580	8 346
Total net financial assets at cost		51 778	58 242

All amounts recorded are carried at cost (not materially different from amortised cost) except for employee on-cost which are determined via reference to the employee benefit liability to which they relate.

Credit risk

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations resulting in financial loss to the Department. The Department measures credit risk on a fair value basis and monitors risk on a regular basis.

The Department has minimal concentration of credit risk. The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Department does not engage in high risk hedging for its financial assets.

Allowances for impairment of financial assets is calculated on past experience and current and expected changes in client credit rating. Currently the Department does not hold any collateral as security to any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer note 19 for information on the allowance for impairment in relation to receivables.

38.2 *Ageing analysis of financial assets*

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

	Past due by			
2011	Overdue for less than 30 days $'000	Overdue for 30-60 days $'000	Overdue for more than 60 days $'000	Total $'000
Not impaired:				
Receivables	13 877	538	2 865	17 280
Other financial assets	-	-	-	-
Impaired:				
Receivables	-	-	-	-
Other financial assets	-	-	-	-
2010				
Not impaired:				
Receivables	14 681	452	3 013	18 146
Other financial assets	-	-	-	-
2010				
Impaired:				
Receivables	-	-	-	-
Other financial assets	-	-	-	-

38.3 *Maturity analysis of financial assets and liabilities*

The following table discloses the maturity analysis of financial assets and financial liabilities.

	Contractual maturity			
2011	Carrying amount	Less than 1 year	1-5 years	More than 5 years
Financial assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents	64 675	64 675	-	-
Receivables	17 280	17 041	239	-
Other financial assets	4 999	-	-	4 999
Total financial assets	86 954	81 716	239	4 999
Financial liabilities:				
Payables	29 596	27 612	1 984	-
Other financial liabilities	5 580	5 580	-	-
Total financial liabilities	35 176	33 192	1 984	-
2010				
Financial assets:				
Cash and cash equivalents	85 981	85 981	-	-
Receivables	18 146	17 898	248	-
Other financial assets	3 891	-	-	3 891
Total financial assets	108 018	103 879	248	3 891
Financial liabilities:				
Payables	41 430	39 407	2 023	-
Other financial liabilities	8 346	8 346	-	-
Total financial liabilities	49 776	47 753	2 023	-

Liquidity risk

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The Department is funded principally from appropriations from the SA Government. The Department works with DTF to determine the cash flows associated with its government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

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

The carrying amount of financial liabilities recorded in note 38.1 represents the Department's maximum exposure to financial liabilities.

39. Administered items

	Minister's salary and allowances	
	2011	2010
	$'000	$'000
Administered expenses:		
Employee benefits	167	266
Total administered expenses	167	266
Administered income:		
Revenues from SA Government	167	266
Total administered income	167	266
Net result	-	-

Minister's salary and allowances

Minister's salary and allowances represents the amount pursuant to *Parliamentary Remuneration Act 1990*.

Department of Health

Functional responsibility

Establishment

The Department of Health (the Department) is an administrative unit established pursuant to the PSA.

The Department is responsible to the Minister for Health and the Minister for Mental Health and Substance Abuse.

Functions

The Department is charged with broad ranging policy and administrative responsibilities associated with health. One of the functions delegated to the Chief Executive of the Department under the *Health Care Act 2008* (the HC Act) is to ensure that there is proper allocation and use of resources between health regions and health services incorporated under the HC Act.

The health regions and health services that operated during the 2010-11 financial year were:

- Adelaide Health Service
- Children, Youth and Women's Health Service
- Country Health SA Hospital
- South Australian Ambulance Service.

Whole-of-health finance centralisation and new system

Prior to 2010-11 the health regions/services maintained their own financial systems (legacy systems) and were responsible for the production of their respective financial reports.

From 1 July 2010, the Department implemented the new Oracle Corporate System and centralised the finance functions of the health regions/services to the Department. Concurrent with the implementation of the new system the continuance of legacy systems has occurred at the health regions/services.

The Oracle Corporate System has resulted in the establishment and maintenance of a single general ledger for the Department and all health regions/services (ie the portfolio). Within the general ledger, each health region/service and the Department are identified by a business code. Hence there is interconnectivity between these legal entities which was not in existence under the previous legacy systems' arrangements.

A key feature of this interconnectivity is the way in which transactions between the Department and the health regions/services are accounted for using intercompany journals. These journals recognise the income and expense arising from transactions between the Department and health regions/services. In addition a receivable and payable will be recognised to reflect the fact that cash has not transferred to the applicable health region/service.

As a result, at balance date there are significant balances in the Department's Intercompany Account the other side of which will be reflected in the respective health region/service financial reports.

Further commentary on the implementation of the Oracle Corporate System is made in Part A of this Report.

Status of the financial report

The draft financial report of the Department for the year ended 30 June 2011 was received by 11 August 2011 as required by the PFAA.

The draft financial reports for the four health regions/services were not submitted by 11 August 2011. Audit was subsequently provided with a timetable outlining the dates the health regions/services financial reports were expected to be submitted. These dates ranged from 2 September 2011 to 23 September 2011.

Financial reports for the Children, Youth and Women's Health Service and the South Australian Ambulance Service were received on 2 September 2011. The Department has subsequently indicated that the financial reports for the Adelaide Health Service and Country Health SA Hospital will not be available until mid October and the end of October 2011 respectively.

Audit is of the opinion that the integrity of the financial report of the Department cannot be determined in isolation of the financial reports of the health regions/services. Accordingly, Audit determined that the financial report for the Department of Health for the year ended 30 June 2011 cannot be concluded until the audits of the financial reports of the health regions/services are finalised.

The audits of the Department's financial report and health regions/services' financial reports that had been submitted were continuing at the time of preparing this Report.

The audited financial report of the Department for the year ended 30 June 2011 and financial highlights of the health regions/services will be included in a Supplementary Report to Parliament.

HomeStart Finance

Functional responsibility

Establishment

HomeStart Finance (HomeStart) is a statutory corporation established by Regulation pursuant to the *Housing and Urban Development (Administrative Arrangements) Act 1995*. It has a Board of Management appointed by the Minister for Housing and is subject to the control and direction of the Minister.

Functions

HomeStart's functions include:

- lending money or providing other financial assistance to facilitate home ownership to persons of low to moderate income
- providing, marketing and managing home finance products
- providing, managing or facilitating finance for housing schemes or housing associations and of mortgage relief schemes within South Australia
- providing, managing or facilitating finance for the development, ownership or operation of aged care residential accommodation or facilities.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 27 of the *Housing and Urban Development (Administrative Arrangements) Act 1995* and subsection 31(1)(b) of the PFAA provide for the Auditor-General to audit the accounts of HomeStart for each financial year.

Assessment of controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by HomeStart in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls.

During 2010-11, specific areas of audit attention included:

- customer loans, including loan approvals, interest revenue, arrears management and allowance for impairment

- investments
- SAFA funding facility, including interest expense and derivative instruments
- payroll and expenditure
- regulatory framework
- general IT controls
- general ledger reconciliations and journals.

The audit included consideration of the work undertaken by HomeStart's internal audit function. Internal audit activities have been reviewed to assess the risks of material misstatement of the financial statements and to design and perform audit procedures.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of HomeStart Finance as at 30 June 2011, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by HomeStart Finance in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of HomeStart Finance have been conducted properly and in accordance with law.

Communication of audit matters

These were no notable control weaknesses identified for the specific areas covered by the audit. Some matters of a minor nature will be communicated to HomeStart after the completion of the financial statement audit process.

Interpretation and analysis of the financial report

Highlights of the financial report

	2011 $'million	2010 $'million
Interest income	134	103
Interest expense	85	67
Net interest income	49	36
Other income	15	16
Other expenses	(48)	(35)
Profit (loss) before income tax equivalents	16	17
Income tax equivalents expense	(5)	(5)
Profit after income tax equivalents expense	11	12
Derivative gain (loss)	3	4
Total comprehensive result	14	16

	2011 $'million	2010 $'million
Assets		
Loans and advances	1 817	1 650
Other assets	121	110
Total assets	1 938	1 760
Liabilities		
Borrowings	1 761	1 585
Other liabilities	19	20
Total liabilities	1 780	1 605
Total equity	158	155

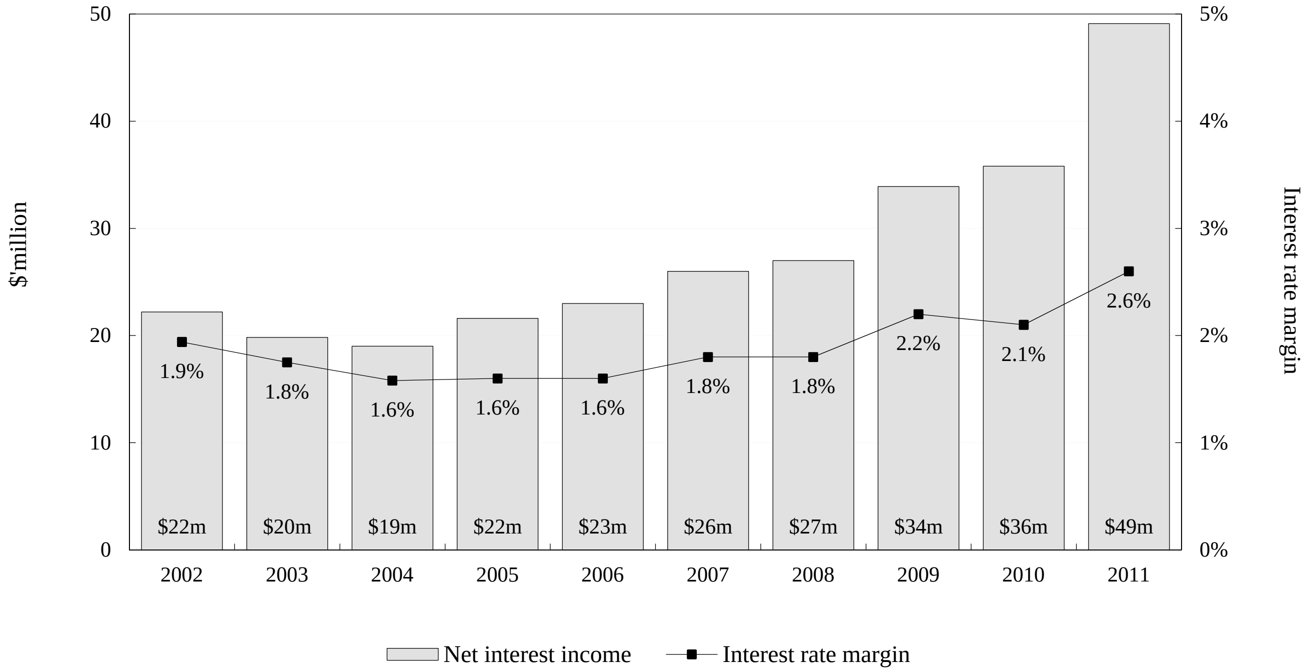
Statement of Comprehensive Income

Profit for the year

Profit after income tax equivalents decreased by $879 000 to $10.9 million. Primary factors contributing to this decrease are outlined hereunder.

Net interest income

The following chart compares the net interest income to the interest rate margin between loans and cost of funds.



Net interest income increased by $13.3 million, or 37 percent, to $49.1 million. The increase was due mainly to a combination of an increase in loans and advances of 10 percent and an increase in the interest rate margin between loans and cost of funds from 2.1 percent to 2.6 percent. The increase in the margin was sufficient to cover the increase in the Government guarantee fee (refer to 'Expenses other than interest').

The chart shows that over the last three years the interest rate margin between loans and cost of funds is higher than the preceding years, with a substantial increase in 2011.

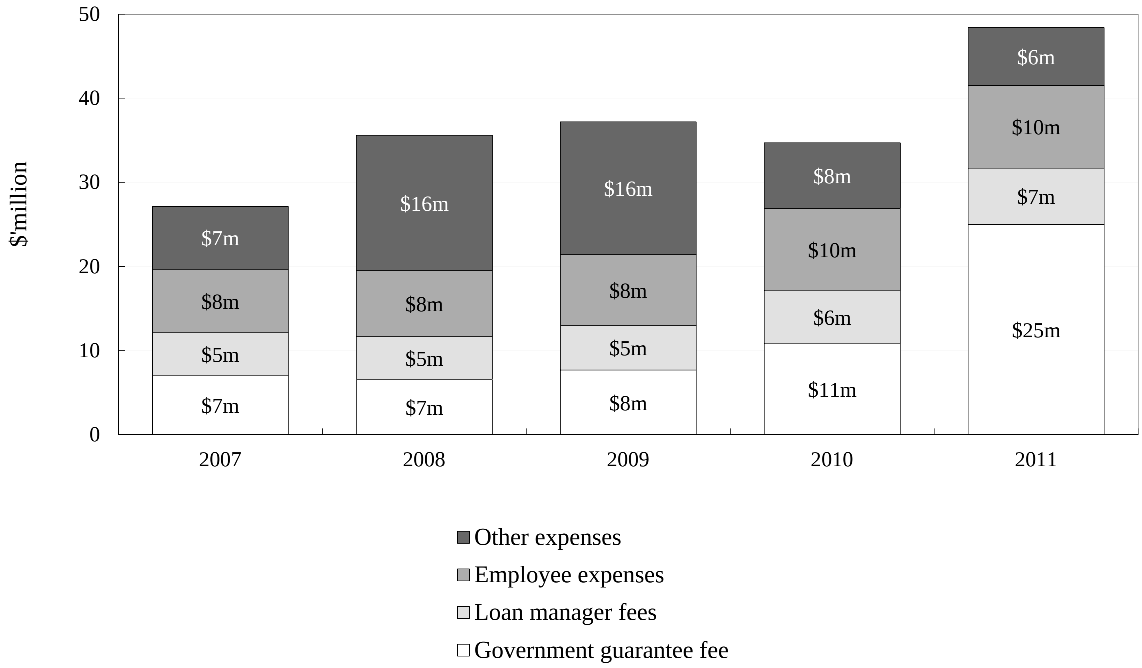
Other income

Other income decreased by $967 000 million to $14.8 million. The change resulted mainly from a:

- $1.3 million decrease in revenue recognised from the unrealised change in the fair value of the shared appreciation component of the breakthrough loan product
- $629 000 increase from investment income (excluding breakthrough loans)
- $668 000 decrease in EquityStart Grant funding from the Department for Families and Communities due to lower EquityStart loan settlements.

Expenses other than interest

The movement in expenses other than interest is demonstrated in the following chart.



The chart shows that certain expenses have fluctuated since 2007. These are discussed below.

The Government guarantee fee increased significantly in 2011. The increase of $14 million to $25 million is due to:

- an increase of $11 million due to an increase in the rate on outstanding borrowings from 0.75 percent in 2010 to 1.5 percent in 2011
- an increase of $3 million due to an increased level of borrowings (refer to loans and advances below).

Other expenses in 2008 and 2009 were higher due to the impact of reduced market values of investments, reflecting the depressed global financial markets. Market value losses were $7 million in 2009 and $8 million in 2008.

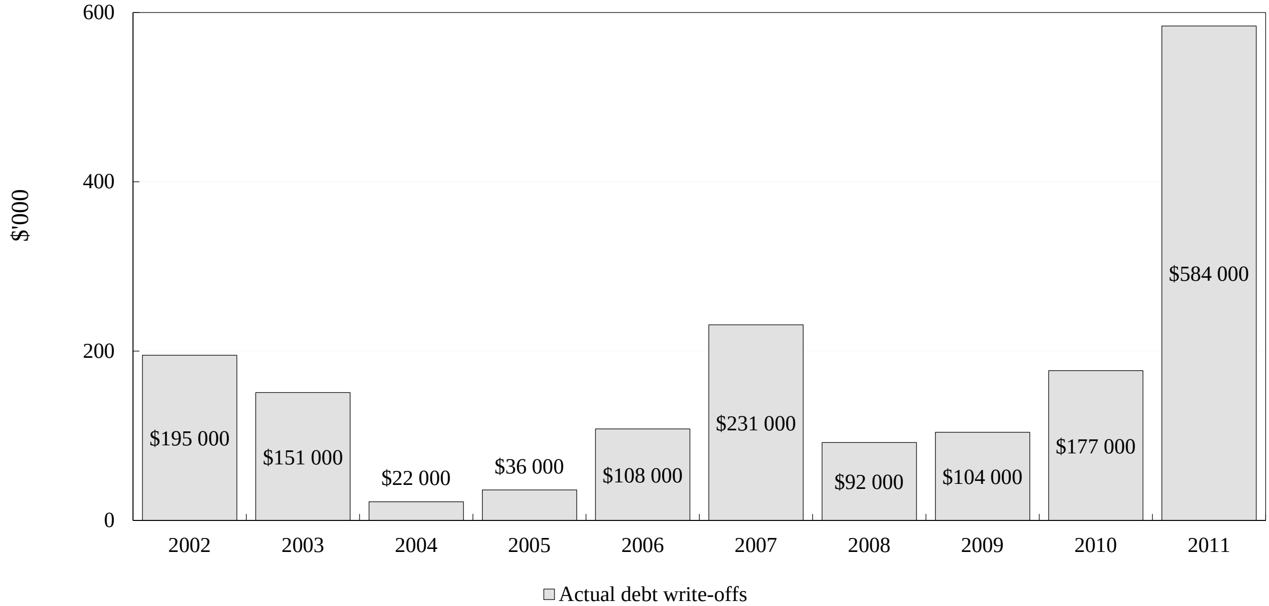
Expenses of this nature amounted to $423 000 in 2010 and $nil in 2011. HomeStart has changed the mix of investments and this has reduced the impact of fair value changes on its results. Commentary on investments is provided below.

The increase in loan manager fees since 2009 is due mainly to the increase in loans and advances.

Bad and impaired loans expense

The bad and impaired loans expense for the year was $885 000 ($1.552 million), a $667 000 decrease ($761 000 decrease) over the previous year. The changes reflect mainly the movement in the level of impairment provisions over the year (refer notes 8 and 19 to the financial statements).

While HomeStart has maintained the level of provisioning, actual debt write-offs have been at low levels for a number of years due to positive economic conditions, particularly the strong property market over the majority of this period. The total provision for impairment as at 30 June was $15.7 million. The low level of actual debt write-offs can be seen in the following chart, which shows the actual debt write-offs for the last 10 years.



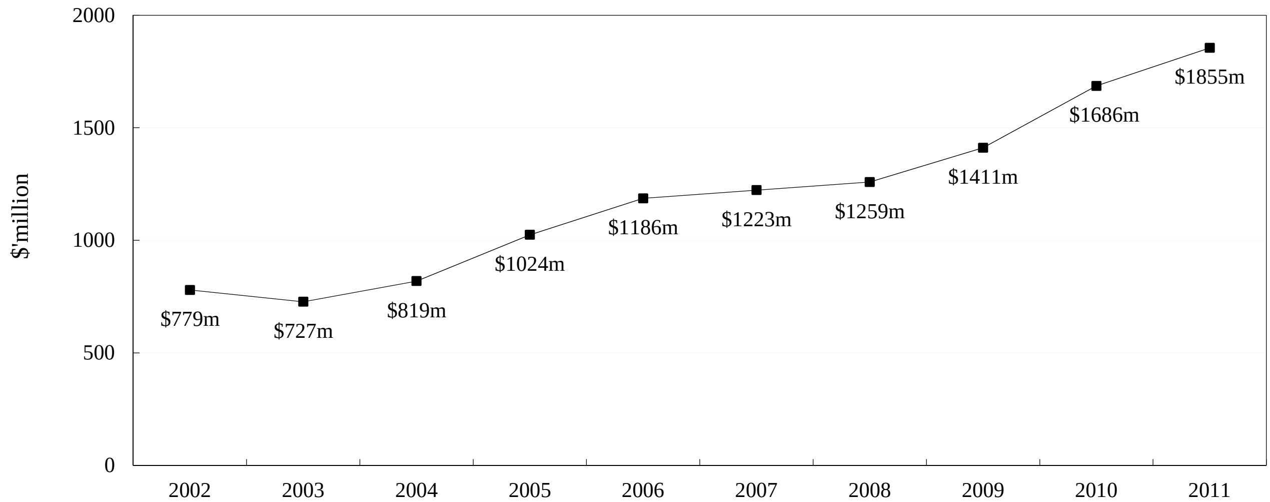
Further comments on the impairment of loans are provided under Statement of Financial Position below.

Statement of Financial Position

Loans and advances

Gross loans and advances increased by $168.2 million to $1.9 billion.

The extent of the increase in lending is demonstrated in the following chart.



The growth in lending over the period since 2003 reflects a range of factors including the:

- approval of the State Government for HomeStart to grow its asset base
- market acceptance of new products
- increase in the average value of loans settled.

In addition, for the period 2009 to 2011 HomeStart experienced continued increased demand due to:

- additional first home owner incentive grants from the Commonwealth and State Governments
- a reduction in the number of non-bank lenders in the market
- tighter lending practices by other financial institutions.

Breakthrough loans

In 2006-07 HomeStart introduced the breakthrough loan facility. This facility includes two loan components:

- a standard loan component with standard interest rates and repayments. This portion is included within normal loans and advances.

- a shared appreciation component where the loan is repaid along with a percentage of the increase in property value when the property is sold (refer note 2.12 for further details).

The value of the shared appreciation component of breakthrough loans was $67.7 million ($58.3 million) at 30 June 2011. HomeStart has classified this component in the Statement of Financial Position as an investment at fair value through the profit and loss account (refer note 17 to the financial statements). Please refer to 'Investments' hereafter.

Income recognised for this product in 2011 amounted to $1.9 million ($3.1 million) comprising of $1.3 million ($2.7 million) recognised from revaluation gains and $570 000 ($419 000) recognised on discharge of breakthrough loans.

Financial risks

Note 31 to the financial statements provides information on HomeStart's financial risk management activities including detailed information on credit, liquidity and market risk exposures.

The nature of HomeStart's business is such that it carries a high inherent risk in its loan portfolio. Some factors contributing to this risk are:

- generally customers have lower incomes and borrow a greater percentage of their home value

- a significant concentration of lending in regional South Australia and outer metropolitan suburbs

- customers are not required to take out mortgage insurance, consequently HomeStart effectively self-insures losses incurred.

In recognition of these circumstances, HomeStart:

- makes a provision for impairment where there is doubt about the recoverability of loans
- retains capital in the event of significant losses arising from loan defaults.

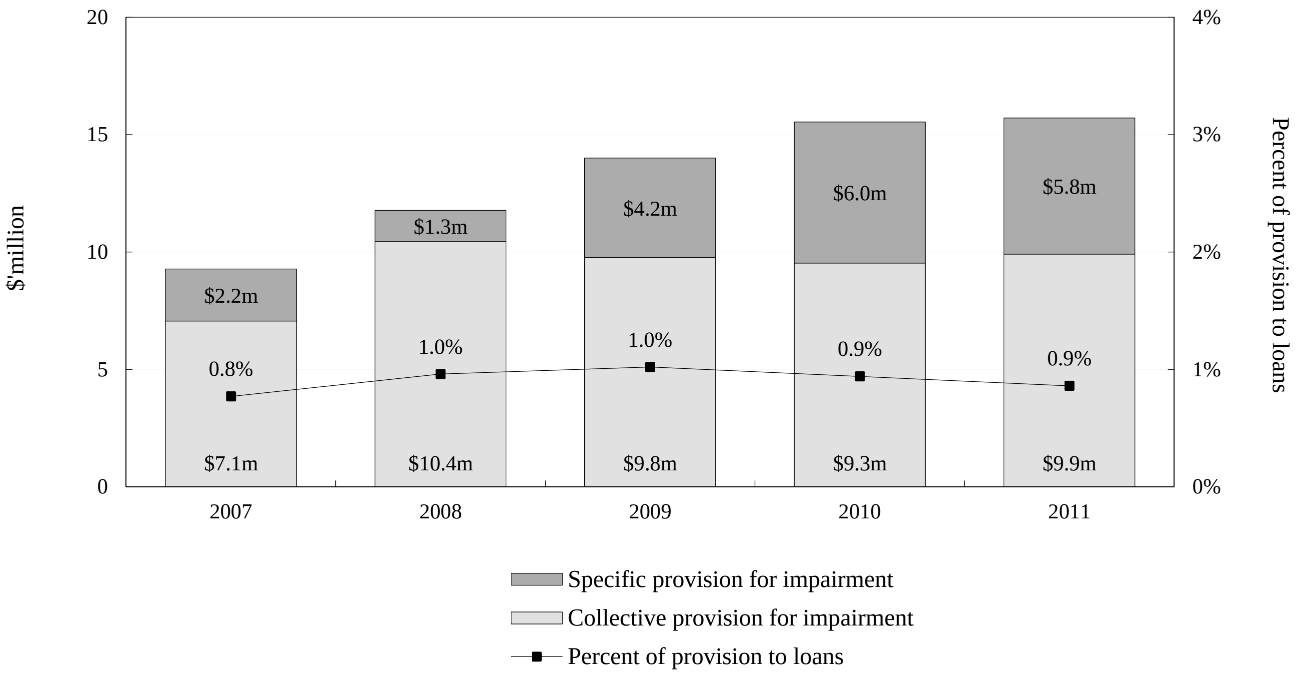
Provisions for impairment

HomeStart assesses at each balance date whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. Note 2.11 to the financial statements details HomeStart's policies for determining the provision for impairment.

The total provision for impairment has increased by $301 000 to $15.7 million. The total provision for impairment comprises two components:

- The specific provision (loans and advances that are individually assessed as impaired) as at 30 June 2011 was $5.8 million ($6 million).
- The collective provision as at 30 June 2011 was $9.9 million ($9.3 million). This provision arises where HomeStart determines that no objective evidence of impairment exists for an individually assessed financial asset. Assets are included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

The following chart shows the level of the total provisions and their composition over the past five years.



The chart shows that while the provisions for impairment have increased slightly in 2011, the overall level of provisioning remains at a similar proportional level to the total loans and advances.

The chart also shows that over the period the biggest component of the total provision is the collective provision.

General reserve for credit losses

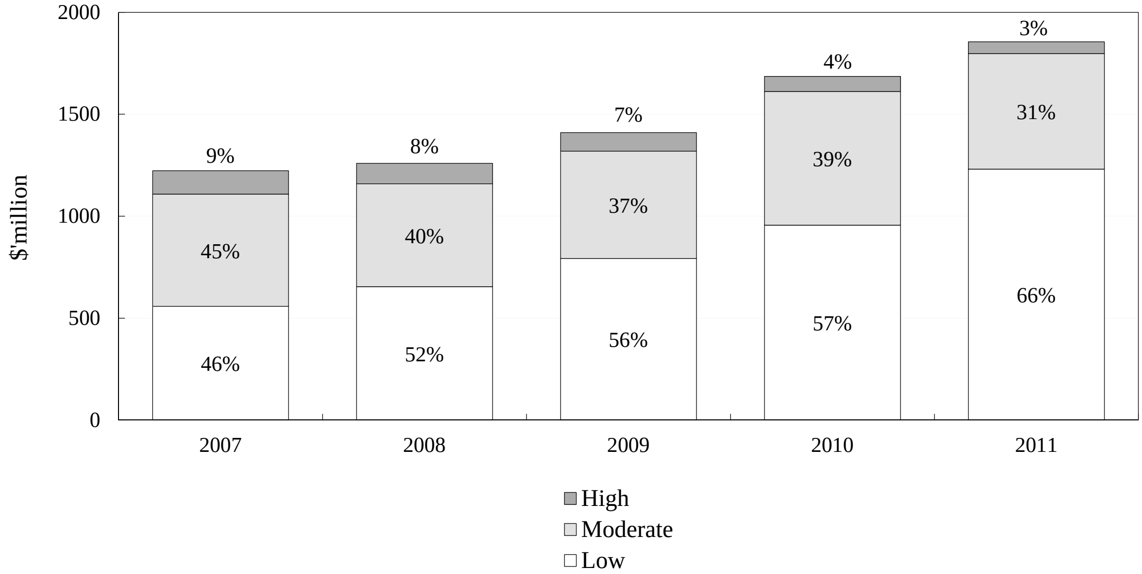
The general reserve for credit losses is used to set aside additional funds in excess of the specific and collective provisions determined under AASB 139. The maintenance of this reserve is consistent with the Australian Prudential Regulation Authority prudential risk management requirement of retaining sufficient retained earnings for capital adequacy purposes.

The balance of the reserve at 30 June 2011 was $8.8 million ($11.1 million).

The combined provisions for impairment and general reserve for credit losses take the total amount set aside for potential losses to $24.5 million ($26.4 million).

Loan quality

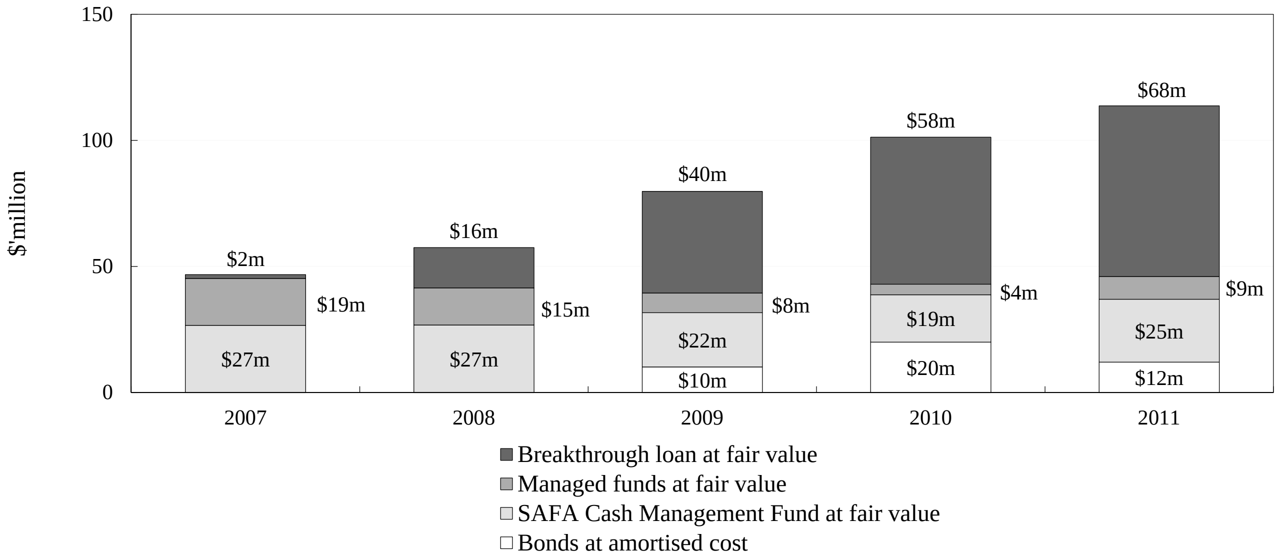
HomeStart has assessed the gross value of loans and advances to customers by credit risk grading (refer note 31.2.1 to the financial statements). The following chart summarises that assessment.



The chart shows that while the gross level of loans have increased, the high credit risk category has reduced, with the majority of loans assessed as low credit risk.

Investments

During 2011, HomeStart's investments increased by $12.5 million to $113.7 million. The composition of investments is shown in the following table.



The chart shows:

- $67.7 million ($58.3 million) in the shared appreciation component of the breakthrough loan product, a growth of $9.4 million. This loan product has been classified as an investment and is commented on previously under 'Breakthrough loans'

- that since 2008 the mix of investments (other than breakthrough loans) has changed from those recorded at fair value to investments recorded at amortised cost. As at 30 June 2011 these investments were recorded at a cost of $12.1 million, compared to their fair value of $12.5 million (refer note 32).

The discharge of the breakthrough loans is at the discretion of the property owner. Consequently, HomeStart cannot liquidate these investments to meet any future potential funding requirements. The value of investments excluding breakthrough loans amounted to $46.1 million ($43 million).

Liabilities

Borrowings at 30 June 2011 were $1.8 billion ($1.6 billion) and represent 99 percent (99 percent) of HomeStart's liabilities. HomeStart is required to use SAFA as its sole counterparty for all funding transactions. At 30 June 2011, HomeStart was restricted by a current approved borrowing limit of $1.9 billion ($1.75 billion).

Note 31.3 to the financial statements provides information on HomeStart's exposure to liquidity risk.

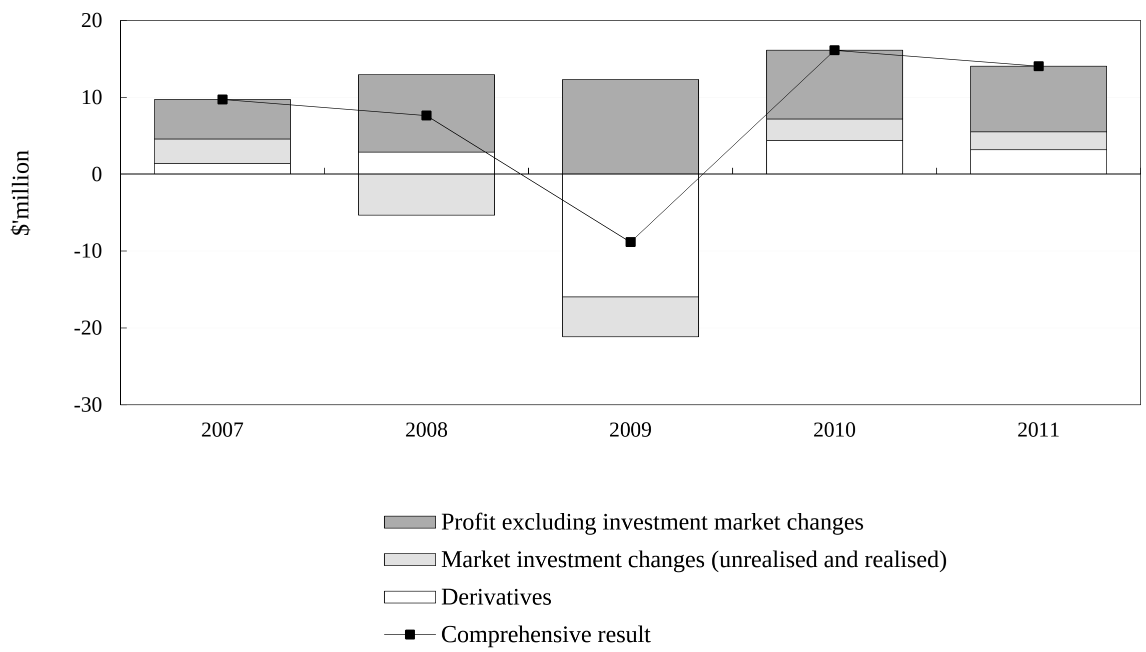
Fair value and comprehensive result

HomeStart recognises derivatives and certain investments at fair value. Investments include the breakthrough loan product discussed earlier. The changes in market value of these items can significantly impact HomeStart's Statement of Financial Position and the Statement of Comprehensive Income.

Derivatives are used to hedge changes in interest rate risks. Whilst these hedges remain effective (as defined by the accounting standards), changes in the fair value hedges do not affect profit as they are recognised in the derivatives revaluation reserve. However, the realised and unrealised changes in investments at fair value are recorded in other expenses or income in the Statement of Comprehensive Income.

The impact of all these changes is included in the total comprehensive result reported in the Statement of Comprehensive Income. HomeStart's comprehensive result decreased by $2.1 million to $14 million ($16.1 million).

The table below shows the impact of the changes in the fair value of derivatives and investments on HomeStart's comprehensive result over the last five years.

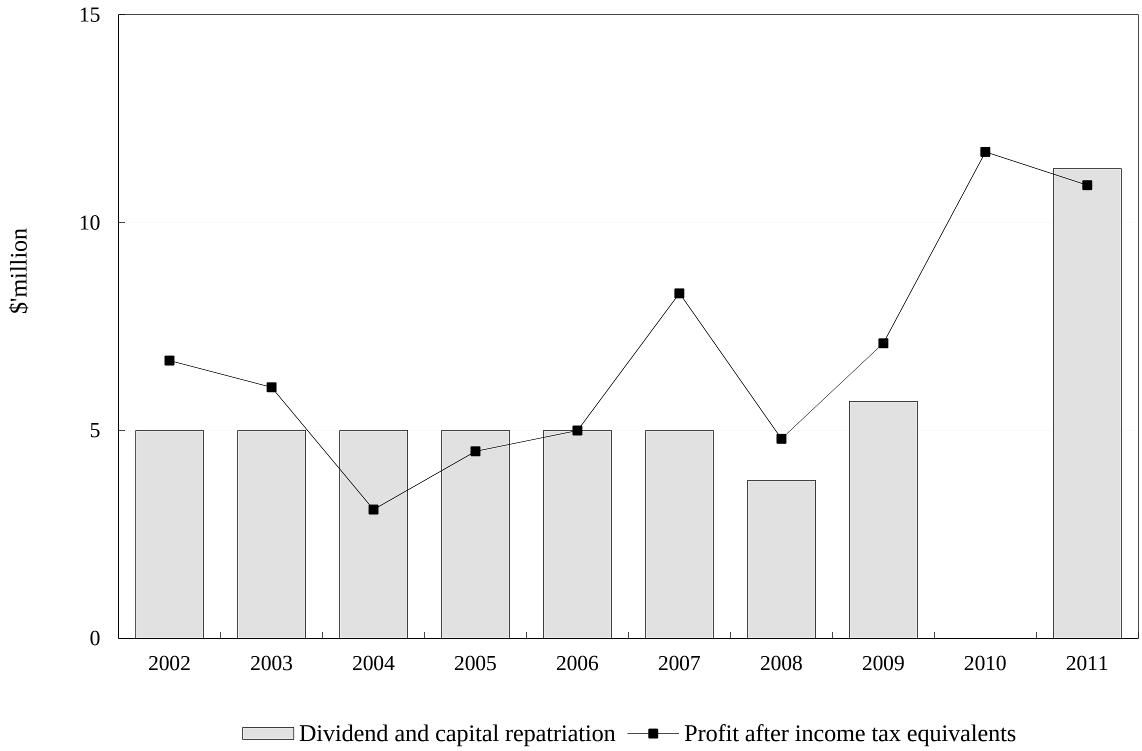


The results for 2008 and 2009 principally reflect the global financial crisis and the resultant downturn in interest rates and equities markets.

It is important to appreciate the financial statements combine the financial assets and financial liabilities measured at either fair value or at cost. Note 32.1 shows the fair value of net financial assets is $260.4 million ($255.3 million), while the carrying value of net financial assets is $160.5 million ($157.3 million).

Distributions to government

The following chart shows profit after income tax equivalents and distributions made for the past 10 years and highlights the sustained profit performance of HomeStart over the period.



In 2011 HomeStart's dividend was $11.2 million ($nil) and effectively comprises the dividend for 2010 and 2011. The dividend for 2010 was nil because the appropriate approvals to declare a dividend had not occurred as at 30 June 2010. As at 30 June 2010 an amount of $3.7 million paid to the Government (intending to be a dividend) was included in other financial assets as a stakeholder advance. The amount of the stakeholder advance was included in the dividend for 2010-11.

In each of the years 2002 to 2007 HomeStart was required to pay $5 million to the Government which comprised dividend and capital repatriation payments. The payment of dividends and the capital repatriation reduces the level of interest free capital available to HomeStart. HomeStart's retained earnings as at 30 June increased to $152.3 million ($150.4 million).

HomeStart pays a guarantee fee of 1.5 percent (0.75 percent) to the Government based on the outstanding borrowings. The amount expensed in 2010-11 was $25 million ($10.9 million).

HomeStart is also pays an income tax equivalent to the Government. The income tax equivalents expense in 2010-11 was $4.7 million ($5 million).

Statement of Cash Flows

Net cash flows

The following table summarises the net cash flows for the four years to 2011.

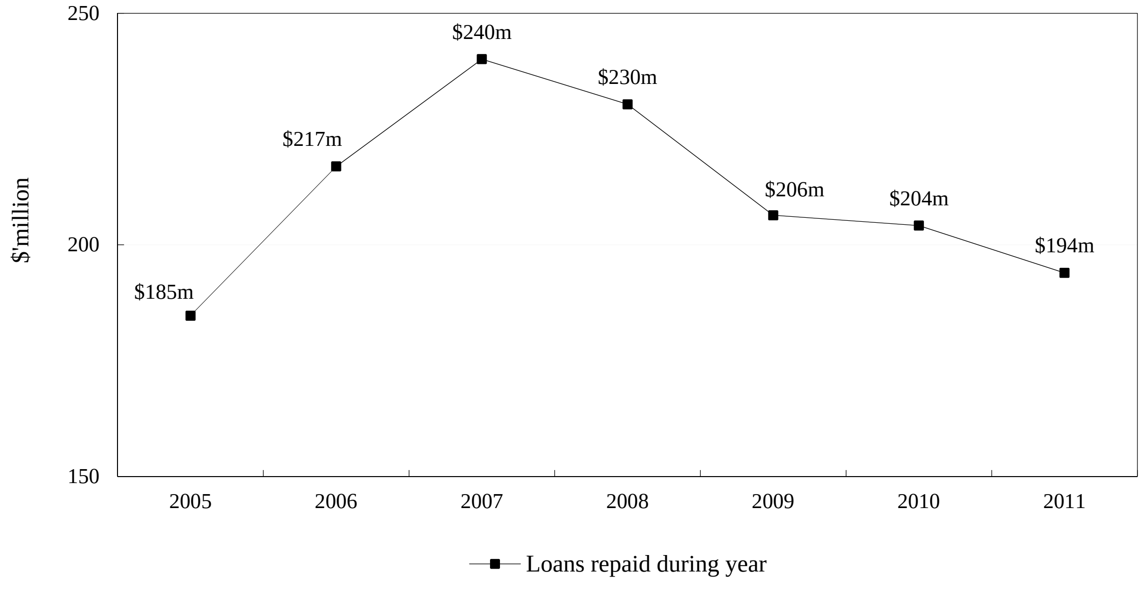
	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Net cash flows				
Operating	7	10	11	11
Investing	(174)	(228)	(175)	(47)
Financing	169	276	164	37
Change in cash	2	(2)	-	1
Cash at 30 June	4	2	4	4

The table shows significant investing activities over the past three years primarily used for providing loans. Net loans outflow included in investing activities amounted to $163.8 million ($269.7 million).

The increase in investing activities was funded from increased financing activities which were provided from net new borrowings of $175.9 million ($281.9 million).

Customer loans repaid

The repayment of customer loans is shown in the chart below.



From 2008 the quantum of customer loan repayments (including discharges) has steadily decreased despite the overall increase in the loans and advances balance. The reduction is due to fewer customers discharging their loans and moving to other lenders in the market. This is partly attributable to the changes in the financial sector from a reduction in number of non-bank lenders in the market and tighter lending practices by other financial institutions (as discussed under 'Loans and advances' above).

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Interest income	5	134 435	102 624
Interest expense	5	(85 312)	(66 779)
Net interest income	5	49 123	35 845
Other income	6	14 798	15 765
Net gain (loss) from disposal of assets	7	(5)	-
Bad and impaired loans expense	8	(885)	(1 552)
Loan manager fees		(6 711)	(6 233)
Employee expenses	10	(9 768)	(9 764)
Depreciation and amortisation expense	14	(641)	(705)
Other expenses	15	(5 413)	(5 632)
Profit (Loss) before income tax equivalents and guarantee fee expenses		40 498	27 724
Government guarantee fee	9	(24 976)	(10 947)
Profit (Loss) before income tax equivalents		15 522	16 777
Income tax equivalents expense	2.5	(4 657)	(5 033)
Profit after income tax equivalents expense		10 865	11 744
Derivative gain (loss) recognised directly in equity		3 179	4 384
Total comprehensive result		14 044	16 128

Total comprehensive result is attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Assets:			
Cash and cash equivalents	35.1	3 807	2 145
Financial investments designated at fair value through profit or loss	17	101 674	81 266
Financial investments - held to maturity	18	12 103	20 011
Loans and advances	19	1 817 393	1 649 910
Other financial assets	20	884	4 502
Property, plant and equipment	21	1 428	1 625
Intangible assets	22	283	481
Other assets	23	373	335
Total assets		1 937 945	1 760 275
Liabilities:			
Payables	24	8 193	6 241
Derivative financial instruments	31.2.2	3 189	6 369
Short-term borrowings	25	95 800	721 934
Long-term borrowings	25	1 665 000	863 000
Employee benefits	26	1 492	1 432
Income tax payable	27	3 006	3 014
Provision for dividend	28	203	-
Other liabilities	29	3 184	3 234
Total liabilities		1 780 067	1 605 224
Net assets		157 878	155 051
Equity:			
Reserves	30	5 614	4 681
Retained earnings	30	152 264	150 370
Total equity		157 878	155 051

Total equity is attributable to the SA Government as owner

Statement of Changes in Equity
for the year ended 30 June 2011

	Retained earnings	General reserve for credit losses	Derivatives valuation reserve	Total
	$'000	$'000	$'000	$'000
Balance at 30 June 2009	138 457	11 219	(10 753)	138 923
Profit after income tax equivalents expense for 2009-10	11 744	-	-	11 744
Derivative gain recognised directly in equity	-	-	4 384	4 384
Total comprehensive result of 2009-10	11 744	-	4 384	16 128
Transfer to (from) credit loss reserve	169	(169)	-	-
Transactions with the SA Government as owner:				
Dividends paid/payable	-	-	-	-
Balance at 30 June 2010	150 370	11 050	(6 369)	155 051
Profit after income tax equivalents expense for 2010-11	10 865	-	-	10 865
Derivative gain recognised directly in equity	-	-	3 179	3 179
Total comprehensive result of 2010-11	10 865	-	3 179	14 044
Transfer to (from) credit loss reserve	2 246	(2 246)	-	-
Transactions with the SA Government as owner:				
Dividends paid/payable	(11 217)	-	-	(11 217)
Balance at 30 June 2011	152 264	8 804	(3 190)	157 878

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

Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011 Inflows (Outflows) $'000	2010 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash inflows:			
Interest received on:			
Cash		79	58
Investments		709	679
Loans and advances		132 040	100 992
Fees and commissions received		978	1 280
Bad debts recovered		272	110
EquityStart grant received		650	2 770
Community service obligation subsidy received		4 475	4 191
Other		2 187	858
Total cash inflows from operating activities		141 390	110 938
Cash outflows:			
Payments to employees		(9 924)	(9 252)
Payments to suppliers		(5 331)	(5 159)
Payments to loan managers		(6 622)	(6 774)
Borrowing costs paid		(84 432)	(65 636)
Government guarantee fee paid		(23 795)	(10 654)
Income tax equivalents paid		(4 665)	(3 393)
Total cash outflows from operating activities		(134 769)	(100 868)
Net cash provided by (used in) operating activities	35.2	6 621	10 070
Cash flows from investing activities:			
Cash inflows:			
Proceeds from sale of office and computer equipment	7	12	-
Proceeds from sale of investments designated at fair value through profit or loss		-	13 706
Proceeds from maturity of held to maturity investments		8 260	-
Shared appreciation components of Breakthrough Loan repaid	32.4	4 049	2 963
Customer loans repaid		193 946	204 156
Total cash inflows from investing activities		206 267	220 825
Cash outflows:			
Payments for property, plant and equipment		(312)	(136)
Payments for software		-	(391)
Payments for investments - held to maturity		-	(9 901)
Payment for investments designated at fair value through profit or loss		(9 621)	(6 654)
Shared appreciation components of Breakthrough Loan settled	32.4	(12 134)	(18 272)
Customer loans settled		(357 696)	(473 815)
Total cash outflows from investing activities		(379 763)	(509 169)
Net cash provided by (used in) investing activities		(173 496)	(288 344)
Cash flows from financing activities:			
Cash inflows:			
Proceeds from borrowings		1 455 000	1 488 000
Total cash inflows from financing activities		1 455 000	1 488 000
Cash outflows:			
Dividend paid		(7 329)	(1 943)
Stakeholder advance	20	-	(3 686)
Repayment of borrowings		(1 279 134)	(1 206 070)
Total cash outflows from financing activities		(1 286 463)	(1 211 699)
Net cash provided by (used in) financing activities		168 537	276 301
Net increase (decrease) in cash and cash equivalents		1 662	(1 975)
Cash and cash equivalents at 1 July		2 145	4 120
Cash and cash equivalents at 30 June	35.1	3 807	2 145

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of HomeStart Finance (HomeStart)

HomeStart was established as a statutory corporation under the Housing and Urban Development (Administrative Arrangements) (HomeStart Finance) Regulations 2007. It reports to the Minister for Housing.

HomeStart's vision is to make home ownership achievable for more South Australians.

HomeStart Home Loan

HomeStart provides home loans to low to moderate income households and other needs groups with repayments linked to income and the CPI. The HomeStart Home Loan is the principal loan product. The outstanding value of HomeStart Home Loans at 30 June 2011 was $1768.9 million ($1601.1 million).

Subsidies

HomeStart provides subsidised Advantage Loans of up to $30 615 to lower income earners. The Advantage Loan is interest free if it is repaid within five years. The Advantage Loan interest is calculated by reference to CPI but this interest is waived if the Advantage Loan is repaid in full prior to its fifth anniversary. As at 30 June 2011 the interest rate applying to Advantage Loans was 2.2 percent (2.99 percent). The outstanding value of Advantage Loans at 30 June 2011 was $43.1 million ($41.7 million).

For the year ended 30 June 2011 HomeStart received a community service obligation subsidy payment of $2.51 million ($2.24 million) from DTF for the Advantage Loan subsidy provided.

HomeStart also provides subsidised EquityStart Loans of up to $50 000 to current public housing tenants. The EquityStart Loan incurs interest at a subsidised rate, which is linked to CPI. Regular repayments on the EquityStart Loan are optional, and payment can be deferred and paid at the end of the loan period. The outstanding value of EquityStart Loans at 30 June 2011 was $40.3 million ($40.6 million).

HomeStart received grant funding from the Department for Families and Communities, to compensate HomeStart for subsidies incurred on EquityStart Loans.

HomeStart also has loans at concessional interest rates through the City Living Access Loan, Home Ownership Made Easier (HOME) and Rental Purchase schemes.

Funding

HomeStart funds its mortgage activities from capital and by borrowing from SAFA.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

HomeStart'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 that the following assets and liabilities are stated at their fair value: derivative financial instruments; financial assets at fair value through profit or loss; financial instruments classified as available-for-sale; and subsidised loans and advances.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The financial statements have been prepared based on a 12 month period and presented in Australian currency.

2.1.1 Changes in accounting policies

The preparation of HomeStart's financial statements requires compliance with APSs issued pursuant to section 41 of the PFAA. In accordance with the revised APF II, HomeStart has changed its accounting policy and now discloses the number of employees whose normal remuneration is equal to or greater than the base executive remuneration level (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by HomeStart to those employees. Please refer to note 10 for additional information.

2.1.1 Changes in accounting policies (continued)

Except for the amending standard AASB 2009-12, which HomeStart has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by HomeStart for the period ended 30 June 2011. HomeStart has assessed the impact of the new and amended standards and interpretations and except for AASB 9 considers there will not be a material impact on the accounting policies or the financial report of HomeStart. AASB 9 becomes mandatory for HomeStart's financial statements for the year ended 30 June 2014 and could change the classification and measurement of financial assets. The extent of the impact has not been determined.

2.1.2 Estimates and assumptions

The preparation of a financial report in conformity with AASs requires HomeStart to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2.2 Statement of compliance

These financial statements are general purpose financial statements. The accounts have been prepared in accordance with applicable AASs and TIs and APSs promulgated under the provisions of the PFAA.

Except for the amending standard AASB 2009-12, which HomeStart has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by HomeStart for the period ended 30 June 2011.

2.3 Comparative figures

The presentation and classification of items in the financial report are consistent with prior periods except where a specific APS or an AAS has required a change. Where permitted by a specific APS or AAS, comparative information has been reclassified and disclosed where required.

Where it has been impractical to reclassify comparative amounts, the reason for not reclassifying the amount and the nature of the adjustment has been disclosed.

2.4 Rounding

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

2.5 Taxation

In accordance with TIs issued under the PFAA, HomeStart is required to pay to the State Government an income tax equivalent. The income tax equivalents liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate of 30 percent (30 percent) be applied to profit from continuing operations before income tax equivalents.

HomeStart is liable for payroll tax, FBT and GST.

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

- the amount of GST incurred by HomeStart as a purchaser is not recoverable from the ATO
- receivables and payables are stated with the amount of GST included.

HomeStart, being a provider of financial services, is classified as an input taxed entity for GST purposes and consequently absorbs GST costs passed on by suppliers. Reduced input tax credits can only be claimed on a very limited number of input costs.

The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Financial Position.

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

2.6 Income

Income is recognised in HomeStart's Statement of Comprehensive Income when and only when it is probable that the flow of economic benefits to the entity will occur and can be reliably measured.

2.6.1 Interest income - non-subsidised loans

Interest income is recognised as it accrues using the effective interest rate method, except for impaired loans where interest income is recognised as it is recovered (as described in note 2.6.3).

2.6.2 Interest income - subsidised loans

Where HomeStart provides subsidised loans, such as Advantage Loans and EquityStart Loans, at rates other than market interest rates, the initial recognition of these loans at fair value will result in an initial loss being generated in the Statement of Comprehensive Income, being the difference between the amount disbursed and the fair value. Fair value is measured by discounting the expected cash flows using a market interest rate.

Interest income on these subsidised loans is brought to account using the effective interest method at a risk-free rate of interest, based on four year (for Advantage Loans) and 10 year (for EquityStart Loans) SAFA Bonds.

2.6.3 Interest income - both non-subsidised and subsidised non-accrual loans

HomeStart ceases accruing interest income on loans when it is considered that HomeStart would be unable to recover that interest income from either the customer or from the sale of the security.

Interest on these loans is only brought to account when realised or when loans are returned to accrual status.

Loans are assessed as non-accrual where they are contractually more than 90 days overdue with security insufficient to cover principal and arrears of interest, or where there is doubt as to the full recovery of principal and interest.

A non-accrual item may be restored to accrual status only if all arrears have been eliminated by payments from the customer, and HomeStart judges that the customer is capable of servicing their future obligations under the facility, or when it otherwise becomes well secured.

2.6.4 Loan origination fees received or receivable

Income directly attributable to the origination of loans is deferred and recognised in the Statement of Comprehensive Income as part of the effective interest rate calculation. This method results in origination income being recognised over the five year average life of loans in the portfolio.

The average life and interest recognition pattern of loans in the originated loan portfolio is reviewed annually to ensure the amortisation methodology is appropriate.

2.6.5 Government grants

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

DTF makes a community service obligation subsidy payment to HomeStart as compensation for the provision of Advantage Loan and credit quality subsidies as well as administering the Nunga Loan program.

HomeStart also receives grant funds from the Department for Families and Communities to compensate HomeStart for costs incurred in relation to EquityStart Loans.

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.

2.6.6 Investment income

For financial investments designated as fair value through profit or loss, changes in fair value of investments (both realised and unrealised) are recognised in the Statement of Comprehensive Income as they occur.

Distribution income is recognised when received.

For financial investments classified as held to maturity, interest income is recognised as it accrues.

2.6.7 Disposal of non-financial assets

Income from disposal of non-financial assets is recognised when control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount. The gains or losses arising from disposal of non-financial assets are recognised on a net basis as income or an expense.

2.6.8 Other income

Other income is recognised when earned or recovered and is measured at the fair value of the consideration received or receivable.

2.7 Expenses

Expenses are recognised in HomeStart's Statement of Comprehensive Income when and only when it is probable that the flow of economic benefits from the entity will occur and can be reliably measured.

2.7.1 Interest expense

Interest payable is expensed in accordance with the accounting policy described at note 2.14.

2.7.2 Government guarantee fee

The government guarantee fee is expensed as it becomes due at the rate imposed by DTF.

2.7.3 Bad and impaired loans expense

Bad and impaired loans are expensed in accordance with the accounting policy described in note 2.11.

2.7.4 Loan origination fees paid or payable

Fees directly attributable to the origination of loans are deferred and recognised in the Statement of Comprehensive Income as part of the effective interest rate calculation. This method results in origination fees being expensed over the five year average life of loans in the portfolio.

The average life and interest recognition pattern of loans in the originated loan portfolio is reviewed annually to ensure the amortisation methodology is appropriate.

2.7.5 Employee expenses

Employee expenses are recognised in accordance with the accounting policy described at note 2.17.

2.7.6 Depreciation and amortisation expense

Depreciation and amortisation expense is recognised in accordance with the accounting policy described at note 2.15.4.

2.7.7 Operating lease expense

Operating lease payments are charged to the Statement of Comprehensive Income on a basis which is representative of the pattern of benefits derived from the leased assets.

The aggregate benefit of lease incentives received by HomeStart in respect of operating leases has been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

2.7.8 Tax equivalents expense

The tax equivalents expense is recognised in accordance with the accounting policy described at note 2.5.

2.8 Assets and liabilities

Assets and liabilities are classified in the Statement of Financial Position by their nature and in an order that reflects their relative liquidity. Current and non-current classes are not presented separately.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis.

Cash also includes highly liquid investments with short periods to maturity that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value. Cash is measured at its nominal value.

2.10 Financial instruments

During the current and comparative financial years HomeStart had the following types of financial instruments:

- cash and cash equivalents (refer note 2.9)
- loans and advances (refer note 2.11)

2.10 Financial instruments (continued)

- investments (unit trusts, SAFA Cash Management Fund, bonds and the shared appreciation component of Breakthrough Loans (refer note 2.12)
- derivative financial instruments (refer note 2.13)
- financial liabilities (refer note 2.14).

Under AASB 139, financial instruments are required to be classified into one of five categories which will, in turn, determine the accounting treatment of the financial instrument. The classifications are:

- loans and receivables - initially measured at fair value and then at amortised cost using the effective interest rate method
- held to maturity financial assets - measured at amortised cost
- financial instruments designated at fair value through profit or loss - measured at fair value
- available-for-sale financial assets - measured at fair value
- financial liabilities (not at fair value through profit or loss) - measured at amortised cost.

The classification depends on the purpose for which the financial instruments were acquired.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Held to maturity investments
Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that HomeStart has the positive intention and ability to hold to maturity.

As at 30 June 2011 HomeStart held bank bills as well as investment bonds issued by state government and non-government institutions.

Financial assets at fair value through profit or loss
A financial asset is classified in this category if so designated by HomeStart. HomeStart's policy is to designate a financial asset at fair value through profit or loss if it is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investments strategy, and information about the financial asset is provided internally on that basis to HomeStart's key management personnel.

HomeStart has designated the shared appreciation component of the Breakthrough Loan as well as its investments in unit trusts and the SAFA Cash Management Fund as financial assets at fair value through profit or loss.

Derivatives are also categorised as financial assets at fair value through profit or loss unless they are effective hedges of cash flows.

Available-for-sale financial assets
Available-for-sale financial assets, are non-derivatives that are either designated in this category or not classified in any of the other categories.

HomeStart does not have any available-for-sale financial assets.

Financial liabilities
HomeStart's short-term and long-term borrowings are financial liabilities.

Impairment
HomeStart assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

The recoverable amount of HomeStart's investments in held to maturity securities and loans and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (ie the effective interest rate computed at initial recognition of these financial assets).

Impairment (continued)
An impairment loss in respect of held to maturity securities or loans and receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Reference should be made to note 2.11 for additional information in relation to the assessment of impairment of loans and receivables.

2.11 Loans and advances

Loans measured at amortised cost
Loans and advances are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method and taking account of principal repayments and impairment losses.

For subsidised loans, fair value is less than their face value. On settlement of subsidised loans an initial loss is recognised as an expense, being the difference between the face and fair values, which is then recognised as income over the expected life of the loan, using the effective interest rate method.

Effective interest rate
The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan or advance to the net carrying amount of the loan or advance. When estimating the future cash flows, HomeStart considers all contractual terms of the loan or advance excluding any future credit losses. Included in this calculation are all fees paid or received that are integral to the contract.

Provision for impairment
HomeStart assesses at each financial year-end whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the end of the financial year (a loss event) and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

Loans and advances are individually assessed for impairment. If HomeStart determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account asset type, geographical location, collateral, past due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty’s ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of projected cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. In addition, HomeStart uses its experienced judgment to estimate the amount of an impairment loss.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to take into consideration HomeStart’s actual loss experience.

For loans and receivables, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the asset’s original effective interest rate. The amount of the loss is recognised using a provision account and the amount of the loss is included in the Statement of Comprehensive Income.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Provision for impairment (continued)
If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the provision account. The amount of the reversal is recognised in the Statement of Comprehensive Income.

In addition, a general reserve for credit losses is maintained to cover risks inherent in the loan portfolios. This reserve represents the difference between the impairment provisions calculated under Australian equivalents to International Financial Reporting Standards and that determined under the former Australian Generally Accepted Accounting Principles, net of income tax equivalents. Movements in the general reserve for credit losses are recognised as a transfer of retained earnings.

Bad debts
All bad debts are written off in the period in which they are classified as not recoverable. If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the Statement of Comprehensive Income.

2.12 Investments

Held to maturity investments
As at 30 June 2011 HomeStart held investment bonds with a face value of $12 million ($12.1 million) issued and/or guaranteed by the Commonwealth and State Governments.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity where HomeStart has the positive intention and ability to hold to maturity.

Investments that are intended to be held to maturity are stated at amortised cost using the effective interest rate method less impairment losses.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in the Statement of Comprehensive Income when the investments are derecognised or impaired.

Investments at fair value through profit or loss
HomeStart has designated the shared appreciation component of the Breakthrough Loan as well as its investments in unit trusts and the SAFA Cash Management Fund as financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are carried at fair value. Gains or losses arising from changes in fair value are presented in the Statement of Comprehensive Income in the period in which they arise.

Shared appreciation component of the Breakthrough Loans
The Breakthrough Loan facility includes two loan components:

- a standard loan component with standard interest rates and repayments which operate under identical terms to HomeStart's current standard loan product. This portion of the Breakthrough Loan is recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method and taking account of principal repayments and impairment losses

- a shared appreciation component where repayment of the loan balance is generally deferred until sale of the property upon which time the loan balance is repaid along with a scheduled percentage of the appreciated value of the property.

The shared appreciation component is measured at fair value through profit or loss. The fair value of this loan component is based on independent valuations of the properties pledged as collateral. Gains or losses arising from changes in fair value are presented in the Statement of Comprehensive Income in the period in which they arise.

2.13 Derivative financial instruments

HomeStart is exposed to changes in interest rates arising from financing activities, and it uses derivatives to hedge this risk. Derivative financial instruments are not held for speculative purposes.

HomeStart does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are initially recognised at cost and subsequent to initial recognition are stated at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows determined using the yield curve at year-end.

HomeStart designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or hedges of highly probable forecast transactions (cash flow hedges). For the current reporting and comparative periods HomeStart has only cash flow hedges.

HomeStart documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. HomeStart also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 31.2.2. Movements in the derivatives valuation are shown in the Statement of Changes in Equity.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised directly in equity in the derivatives valuation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Comprehensive Income.

Effectiveness tests are performed on all derivative financial instruments to determine if they are still providing the protection originally intended when entered into by HomeStart. Where a derivative financial instrument that was previously considered to be effective no longer satisfies the effectiveness test criteria, any gain or loss on the instrument previously recognised in equity is reversed through the Statement of Comprehensive Income with all subsequent gains or losses recognised through the Statement of Comprehensive Income.

2.14 Interest-bearing borrowings

Interest-bearing borrowings are initially recognised at fair value, net of transaction costs incurred. Interest-bearing borrowings are subsequently stated at amortised cost with any difference between the interest-bearing cost and the redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings on the effective interest rate basis.

2.15 Non-financial assets

2.15.1 Property, plant and equipment

Assets are recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition, less accumulated depreciation (refer note 2.15.4) and impairment losses. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. If, however, the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements, then the assets are recorded at the value recorded by the transferor prior to transfer.

At the expiration of the lease of its office accommodation, HomeStart is required by the lease agreement to return the premises to its original condition (‘make good’). The costs involved in doing so have been included in the cost of HomeStart’s leasehold improvements. This amount has been calculated as an estimate of future costs and discounted to a present value.

HomeStart capitalises all non-current tangible assets with a value of $500 or greater.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

2.15.2 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are recorded at cost less accumulated amortisation (refer note 2.15.4).

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an intangible asset outlined in AASB 138, and when the amount of expenditure is greater than or equal to $500.

Software assets that are not integral to the operation of hardware are recognised as intangible assets with a finite life. Capitalised software is amortised over the finite life of the asset, with a maximum time limit for amortisation of four years.

Costs in relation to website development are charged as expenses in the period in which they are incurred, unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over the period of expected benefit. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are considered to be expenses. Costs involved in building or enhancing a website to the extent they represent probable future economic benefits controlled by HomeStart that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits.

2.15.3 Impairment and revaluation

In accordance with APF III:

- all tangible assets are valued at written down current cost (a proxy for fair value)
- revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than three years.

If at any time HomeStart considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

All tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated.

An impairment loss is recognised whenever the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised in the Statement of Comprehensive Income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Reversals of impairment

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.15.4 Depreciation and amortisation of non-financial assets

All non-financial assets, having a limited useful life, are systematically depreciated or amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to physical assets such as office and computer equipment.

The useful lives of all major assets held by HomeStart are reassessed on an annual basis.

The value of leasehold improvements is amortised over the estimated useful life of each improvement.

2.15.4 Depreciation and amortisation of non-financial assets (continued)

Depreciation and amortisation of non-current assets for current and comparative period is determined as follows:

Class of asset	*Depreciation method*	*Useful life (years)*
Leasehold improvements	Straight-line	10
Other office and computer equipment	Straight-line	2-10
Intangible assets	Straight-line	4

2.16 Payables

Payables include creditors, accrued expenses, employment on-costs, interest, guarantee fee and loan manager fees.

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 HomeStart.

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.

Employment on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave.

All payables are measured at their nominal amount and are normally settled within 30 days from the date the invoice is first received (in accordance with TI 11).

2.17 Employee benefits

2.17.1 Long-term service benefits

Long-term employee benefits are measured at present value. HomeStart's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The liability for long service leave is recognised after an employee has completed five years (5.5 years) of service in accordance with APF IV. An actuarial assessment of long service leave undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with HomeStart's experience of employee retention and leave taken.

2.17.2 Wages, salaries, annual leave and sick leave

Liabilities for employee benefits for salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date and represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration salary rates that HomeStart expects to pay as at reporting date.

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.

Liability for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date. The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

HomeStart makes contributions to several state government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the South Australian Superannuation Board and various externally managed superannuation schemes.

2.18 Insurance

HomeStart has arranged through SAICORP, a division of SAFA, to insure all major risks of HomeStart. The excess payable under this arrangement varies depending on each class of insurance held.

2.19 Accounting judgments, estimates and assumptions

The preparation of the financial report requires the use of certain accounting estimates and requires HomeStart to exercise its judgment in the process of applying HomeStart's accounting policies.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The areas involving a higher degree of estimate and judgment that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual financial reporting period are outlined hereafter. References to relevant notes within the financial statements are also provided.

Area of estimate and judgment	*Note*
Investments at fair value through profit or loss (excluding the shared appreciation component of Breakthrough Loans)	2.12, 32.2(c), 32.3
Investments - at fair value through profit or loss - shared appreciation component of the Breakthrough Loan	2.12, 32.2(d), 32.3
Fair value of subsidised loans and advances	2.6.2
Deferred loan fee income	2.6.4
Deferred loan fee expense	2.7.4
Provision for impairment of loans and advances	2.11
Unearned income (EquityStart grant)	2.6.5
General reserve for credit losses	2.11, 30
Derivative financial instruments	2.13, 32.2(a)

3. Government/Non-government disclosures

In accordance with APF II, APS 4.1, HomeStart has included details of income, expenditure, assets and liabilities according to whether the transactions are with entities internal or external to the State Government in the notes to the accounts.

4. Segment reporting

HomeStart operates in one geographical segment (South Australia) and its principal activity is the provision of home finance to lower income groups.

5. Net interest income

	2011	2010
Interest received/receivable from entities external to the SA Government:	$'000	$'000
Loans and advances	129 554	99 313
Subsidised loans effective interest income	3 935	3 798
Subsidised loans fair value expense	(1 812)	(3 299)
Loan origination income amortisation	2 680	2 749
Deposits with banks	78	63
Total interest received/receivable from entities external to the SA Government	134 435	102 624
Interest paid/payable to entities within the SA Government:		
Borrowings from SAFA	(85 312)	(66 779)
Total interest paid/payable to entities within the SA Government	(85 312)	(66 779)
Net interest income	49 123	35 845

6. Other income

Other income received/receivable from entities external to the SA Government:		
Fees and charges	3 577	3 821
Bad debts recovered	272	195
Unrealised change in fair value of loans	1 349	2 670
Realised change in fair value of loans	570	419
Managed funds distribution	472	243
Unrealised change in fair value of investments	31	104
Realised change in fair value of investments	388	20
Interest received from held to maturity investments	679	589
Other	68	52
Total other income received/receivable from entities external to the SA Government	7 406	8 113

6. Other income (continued)

	2011	2010
Other income received/receivable from entities within the SA Government:	$'000	$'000
Managed funds distribution	849	834
EquityStart grant	1 679	2 347
Community service obligation subsidy	4 475	4 191
Other	389	280
Total other income received/receivable from entities within the SA Government	7 392	7 652
Total other income	14 798	15 765

EquityStart grant funds and community service obligation subsidy received

During the financial year, HomeStart received $600 000 ($2.77 million) in grant funds from the Department for Families and Communities, to compensate HomeStart for costs incurred in relation to EquityStart Loans.

7. Net gain (loss) from disposal of assets

	2011	2010
	$'000	$'000
Proceeds from disposal of assets	12	-
Net book value of assets disposed	(17)	-
Total net gain (loss) from disposal of assets	(5)	-

8. Bad and impaired loans expense

Bad and impaired loans expensed	127	40
Increase in provision for impairment	758	1 512
Total bad and impaired loans expense	885	1 552

9. Government guarantee fee

Government guarantee fee paid or payable to entity within the SA Government	24 976	10 947
Total Government guarantee fee paid or payable to entity within the SA Government	24 976	10 947

HomeStart paid a guarantee fee of 1.5 percent of outstanding borrowings to DTF in 2010-11 (0.75 percent).

The Treasurer has approved a guarantee fee rate of 1.5 percent for the financial year ended 30 June 2012.

10. Employee expenses, remuneration and number of employees

	2011	2010
	$'000	$'000
Salaries and wages	8 272	7 860
Long service leave	(17)	238
Annual leave	49	65
Employment on-costs - superannuation	712	729
Employment on-costs - other	487	607
Board fees	265	265
Total employee expenses	9 768	9 764

Remuneration of employees

The number of employees whose remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
$127 500 - $130 699(1)	1	2
$130 700 - $140 699	1	2
$140 700 - $150 699	2	2
$160 700 - $170 699	1	1
$180 700 - $190 699	-	1
$220 700 - $230 699	1	1
$230 700 - $240 699	-	1
$240 700 - $250 999	3	2
$300 700 - $310 699	1	-
Total	10	12

(1) This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2009-10.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, payments in lieu of leave, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $1.98 million ($2.14 million).

Accounting policy change

In accordance with the revised APF II, HomeStart has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than $100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by 23 (from 33 to 10) for 2011 and 17 (from 29 to 12) for 2010.

Number of employees

HomeStart employed 103 people at the end of the reporting period (106).

11. Key management personnel disclosures

The following employees held authority and responsibility for planning, directing and controlling the activities of HomeStart for the entire financial year:

- John Oliver (Chief Executive Officer)
- John Comley (General Manager Corporate Services and Chief Financial Officer)
- Ian Wheaton (General Manager Treasury and Risk)
- John Rolfe (General Manager Retail).

The following employees held authority and responsibility for planning, directing and controlling the activities of HomeStart for part of the financial year:

- Andrew Mills (Acting General Manager People and Strategy) from the start of the financial year until 1 November 2010

- Deborah Dickson (General Manager People and Strategy) from 2 November 2010 until the end of the financial year.

Key management personnel compensation

The compensation of the above key management personnel included in ‘employee expenses’ (refer note 10) is as follows:

	2011	2010
	$	$
Short-term employee benefits	1 240 572	1 307 273
Long-term employee benefits (long service leave)	14 215	12 856
Long-term employee benefits (amounts paid to superannuation plans)	83 511	113 281
Termination benefits	-	50 841
Total key management personnel compensation	1 338 298	1 484 251

12. Related parties

All transactions between HomeStart and related parties are on arm’s length terms and conditions.

During the financial year HomeStart undertook transactions with the following related parties. The nature and amounts of these transactions have been disclosed throughout the financial statements.

- employees who are key management personnel
- board members
- DFC
- DTF
- SAFA.

Board members

The following persons were members of the Board of HomeStart during the whole of the financial year:

Claude Long (Chair)
Jim Kouts (Deputy Chair)
Estelle Bowman
Sandra De Poi
David Garrard
Lindsay Nicholson

Paula Capaldo was a member of the Board of HomeStart from the start of the financial year until her term expired on 15 December 2010.

Sue Edwards was a member of the Board of HomeStart from her appointment on 15 December 2010 until the end of the financial year.

Board members' remuneration

The remuneration of the Board of HomeStart included in 'Employee expenses'(refer note 10) is as follows:	Note	2011 $'000	2010 $'000
Short-term benefits	10	264 680	264 680
Long-term employee benefits (amounts paid to superannuation plans)		23 821	23 821
Total board members' remuneration		288 501	288 501

The number of HomeStart board members whose remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
$20 000 - $29 999	2	-
$30 000 - $39 999	-	4
$40 000 - $49 999	5	2
$50 000 - $59 999	1	1
Total	8	7

Apart from the details disclosed in this note, no board member has entered into a contract with HomeStart since the end of the previous financial year and there were no contracts involving board members' interests existing at year end.

13. Economic dependency

HomeStart has an economic dependency on the following suppliers of services:

Financing services

SAFA is the sole provider of funds to HomeStart.

Loan management services

HomeStart contracts a significant proportion of its loan management services to BankSA, The Home Loan Centre, HomeLoans Plus and Bernie Lewis Home Loans.

14. Depreciation and amortisation expense

	2011 $'000	2010 $'000
Depreciation:		
Other office and computer equipment	244	348
Total depreciation	244	348
Amortisation:		
Leasehold improvements	199	199
Intangible assets	198	158
Total amortisation	397	357
Total depreciation and amortisation	641	705

15. Other expenses

Other expenses arising from transactions with entities within the SA Government:		
External auditor's remuneration	151	144
Insurance	82	69
Total other expenses arising from transactions with entities within the SA Government	233	213
Other expenses arising from transactions with entities external to the SA Government:		
Realised change in fair value of investments	-	423
Office accommodation (minimum lease payments)	797	769
Marketing, product development and advertising	994	1 108
Internal audit fees	326	314
Loan administration	157	150
Information technology	515	399
Consultant's fees	120	102
Human resources and staff development	578	490
Other	1 693	1 664
Total other expenses arising from transactions with entities external to the SA Government	5 180	5 419
Total other expenses	5 413	5 632

15. Other expenses (continued)

The number and dollar amount of consultancies paid/payable that fell within the following bands:	2011 Number	2011 $'000	2010 Number	2010 $'000
Below $10 000	3	16	7	35
Between $10 000 and $50 000	2	46	3	67
Above $50 000	1	58	-	-
Total paid/payable to the consultants engaged	6	120	10	102

16. Auditor's remuneration

	2011 $'000	2010 $'000
Audit fees paid/payable to the Auditor-General's Department	151	144
Total audit fees - SA Government entities	151	144

Other services

Amounts disclosed are inclusive of GST. No other services were provided by the Auditor-General's Department.

17. Financial investments designated at fair value through profit and loss

17.1 Financial investments designated at fair value through profit and loss

Financial investments designated at fair value through profit or loss with an entity within the SA Government:		
SAFA Cash Management Fund	24 944	18 774
Total financial investments designated at fair value through profit or loss with an entity within the SA Government	24 944	18 774
Financial investments designated at fair value through profit or loss with entities external to the SA Government:		
Unit trusts	9 014	4 211
Breakthrough Loan (shared appreciation component)	67 716	58 281
Total financial investments designated at fair value through profit or loss with entities external to the SA Government	76 730	62 492
Total financial investments designated at fair value through profit or loss	101 674	81 266

17.2 Maturity profile of HomeStart's financial investments designated at fair value through profit or loss

At call	33 958	22 985
Not longer than three months	-	-
Longer than three months and not longer than 12 months	-	-
Longer than 12 months and not longer than five years	-	-
Longer than five years	67 716	58 281
Total investments designated at fair value through profit and loss	101 674	81 266

17.3 Risk exposure

Information in relation to HomeStart's exposure to investment price risk is provided in note 31.4.3.

18. Financial investments - held to maturity

18.1 Financial investments - held to maturity

Financial investments - held to maturity with entities external to the SA Government:		
Bank bills	-	7 956
Bonds	12 103	12 055
Total financial investments - held to maturity	12 103	20 011

18.2 Maturity profile of HomeStart's financial investments - held to maturity

At call	-	-
Not longer than three months	-	7 956
Longer than three months and not longer than 12 months	1 003	4 050
Longer than 12 months and not longer than five years	7 053	4 965
Longer than five years	4 047	3 040
Total financial investments - held to maturity	12 103	20 011

18.3 Risk exposure

Information in relation to HomeStart's exposure to investment price risk is provided in note 31.4.3.

19. Loans and advances

19.1 Loans and advances

	2011 $'000	2010 $'000
Primary loans	1 769 628	1 603 718
Subsidised loans	84 940	82 625
Gross loans and advances	1 854 568	1 686 343
Fair value adjustment	(16 180)	(16 241)
Deferred loan fee income	(5 898)	(5 925)
Deferred loan fee expense	3 033	3 091
Specific provisions for impairment	(5 750)	(6 006)
Unearned income	(2 472)	(2 001)
Collective provision for impairment	(9 908)	(9 351)
Net loans and advances	1 817 393	1 649 910
Specific provision for impaired loans:		
Opening balance	6 006	4 236
Bad debts written off	(457)	(137)
Impairment expense	201	1 907
Closing balance	5 750	6 006
Collective impairment provision:		
Opening balance	9 351	9 746
Impairment expenses	557	(395)
Closing balance	9 908	9 351
Total provision for impairment	15 658	15 357

19.2 Risk exposures

Information in relation to HomeStart's exposure to credit risk for loans and advances is provided in note 31.2.1

20. Other financial assets

	2011	2010
Other financial assets - entities within the SA Government:		
Stakeholder advance	-	3 686
Accrued financial investment income	68	69
EquityStart grant receivable	170	157
Other	66	62
Total other financial assets - entities within the SA Government	304	3 974
Other financial assets - entities external to the SA Government:		
Deferred financial investment income	136	129
Accrued interest on housing loans and advances	384	336
Accrued interest on cash at bank	6	7
GST recoverable	48	47
Other	6	9
Total other financial assets - entities external to the SA Government	580	528
Total other financial assets	884	4 502

21. Property, plant and equipment

	2011	2010
Leasehold improvements		
Leasehold improvements at cost	2 154	2 111
Accumulated depreciation	(1 186)	(987)
Total leasehold improvements	968	1 124
Other office and computer equipment:		
Other office and computer equipment at cost	2 978	3 023
Accumulated depreciation	(2 518)	(2 522)
Total other office and computer equipment	460	501
Total property, plant and equipment	1 428	1 625

21. Property, plant and equipment (continued)

	Leasehold imprvmnts $'000	Other office and computer equipment $'000	2011 Total $'000	Leasehold imprvmnts $'000	Other office and computer equipment $'000	2010 Total $'000
Carrying amount at 1 July	1 124	501	1 625	1 267	720	1 987
Additions	43	220	263	56	129	185
Disposals - at cost	-	(265)	(265)	-	-	-
Disposals - accumulated deprecation	-	248	248	-	-	-
Depreciation and amortisation	(199)	(244)	(443)	(199)	(348)	(547)
Carrying amount at 30 June	968	460	1 428	1 124	501	1 625

22. Intangible assets

	2011 $'000	2010 $'000
Software at cost	1 451	1 451
Accumulated amortisation	(1 168)	(970)
Total software	283	481
Carry amount at 1 July	481	248
Additions	-	391
Disposals	-	-
Amortisation	(198)	(158)
Carrying amount at 30 June	283	481

23. Other assets

	2011	2010
Other assets - entities within the SA Government		
Prepayments	4	8
Total other assets - entities within the SA Government	4	8
Other assets - entities external to the SA Government		
Prepayments	369	327
Total other assets - entities external to the SA Government	369	327
Total other assets	373	335

24. Payables

24.1 Payables

	2011	2010
Payables to entities within the SA Government:		
Creditors	5	6
Accrued administration expenses	160	153
Employment on-costs	426	439
Accrued interest payable on borrowings	4 525	3 581
Accrued interest payable on derivatives	131	195
Accrued guarantee fee payable	2 148	967
Total payables to entities within the SA Government	7 395	5 341
Payables to entities external to the SA Government:		
Creditors	212	314
Creditors - capital acquisition	-	49
Accrued administration expenses	103	84
Accrued loan manager fees	483	453
Total payables to entities external to the SA Government	798	900
Total payables	8 193	6 241

24.2 Settlement profile of HomeStart's payables

All payables will be settled within 12 months of the reporting date.

25. Borrowings

25.1 Interest bearing liabilities

	2011	2010
Short-term borrowings payable to an entity within the SA Government:		
Short-term borrowings	95 800	721 934
Total short-term borrowings payable to an entity within the SA Government	95 800	721 934

25.1 Interest bearing liabilities (continued)	2011	2010
Long-term borrowings payable to an entity within the SA Government:	$'000	$'000
Long-term borrowings	1 665 000	863 000
Total long-term borrowings payable to an entity within the SA Government	1 665 000	863 000
Total interest bearing liabilities	1 760 800	1 584 934

25.2 Security

All HomeStart borrowings are unsecured.

25.3 Risk exposure

Information in relation to HomeStart's exposure to liquidity and interest rate risks is provided in notes 31.3 and 31.4 respectively.

26. Employee benefits

26.1 Employee benefits	Note	2011 $'000	2010 $'000
Accrued salaries		57	29
Annual leave		599	551
Long service leave		836	852
Total employee benefits		1 492	1 432
26.2 Aggregate employee benefits			
Accrued salaries			
On-costs		61	78
Provision for employee benefits		57	29
Total accrued salaries		118	107
Annual leave:			
On-costs		84	77
Provision for employee benefits		599	551
Total annual leave		683	628
Long service leave:			
On-costs		116	119
Provision for employee benefits		836	852
Total long service leave		952	971
Total employee on-costs	24	426	439
On-costs not related to current employee benefits		(165)	(165)
Total provision for employee benefits		1 492	1 432
Total employee benefits and related on-costs		1 753	1 706

26.3 Settlement period of long service leave

The liability for long service leave is recognised after an employee has completed five years (5.5 years) of service in accordance with APF IV.

HomeStart policy allows any employee who has completed seven years of continuous service to:

- have their long service leave entitlements paid to them on leaving HomeStart, as part of their termination payment
- take pro-rata long service leave
- 'cash out' a proportion of their long service leave, in lieu of taking the leave.

HomeStart therefore does not have an unconditional right to defer settlements of the long service leave liability for at least 12 months after the reporting date.

27. Income tax equivalents payable

	2011 $'000	2010 $'000
Income tax equivalents payable to an entity within the SA Government	3 006	3 014
Total tax equivalents liability payable to an entity within the SA Government	3 006	3 014

28. Provision for dividend

	2011 $'000	2010 $'000
Dividend payable to an entity within the SA Government	203	-
Total dividend payable to an entity within the SA Government	203	-

Pursuant to section 26 of the *Housing and Urban Development (Administrative Arrangements) Act 1995*, HomeStart must recommend to the Minister for Housing, that it pay a specified dividend or not pay a dividend, for the financial year, as it considers appropriate. The Minister may, in consultation with the Treasurer, by notice to HomeStart approve its recommendation or determine that another dividend, or no dividend, should be paid.

For the financial year ended 30 June 2011, the Board of HomeStart recommended the payment of a dividend of 60 percent of after tax profit (40 percent). This amounts to a total dividend of $6 519 395 in respect of the year ended 30 June 2011. The Minister and Treasurer approved this recommendation in June 2011.

HomeStart paid a dividend amount of $6 316 800 to DTF prior to the end of the financial year. This amount is disclosed as a dividend paid/payable. HomeStart will be required to pay a further dividend amount of $202 595 in respect of the financial year ended 30 June 2011.

29. Other liabilities

	2011	2010
29.1 Other liabilities:	$'000	$'000
Other liabilities payable to or arising from transactions with entities within the SA Government:		
Aboriginal loan security deposit	127	169
Department of Human Services	324	-
Unearned income (EquityStart grant)	1 422	2 438
Total other liabilities payable to or arising from transactions with entities within the SA Government	1 873	2 607
Other liabilities payable to or arising from transactions with entities external to the SA Government:		
Workers compensation provision	15	17
Wyatt Benevolent Institution	1 105	401
Make good provision	187	209
City of Salisbury	4	-
Total other liabilities payable to or arising from transactions with entities external to the SA Government	1 311	627
Total other liabilities	3 184	3 234
29.2 Make good provision:		
Opening balance	209	191
Unwinding of discount arising from the passage of time	(22)	18
Closing balance	187	209

30. Equity

General reserve for credit losses

A general reserve for credit losses was created to set aside retained earnings being the equivalent of the loans impairment provision determined under former Australian Generally Accepted Accounting Principles in excess of the specific and collective loss provisions determined under AASB 139. The maintenance of this reserve is consistent with the Australian Prudential Regulation Authority prudential risk management requirements of retaining sufficient retained earnings for capital adequacy purposes.

Derivatives valuation reserve

The derivatives valuation reserve was created to recognise the effective gain or loss on derivatives that are designated hedging instruments.

31. Financial risk management

31.1 Overview

HomeStart's activities expose it to a variety of financial risks, primarily:

- credit risk
- liquidity risk
- market risk (including interest rate risk and price risk).

31.1 Overview (continued)

This note presents information about HomeStart's exposure to each of the above risks as well as HomeStart's objectives, policies and processes for measuring and managing risk.

Taking risk is core to HomeStart's business. HomeStart aims to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance.

HomeStart's Board of Management has overall responsibility for the establishment and oversight of HomeStart's risk management framework. The board has established the Asset and Liability Committee (ALCO) and Audit Committee to develop and monitor HomeStart's risk management policies.

HomeStart's risk management policies are designed to identify and analyse financial risks, set appropriate risk limits and controls, and monitor the risks and adherence to limits by means of reliable and up-to-date information systems. HomeStart regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Financial risk management is the responsibility of HomeStart's internal treasury and risk department which identifies, evaluates and, when feasible and appropriate, hedges financial risks. It operates in accordance with policies approved by the board and its subcommittees. These written policies cover overall risk management as well as specific areas, such as interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of funds.

HomeStart's Audit Committee is responsible for monitoring compliance with HomeStart's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by HomeStart. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. HomeStart's ALCO is also directly involved in the risk management process, in particular as it relates to the management of market risk and credit risk.

HomeStart's exposures to financial risk and how they arise as well as its objectives, policies and processes for managing the risk and the methods used to measure the risk have not changed materially from the previous period.

31.2 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause HomeStart to incur a financial loss by failing to discharge an obligation.

HomeStart's exposure to credit risk arises primarily from loans and advances to customers.

As described below, HomeStart manages its credit risk by dealing with credit worthy customers and counterparties, setting credit limits on its exposures and obtaining collateral.

31.2.1 Loans and advances

(a) Credit risk management

Credit risk is inherent in HomeStart's core function of lending.

HomeStart's credit risk management processes are overseen by the Board and its Audit and ALCO subcommittees.

The Board and its subcommittees are responsible for approving new lending and arrears management policies. The authority to make credit decisions in accordance with these approved policies is delegated by the board to executive management.

The Board and its subcommittees are responsible for monitoring payment and loss performance and regularly consider trends in the number of loans more than 30 days past due, expected loss analysis performed by both management and an independent actuary and actual losses realised.

The effectiveness of HomeStart's credit risk management framework is monitored via compliance and reporting processes. The Audit Committee is responsible for overseeing the internal audit of adherence to approved lending and arrears management policies.

(b) *Risk control and mitigation policies*

HomeStart manages, limits and controls credit risks wherever they are identified. Some specific control and mitigation measures are outlined below.

Lending policies

HomeStart's approved lending policies require verification of the customer's income and an assessment of credit worthiness based on credit checks with independent agencies and statistical analysis of the factors most likely to lead to credit default. HomeStart has at no time undertaken lending on a reduced documentation basis or lending which relies in any way on borrowers' self-verification of income.

Collateral

HomeStart holds collateral against loans and advances to customers in the form of registered mortgages over security properties.

HomeStart's credit principles specify that loans may only be made where the customer has the capacity and ability to repay. Obtaining collateral is used to mitigate credit risk.

Procedures are designed to ensure collateral is managed, legally enforceable, conservatively valued and adequately insured at the time of settlement. It is an ongoing condition of the loan contract that this insurance be kept current. Following settlement HomeStart has other insurance arrangements to mitigate the risks arising from uninsured properties.

In the event of a loan default, any loan security is held as mortgage in possession. Any property thus held does not meet the recognition criteria of AASs and is not recognised in the Statement of Financial Position.

The estimated fair value of collateral held is based on the Valuer-General annual property data or a current formal valuation. As at year end the fair value of collateral for past due and impaired loans was:

	2011	2010
Past due but not impaired:	$'000	$'000
Gross carrying value	109 895	95 758
Fair value of collateral	182 565	163 905
Impaired:		
Gross carrying value, before specific impairment provisions	32 336	29 647
Specific provision for impairment	(5 750)	(6 006)
Net impaired loans and advances	26 586	23 641
Fair value of collateral	33 908	32 161

Concentration of counterparty and geographic risk

HomeStart is not materially exposed to any individual customer. HomeStart only lends in South Australia and is therefore exposed to the property market in this state.

Approximately 31 percent (32 percent) of HomeStart's loans by value are secured against properties outside the Adelaide metropolitan area. This represents a risk as the limited market liquidity in country regions as well as the less diversified nature of rural economies can lead to greater volatility in property values. HomeStart currently manages this risk by imposing stricter Loan to Valuation Ratio (LVR) limits when lending in some country locations, and excluding others completely.

At reporting date 30 percent (32 percent) of HomeStart's loans by value were secured against properties in the City of Salisbury and the City of Playford. HomeStart's exposure to risk in this geographic area is managed through lending policies as well as obtaining and managing collateral, as described above.

Higher LVR loans

HomeStart has several product categories where the initial LVR is permitted to exceed 95 percent (higher LVR loans). To mitigate and control associated risks the total dollar value of higher LVR loans is not permitted to exceed internal limits. In order to control volumes of higher LVR lending, HomeStart limits both the geographic range of higher LVR lending and imposes further credit assessment requirements.

Loan provision charge
HomeStart does not require its customers to pay for lenders mortgage insurance. It does, however, require its customers to pay a loan provision charge at the time of advancing a loan.

(c) *Credit risk management*
Significant portfolio analysis is performed by management on a regular basis to measure and report credit risk. This work is supplemented by an independent actuarial review performed each year, the outcomes of which include the expected future amounts to be written-off.

This operational measurement can be contrasted with the impairment allowances required by AASB 139, which are based on the existence of objective evidence of impairment at the reporting date rather than expected losses (notes 2.11 and 19).

Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements is usually lower than the amount determined from the expected loss model that is used for internal operational management, as set out below.

	2011 $'000	2010 $'000
Expected losses used for internal operational management	18 838	18 641
Provision for impairment in the financial statements	(15 658)	(15 357)
Unearned income	(2 472)	(2001)
Difference	708	1 283

HomeStart has designated its Breakthrough Loans as being at fair value through profit or loss. The credit risk attaching to the shared appreciation component of the Breakthrough Loan is not material.

(d) *Credit quality and maximum exposure to credit risk*
HomeStart's maximum exposure to credit risk has been recognised in the Statement of Financial Position as the carrying amount, net of any provisions for impairment of $1817.39 million ($1649.91 million).

The credit quality of loans and advances can be assessed by reference to the expected loss amount used for internal operational management (as described above) and the Behaviour Risk Grading system adopted by HomeStart.

The Behaviour Risk Grading system is a statistical tool used to monitor the credit behaviour of loans over time and assign a risk grading to each. Outcomes are monitored regularly to test the validity of assumptions and parameters used.

The following tables set out the carrying value of loans and advances to customers. Further analysis by risk grading is also provided.

	2011 $'000	2010 $'000
Not impaired:		
Neither renegotiated nor past due:		
Low risk	1 185 843	917 597
Moderate risk	493 379	591 143
High risk	23 203	40 285
Gross loans and advances neither renegotiated nor past due	1 702 425	1 549 025
Renegotiated:(1)		
Low risk	5 824	6 147
Moderate risk	3 487	4 396
High risk	676	1 369
Gross loans and advances renegotiated	9 987	11 912

(d) *Credit quality and maximum exposure to credit risk (continued)*	2011	2010
Past due but not impaired:[2]	$'000	$'000
Low risk	34 890	28 749
Moderate risk	53 248	46 830
High risk	21 757	20 179
Gross loans and advances past due but not impaired	109 895	95 758
Total not impaired:		
Low risk	1 226 557	952 493
Moderate risk	550 114	642 369
High risk	45 636	61 833
Gross loans and advances not impaired	1 822 307	1 656 695
Impaired:[3]		
Low risk	4 242	4 086
Moderate risk	15 539	13 483
High risk	12 480	12 078
Gross impaired loans and advances	32 261	29 647
Specific provision for impairment	(5 750)	(6 006)
Impaired loans and advances after provisions	26 511	23 641
Total:		
Low risk	1 230 799	956 580
Moderate risk	565 653	655 852
High risk	58 116	73 911
Gross loans and advances	1 854 568	1 686 343
Fair value adjustment	(16 180)	(16 241)
Deferred loan fee income	(5 898)	(5 925)
Deferred loan fee expense	3 033	3 091
Specific provision for impairment	(5 750)	(6 006)
Unearned income	(2 472)	(2 001)
Collective provision for impairment	(9 908)	(9 351)
Net loans and advances	1 817 393	1 649 910

The following table provides an analysis of the age of financial assets that are past due as at the reporting date but not impaired.

	2011	2010
	$'000	$'000
Less than 30 days	78 180	71 157
30 to 59 days	21 357	16 989
60 to 89 days	5 526	3 921
90 - 179 days	2 763	2 010
More than 179 days	2 069	1 681
Total	109 895	95 758

(1) Loans and advances renegotiated

HomeStart policy permits certain customers to increase the balance of their loan by the amount of their arrears (arrears capitalisation). Following arrears capitalisation, a previously overdue customer account is reset to normal status.

HomeStart assesses arrears capitalisation on a case-by-case basis and decisions are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review.

Renegotiated loans that would otherwise be past due or impaired totalled $10 million as at 30 June 2011 ($11.9 million).

(2) Past due but not impaired

As per AASB 7, past due but not impaired loans are those where a counterparty has failed to make a payment when contractually due, however, are not considered impaired due to collateral available and other loan performance and customer characteristics.

(d) Credit quality and maximum exposure to credit risk (continued)

(3) Impaired loans

Impaired loans and advances are those where HomeStart has determined that it is probable that it will be unable to collect all principal and interest due in accordance with the contractual terms of the loan agreement.

31.2.2 Derivative financial liabilities

(a) Credit risk management and risk control and mitigation policies

HomeStart is permitted by the Treasurer to transact in derivatives only with SAFA.

(b) Maximum exposure to credit risk

As at 30 June 2011 and 30 June 2010, HomeStart did not have any exposure to credit risk arising from derivative financial liabilities.

	Note	2011 $'000	2010 $'000
Derivative financial instruments		(3 189)	(6 369)
Swap income receivable		517	532
Swap expense payable		(648)	(727)
Net payable	24	(131)	(195)

Further information in relation to derivatives is disclosed in notes 31.3.3 and 31.4.2.

31.3 Liquidity risk

Liquidity risk is the risk that HomeStart may, at some stage, be unable to meet its financial obligations when they fall due. The consequence may be failure to meet obligations to repay SAFA and fulfil commitments to lend money to customers.

31.3.1 Liquidity risk management

Risks relating to liquidity are governed by a range of treasury management policies, which are subject to oversight by the board's ALCO subcommittee.

HomeStart's liquidity management process is carried out and monitored by the treasury and risk management department and includes:

- day-to-day management of funding by monitoring cash flows to ensure excess funds are repaid, funds are replenished as they mature, and funds are borrowed when needed to meet lending and other financial commitments
- monitoring internal liquidity ratios and limits.

Monitoring and reporting takes the form of cash flow measurement and projections. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Whole-of-government policy requires that HomeStart hold a positive balance in its operating bank account. HomeStart's internal policy requires maintaining daily cash at an agreed target balance.

31.3.2 Funding approach

HomeStart is required to use SAFA as its sole counterparty for all funding transactions. The arrangement gives HomeStart access to a significant volume of liquidity, restricted by an approved borrowing limit of $1900 million as at 30 June 2011 ($1750 million).

31.3.3 Exposure to liquidity risk

(a) Non-derivative cash flows

HomeStart's exposure to liquidity risk is managed by adherence to ALCO approved ratios and requirements, which include a requirement that HomeStart's debt subject to refinancing in the next 12 month period is to be limited to 50 percent (50 percent) of total debt outstanding.

(a) *Non-derivative cash flows (continued)*

Percent of debt subject to refinancing in the next 12 month period:	2011 Percent	2010 Percent
At 30 June	5.44	45.55
Average for the period	25.93	31.99
Maximum for the period	47.77	45.55
Minimum for the period	3.43	21.66

The table below presents the cash flows payable by HomeStart under non-derivative financial liabilities by remaining contractual maturities at the reporting date.

2011	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying value
Liabilities:	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Payables	5 845	2 348	-	-	-	8 193	8193
Borrowings	99 995	13 879	63 109	1 426 305	508 693	2 111 981	1 760 800
Other financial liabilities	-	1 503	1 706	-	-	3 209	3 209
Total liabilities (contractual maturity dates)	105 840	17 730	64 815	1 426 305	508 693	2 123 383	1 772 202
2010							
Liabilities:							
Payables	5 109	1 132	-	-	-	6 241	6 241
Borrowings	157 344	11 553	623 834	1 005 631	-	1 798 362	1 584 934
Other financial liabilities	-	1 507	1 507	-	-	3 014	3 014
Total liabilities (contractual maturity dates)	162 453	14 192	625 341	1 005 631	-	1 807 617	1 594 189

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, cash equivalents, loans and advances to individuals and liquid investments.

(b) *Derivative cash flows*

Derivatives used by HomeStart to hedge risk include interest rate swaps, forward rate agreements and bank bill futures.

The table below analyses HomeStart's derivative financial liabilities at fair value that will be settled on a net basis into relevant maturity groupings based on the remaining period to the contractual maturity date.

	Up to 1 month $'000	1-3 months $'000	3-12 months $'000	1-5 years $'000	Over 5 years $'000	Total $'000
2011	(237)	(385)	(1 225)	(1 436)	255	(3 028)
2010	(361)	(592)	(2 512)	(3 502)	39	(6 928)

Further information in relation to derivatives is disclosed in notes 31.2.2 and 31.4.2.

(c) *Off Balance Sheet*

The periods of payment of unrecognised contractual commitments are disclosed in note 33.

31.4 Market risk

Market risk is the risk of changes in market prices such as interest rates, equities prices, credit spreads and property prices affecting HomeStart's income and returns.

The objective of market risk management is to monitor, control and mitigate exposure to this risk, all within acceptable parameters while at the same time optimising return.

31.4.1 Market risk management

HomeStart's market risk management processes are overseen by the board and its ALCO subcommittee.

A comprehensive Treasury master document sets out the policies which govern HomeStart's management of market risk. Adherence to these policies is monitored by ALCO at its monthly meetings, by the Finance subcommittee at its weekly meetings and by the treasury department on a daily basis.

31.4.1 Market risk management (continued)

ALCO is responsible for approving these policies. The authority to make decisions in accordance with these approved policies is delegated by the board to executive management.

The effectiveness of HomeStart's market risk management framework is monitored via compliance and reporting processes and independent review by internal audit.

31.4.2 Interest rate risk - derivative financial instruments

(a) Risk control and mitigation policies

HomeStart manages, limits and controls market risks wherever they are identified. The following outlines some specific control and mitigation measures.

HomeStart engages in derivative financial instruments to hedge interest rate risk within its portfolio. These derivatives include interest rate swaps, forward rate agreements and bank bill futures.

HomeStart receives a fixed rate of interest on a portion of its loans to customers and pays floating interest on borrowings from SAFA. To protect it from an increase in interest rates payable on its borrowings, HomeStart enters into interest rate swap contracts in order to hedge this mismatch of cash flows.

As at 30 June 2011, HomeStart had floating/fixed swaps with a notional value of $266 million ($294.5 million). These had fixed rates varying between 3.88 percent and 7.83 percent (3.73 percent and 7.85 percent).

Periods to maturity of the interest rate swap contracts are disclosed at note 31.3.3(b).

(b) Market risk measurement and maximum exposure to interest rate risk

The three major risk measurement processes used by HomeStart to measure and control interest rate risk are the present value per basis point (PVBP), value at risk (VaR) methodology and stress testing. These processes are applied to all of HomeStart's financial asset, liability and derivatives positions, with the exception of investments held through the risk transfer vehicle which are monitored separately (refer note 31.4.3).

PVBP

HomeStart measures the PVBP of financial asset, liability and derivative positions. PVBP analysis identifies the extent of interest rate risk within different maturity buckets and for the portfolio overall. Limits for portfolio PVBP are set by ALCO and monitored monthly. The treasury and risk department reviews PVBP statistics daily.

Internally approved limits for the PBVP are set at $10 000 to ($10 000) and these were not exceeded at any time in the years ended 30 June 2011 and 30 June 2010.

	2011	2010
	$'000	$'000
Limit:	+/-10	+/-10
Average for the period	(0.7)	1.4
Maximum for the period	1.6	2.9
Minimum for the period	(2.3)	(4.9)

VaR

HomeStart applies a VaR methodology to estimate the market risk of all positions held and the maximum losses expected, based upon a number of assumptions for changes in market conditions. ALCO sets limits on the value at risk that may be accepted by HomeStart, which are monitored on a daily basis by the treasury and risk department and monthly by the board and ALCO.

VaR (continued)
HomeStart's VaR methodology models non-parallel shifts in the yield curve using the last 250 days of historical interest rate data to predict within a 99 percent confidence interval the likely outcome for the market value of a position or portfolio assuming it takes 10 days to unwind the open positions that give rise to the exposure. Actual outcomes are monitored regularly to test the validity of assumptions and parameters/factors used in the VaR calculation.

Although VaR represents a good estimate of potential losses under normal market conditions, the assumptions on which the model is based give rise to some limitations, including the following:

- a 10 day period to unwind open positions assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period
- a 99 percent confidence interval means there is a one percent statistical probability that actual loss could be greater than the VaR estimate. The use of this approach does not prevent losses outside set limits in the event of more significant market movements
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions held during the day
- the use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature
- the VaR measure is dependent upon HomeStart's position and the volatility of interest rates. The VaR of an unchanged position reduces if interest rate volatility declines and vice versa.

The table below summarises the approved maximum loss limits, which HomeStart did not exceed at any time, for the years ended 30 June 2011 and 30 June 2010:

	2011	2010
	$'000	$'000
Maximum loss limit	1 100	1 100
Average for the period	220	206
Maximum for the period	323	450
Minimum for the period	170	60

Stress testing
The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures. In addition, HomeStart uses stress tests to provide an indication of the potential size of losses that could arise in extreme conditions.

HomeStart's treasury system undertakes daily worst case interest rate tests on the entire asset and liabilities portfolio (including derivatives). Six different scenarios are used to test the impact of movements in interest rates on the market value of the entire portfolio. The average worst case outcome is reported monthly to the board and ALCO.

The table below summarises the approved maximum loss limits, which HomeStart did not exceed at any time, for the years ended 30 June 2011 and 30 June 2010.

	2011	2010
	$'000	$'000
Maximum loss limit	2 500	2 500
Average for the period	513	487
Maximum for the period	269	1 257
Minimum for the period	722	209

(c) *Hedge accounting*
Fixed interest rate loan assets have been valued at fair value, being face value plus net transaction costs, and are hedged by interest rate swaps, which have been designated as cash flow hedges, to enable the portion of the effective gain or loss to be recognised in equity.

(c) *Hedge accounting (continued)*

Fluctuations in the fair value of these transactions are not recognised in the Statement of Comprehensive Income when HomeStart satisfies the 'hedge accounting' requirements contained in AASB 139.

The gain or loss from remeasuring the instruments at fair value is deferred in equity in the derivatives valuation reserve, to the extent that the hedge is effective. The ineffective portion is recognised in the Statement of Comprehensive Income immediately. In the year ended 30 June 2011, a $3.18 million gain ($4.38 million gain) was recognised in equity during the period.

Further information in relation to derivatives is disclosed in notes 31.2.2 and 31.3.3.

31.4.3 Investments price risk

(a) *Risk control and mitigation policies*

HomeStart is exposed to investment price risk arising from investments held by HomeStart and classified on the Statement of Financial Position at fair value through profit or loss.

To manage its price risk arising from investments, HomeStart diversifies its portfolio in accordance with limits set by ALCO. The investments are held on a passive investment basis. Adherence to approved limits is monitored on a weekly basis by the treasury and risk department and monthly by the board and ALCO.

(b) *Maximum exposure to investment price risk*

HomeStart's maximum exposure to investments price risk has been recognised as the carrying amount at reporting date (note 17).

(c) *Sensitivity analysis*

The following tables summarise the sensitivity of HomeStart's profit to investment price risk. The analysis is based on the assumption of a 10 percent increase or decrease in market value at year-end, with all other variables being held constant.

	Carrying amount	-10%	+10%
2011	$'000	$'000	$'000
Unit trusts	9 014	(901)	901
SAFA Cash Management Fund	24 944	(2 494)	2 494
Total increase (decrease) in profit before tax and equity		(3 395)	3 395
2010			
Unit trusts	4 211	(421)	421
SAFA Cash Management Fund	18 774	(1 877)	1 877
Total increase (decrease) in profit before tax and equity		(2 298)	2 298

31.4.4 Breakthrough Loan property price risk

(a) *Risk control and mitigation policies*

HomeStart is exposed to property price risk arising from the shared appreciation component of Breakthrough Loans made to customers that are measured at fair value through profit or loss. The fair value of this loan is based on the value of the property pledged as collateral (note 2.12).

To manage its price risk arising from Breakthrough Loans, HomeStart limits the total size of the Breakthrough Loan portfolio, the dollar value of loans settled each month and the geographic locations where lending is undertaken.

(b) *Maximum exposure to property price risk*

HomeStart's maximum exposure to property price risk has been recognised as the carrying amount at balance date (note 17).

(c) *Sensitivity analysis*

The following table summarises the sensitivity of HomeStart's profit to movements in the values of properties used as collateral for a Breakthrough Loan. The analysis is based on the assumption of a 5 percent increase or decrease in property market value at year end, with all other variables being held constant.

(c) Sensitivity analysis (continued)	2011			2010		
	Carrying amount $'000	-5% $'000	+5% $'000	Carrying amount $'000	-5% $'000	+5% $'000
Breakthrough Loan	67 716	(4 094)	4 435	58 281	(3 505)	3 860
Total increase (decrease) in profit before tax equity		(4 094)	4 435		(3 505)	3 860

31.4.5 Current risk

Changes in foreign exchange rates will not directly cause the fair value or future cash flows of any financial instruments held by HomeStart to fluctuate.

32. Fair value and categorisation of financial instruments

32.1 Fair value and categorisation of financial instruments

The table below summarises the categorisation, carrying amounts and fair values of HomeStart's financial assets and liabilities.

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 of each class of financial asset and financial liability are disclosed in note 2.

	2011		2010	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets				
Cash and cash equivalents	3 807	3 807	2 145	2 145
Investments:				
Fair value through profit or loss	101 674	101 674	81 266	81 266
Held to maturity	12 103	12 484	20 011	20 241
Loans and advances:				
Amortised cost	1 817 393	1 927 939	1 649 910	1 750 023
Other financial assets:				
Financial assets (at cost)	884	884	4 502	4 502
Total financial assets	1 935 861	2 046 788	1 757 834	1 858 177
Financial liabilities				
Borrowings:				
Financial liabilities (amortised cost)	1 760 800	1 771 826	1 584 934	1 587 250
Derivative financial instruments:				
Hedge accounting (fair value through entity)	3 189	3 189	6 369	6 369
Payables:				
Financial liabilities (at cost)	8 193	8 193	6 241	6 241
Income tax equivalents payable:				
Financial liabilities (at cost)	3 006	3 006	3 014	3 014
Provision for dividend:				
Financial liabilities (at cost)	203	203	-	-
Total financial liabilities	1 775 391	1 786 417	1 600 558	1 602 874
Net financial assets	160 470	260 371	157 276	255 303

32.2 Fair value estimation

(a) Derivatives

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows determined using the yield curve at year end. The yield curve is derived from the cash rate (overnight), current interbank money market rates (maturities less than one year) and current interest rate swap levels (maturities of one year and longer).

(b) Loans and advances to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows of non-subsidised loans are discounted using the interest rate payable by the customer, which is market rate. Subsidised loans are discounted using a risk free rate of interest, based on four year (for Advantage loans) and 10 year (for EquityStart Loans) SAFA bonds.

(c) *Investments*

The fair value of investments in the unit trusts and SAFA Cash Management Fund are determined using exit prices supplied by the fund managers at reporting date.

(d) *Shared appreciation component of the Breakthrough Loan*

Note 2.12 describes the accounting policy adopted in relation to the shared appreciation component of the Breakthrough Loan.

The fair value is estimated by management based on individual property valuations provided by independent parties. These valuations are adjusted by HomeStart's contractual equity stake and appreciation factor.

The valuations used by management are primarily determined by Hometrack Australia using an automated valuation method. Prior to accepting an automated valuation for use, management reviews the statistical probability of error provided by Hometrack Australia to ensure that the risk of material misstatement to the financial statements is unlikely.

When management judges that valuations determined using an automated valuation method are not sufficiently accurate, valuations provided by either the Valuer-General or another independent valuer are used.

The following summarises how the fair values of properties used as collateral for Breakthrough Loans have been determined.

	2011	2010
	Percent	Percent
Valuation determined using an automated method (Hometrack Australia)	94.31	93.00
Valuation provided by the Valuer-General	5.57	5 54
Other independent valuation used	0.12	1.46

32.3 *Hierarchical classification of financial assets measured at fair value*

The following discloses, for each class of financial instrument measured at fair value, the level in the fair value hierarchy into which the fair value measurements are classified in their entirety, segregating fair value measurements in accordance with the following levels:

Level 1: quoted prices (un-adjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There have been no significant transfers between Level 1, Level 2 and Level 3 during the financial year.

	Level 1	Level 2	Level 3	Total
2011	$'000	$'000	$'000	$'000
Financial assets measured at fair value:				
SAFA Cash Management Fund	-	24 944	-	24 944
Unit trusts	-	9 014	-	9 014
Breakthrough Loan	-	-	67 716	67 716
Total financial assets measured at fair value	-	33 958	67 716	101 674
Financial liabilities measured at fair value:				
Derivative financial instruments	-	3 189	-	3 189
Total financial liabilities measured at fair value	-	3 189	-	3 189

32.3 Hierarchical classification of financial assets measured at fair value (continued)

2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:				
SAFA Cash Management Fund	-	18 774	-	18 774
Unit trusts	-	4 211	-	4 211
Breakthrough Loan	-	-	58 281	58 281
Total financial assets measured at fair value	-	22 985	58 281	81 266
Financial liabilities measured at fair value:				
Derivative financial instruments	-	6 369	-	6 369
Total financial liabilities measured at fair value	-	6 369	-	6 369

32.4 Reconciliation of Level 3 fair value measurements

	Note	2011 $'000	2010 $'000
Fair value at 1 July		58 281	40 303
Breakthrough Loan settlements		12 134	18 271
Breakthrough Loan discharges		(4 048)	(2 963)
Unrealised change in fair value of loans	6	1 349	2 670
Fair value at 30 June		67 716	58 281

Note 31.4.4(c) discloses sensitivity of HomeStart's profit to movements in the values of properties used as collateral for a Breakthrough Loan.

33. Unrecognised contractual arrangements

33.1 Capital commitments

HomeStart has no capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial statements as at 30 June 2011 ($nil).

33.2 Operating lease commitments

HomeStart as lessee

HomeStart's operating lease commitments are for office accommodation. The leases are non-cancellable with terms ranging up to five years with some leases having the right of renewal. Rent is payable monthly in advance.

The total amount of rental expense for minimum lease payments in the financial year is disclosed in note 15.

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial statements, are payable as follows:

	2011 $'000	2010 $'000
Not later than one year	850	1 001
Later than one year but not later than five years	2 744	3 978
Total operating lease commitments	3 594	4 979

HomeStart as lessor

HomeStart is the lessor of office accommodation. The lease is non-cancellable with a term up to five years with the right of renewal. Rent is receivable monthly in advance.

The total amount of rental income received in the financial year is disclosed within other income in note 6.

Amounts due to HomeStart under a non-cancellable operating lease at the reporting date not recognised as an asset in the financial report, are receivable as follows:

	2011 $'000	2010 $'000
Not later than one year	219	182
Later than one year but not later than five years	228	385
Total operating lease receivables	447	567

33.3 *Remuneration commitments*

Commitments for the payment of salaries and other remuneration under fixed term employment contracts in existence at the reporting date are not recognised as liabilities.

Notes 10 and 11 set out remuneration costs for the years ended 30 June 2011 and 30 June 2010. HomeStart estimates that commitments from existing employment positions within one year and annually will be consistent with salaries and wages expenses in note 10.

33.4 *Commitments to extend credit to customers*

Contractual commitments for loans either approved but not settled or settled but not fully drawn at the balance date amounted to $44.1 million ($44.3 million). These commitments are expected to be paid in the coming year.

34. Contingent liabilities

HomeStart has no material contingent liabilities at 30 June 2011. As at 30 June 2010, HomeStart had a dividend liability of $1.012 million contingent on the approval of the recommended dividend by the Minister for Housing and the Treasurer.

35. Cash flow reconciliation

35.1 *Cash*

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank.

Cash also includes highly liquid investments with short periods to maturity that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

35.2 *Reconciliation of profit for the year to net cash provided by (used in) operating activities*

	2011 $'000	2010 $'000
Profit for the year	10 865	11 744
Loss on sale of fixed assets	5	-
Amortisation of discount or premium on purchase of held to maturity financial investments	30	90
Ineffective hedge	-	(23)
Depreciation and amortisation expense	641	705
Unrealised change in fair value of loans	(1 349)	(2 670)
Unrealised change in market value of investments	(31)	(104)
Realised change in market value of investments	(388)	423
Reinvestment of managed fund distribution	(1 321)	(1 077)
Bad debts written off	583	177
Fees applied directly to loan accounts	(5 251)	(6 273)
Changes in assets/liabilities:		
Increase (Decrease) in provision for impairment	301	1 375
Increase (Decrease) in deferred loan fee income	(27)	983
Increase (Decrease) in deferred loan fee expense	58	(647)
Increase (Decrease) in fair value adjustment	(60)	638
Increase (Decrease) in payables	1 999	1 780
Increase (Decrease) in provision for employee benefits	60	302
Increase (Decrease) in other liabilities	142	(150)
Increase (Decrease) in unearned interest income	471	650
Increase (Decrease) in income tax payable	(8)	1 640
Decrease (Increase) in financial and other assets	(99)	507
Net cash provided by (used in) operating activities	6 621	10 070

36. Events after balance date

No matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of HomeStart, the results of those operations, or the state of affairs of HomeStart in subsequent years.

Judges' Pensions Scheme

Functional responsibility

Establishment

The Judges' Pensions Scheme (the Scheme) is a compulsory superannuation scheme established by the *Judges' Pensions Act 1971*.

Functions

The Treasurer is responsible for administering the Scheme. DTF - State Superannuation Office provides services to administer the Scheme.

Note 1 to the financial statements provides further details of the Scheme's administration and funding arrangements.

Audit mandate and coverage

Audit authority

Audit of the financial report

Subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the Scheme for each financial year.

Assessment of controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised over the Scheme in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls.

During 2010-11, areas of review included:

- receipting and banking of contributions
- pension payments
- liability for accrued benefits.

The investment and management of the Scheme assets is reviewed as part of the Superannuation Funds Management Corporation of South Australia (Funds SA) audit.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Judges' Pensions Scheme as at 30 June 2011, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised over the Judges' Pensions Scheme in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Judges' Pensions Scheme have been conducted properly and in accordance with law.

Communication of audit matters

The audit did not identify any notable matters requiring formal communication.

Interpretation and analysis of the financial report

Highlights of the financial report

	2011 $'million	2010 $'million
Revenue		
Employer contributions	4.9	4.6
Investment revenue	20.4	20.2
Total revenue	25.3	24.8
Expenses		
Benefits and other expenses	19.6	19.5
Total expenses	19.6	19.5
Transfer from (to) Consolidated Account	(5.9)	(3.4)
Operating result for the period	(0.2)	1.9
Net cash provided (used in) by operating activities	(8.7)	(6.0)
Assets		
Investments	181.4	170.9
Other assets	0.5	0.4
Total assets	181.9	171.3
Liabilities		
Liability for accrued benefits	181.8	171.0
Other liabilities	0.2	0.2
Total liabilities	182.0	171.2
Excess (Deficit) of net assets over liabilities	(0.1)	0.1

Operating Statement

The operating result for the year was a deficit of $236 000 (surplus of $1.9 million). The year's result took into account:

- returns on investments of $20.4 million ($20.2 million). Investment returns are further discussed in the audit commentary for Funds SA elsewhere in Part B of this Report
- a transfer of $5.9 million to the Consolidated Account ($1.9 million). A transfer was made out of the Scheme to the Consolidated Account to maintain a balanced scheme
- benefits expenses of $18.5 million ($18.6 million).

Statement of Financial Position

As at 30 June 2011, there was a deficit of assets over liabilities of $138 000 (excess of assets over liabilities of $98 000). The estimated liability for accrued benefits increased by $10.8 million to $181.8 million for which assets of $181.9 million were available to pay benefits. Note 7 to the financial statements explains how the liability for accrued benefits is calculated.

In comparison, vested benefits as at 30 June 2011 were $135.1 million ($127 million). Vested benefits represent benefits which members are entitled to receive had their membership been terminated at reporting date. Vested benefits are less than accrued benefits as members are only entitled to a pension if they have attained the age of 60 with more than 10 years service or have attained the age of retirement with more than five years of service.

Further commentary on operations

Pensioners

The number of pensioners and pensions paid for the past four years were:

	2011	2010	2009	2008
Pensioners	56	56	55	55
Pensions paid ($'000)	7 677	7 134	6 864	6 445

Contributions by employers

The number of members and contributions received from employers for the past four years were:

	2011	2010	2009	2008
Members	48	48	45	44
Contributions received ($'000)	4 875	4 584	4 131	4 118

Operating Statement
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Revenue:			
Investment revenue		20 384	20 264
Other revenue		7	4
Contribution revenue:			
Contributions by employers		4 874	4 584
Total contribution revenue		4 874	4 584
Total revenue		25 265	24 852
Expenses:			
Direct investment expenses	4	1 044	903
Administration expenses	5	53	51
Benefits expenses	7	18 504	18 558
Total expenses		19 601	19 512
Transfer from (to) Consolidated Account	3	(5 900)	(3 400)
Operating result for the period		(236)	1 940

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Investments:			
Inflation linked securities A		16 665	15 197
Property A		24 715	17 382
Australian equities A		52 962	49 413
International equities A		44 190	42 846
Long-term fixed interest		4 977	4 658
Short-term fixed interest		3 351	-
Diversified strategies growth A		9 898	9 437
Diversified strategies income		17 975	23 667
Cash		6 668	8 261
Total current assets		181 401	170 861
Other assets:			
Cash and cash equivalents	11	512	460
Sundry debtors		2	2
		514	462
Total assets		181 915	171 323
Current liabilities:			
Sundry creditors		8	7
Benefits payable		270	241
Total liabilities		278	248
Net assets available to pay benefits	6	181 637	171 075
Liability for accrued benefits	7	(181 775)	(170 977)
Excess (Deficit) of net assets over liabilities		(138)	98

Statement of Cash Flows
for the year ended 30 June 2011

		2011 Inflows (Outflows)	2010 Inflows (Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Contributions by employers		4 875	4 584
Bank interest received		7	4
Transfer to (from) Consolidated Account		(5 900)	(3 400)
Benefit payments		(7 677)	(7 134)
Administration expenses		(53)	(51)
Net cash provided by (used in) operating activities	10	(8 748)	(5 997)
Cash flows from investing activities:			
Receipts from Funds SA		13 430	10 460
Payments to Funds SA		(4 630)	(4 270)
Net cash provided by (used in) investing activities		8 800	6 190
Net increase (decrease) in cash and cash equivalents held		52	193
Cash and cash equivalents at 1 July		460	267
Cash and cash equivalents at 30 June	11	512	460

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and funding

(a) Judges' Pensions Scheme (the Scheme)

The Scheme is a compulsory superannuation scheme, which exists pursuant to the *Judges' Pensions Act 1971* (the Act). The Act provides for the payment of pension benefits to former South Australian Judges and their families.

The Act provides for a pension to be paid to a Judge who retires or who is over the age of 60 years and has had not less than 10 years judicial service. A pension will also be paid to a Judge who resigns due to permanent disability or infirmity.

A member is entitled to a pension based benefit determined in accordance with the Act to be a percentage of the members' salary immediately prior to retirement or resignation. The Scheme is non-contributory.

(b) Superannuation Funds Management Corporation of South Australia (Funds SA)

Funds SA is established under the *Superannuation Funds Management Corporation of South Australia Act 1995*. Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

For further information on the investment of the Judges' Pensions Scheme Account, reference should be made to the annual report of Funds SA. The investment assets, liabilities, income and expenses contained in this financial report are related to the investment activities of Funds SA (an SA Government entity).

(c) Funding arrangements

Under subsection 14(1)(b) of the Act, any payment to a member must be made out of the Consolidated Account (which is appropriated to the necessary extent) or from a Special Deposit Account established for that purpose. During the period payments were made from a Special Deposit Account.

Since 30 June 1994 the Government has undertaken a process of funding its accrued past service liabilities and the Scheme assets have broadly matched liabilities since 1997. The small size of the Scheme, the nature of the way member benefits accrue and variations in investment performance mean that deficits and surpluses will arise from year to year.

Employer contributions at a rate of 30 percent of salary are paid to the Treasurer from SA Government entities to fund emerging superannuation liabilities. These contributions are deposited into the Scheme with $4.9 million ($4.6 million) being credited during the year ended 30 June 2011.

2. Summary of significant accounting policies

(a) Basis of accounting

The financial report is a general purpose financial report. The accounts have been prepared in accordance with relevant AASs and TIs and APSs promulgated under the provision of the PFAA, except as provided below.

AAS 25 is the principal standard applied in preparing this financial report. Other AASs are also applied where necessary except to the extent that they differ from AAS 25.

The financial report has been prepared on an accrual basis where this can reliably be measured. This is in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

The financial report is represented in Australian currency and all amounts have been rounded to the nearest thousand dollars ($'000).

(b) Basis of valuations of assets and liabilities

The basis for the valuation of assets and liabilities is provided below. Assets of the Scheme have been measured at net market value as provided by Funds SA.

(i) Inflation linked securities A

The inflation linked securities portfolio invests in discretely managed portfolios, pooled funds and internal inflation linked securities. Discretely managed portfolios and pooled funds are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled funds have been valued in accordance with the valuations supplied by the managers.

Internally managed inflation linked securities, the returns of which are linked to movements in either the CPI or average weekly earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer.

(ii) Property A

The property A portfolio comprises two subsectors:

- *Listed property trusts*
  These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this subsector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

- *Unlisted property vehicles*
  The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this subsector have been valued in accordance with the valuations supplied by the managers.

(iii) Australian equities A

The Australian equities A portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) International equities A

The international equities A portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(v) Fixed interest

The fixed interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vi) Diversified strategies growth A

The diversified strategies growth A portfolio comprise investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date.

(vi) Diversified strategies growth A (continued)

Both Australian and international private equity valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (September 2009). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vii) Diversified strategies income

The diversified strategies income portfolio comprises investments in both Australian and international pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(viii) Cash

The cash portfolio is externally managed. The investments are held in a cash management fund. Cash balances are supplied by the relevant financial institution and have been valued on the basis of principal plus accrued interest.

(ix) Socially responsible

The socially responsible portfolio comprises an externally managed pooled vehicle (unlisted unit trust). The valuation is performed and supplied by the relevant fund manager.

(c) Taxation

The Scheme is constitutionally protected superannuation fund in terms of section 295-15 of the ITAA, Regulation 995-1.04 (Schedule 4) and is exempt from income tax.

(d) GST

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. Sundry debtors includes a refund from the ATO for GST paid on administration expenses.

(e) Revenue

Superannuation contributions are brought to account on an accrual basis where this can be reliably measured.

3. Transfer from (to) Consolidated Account

An actuarial assessment of the estimated employer accrued liabilities as at 30 June 2011 has been undertaken and compared with the estimated employer assets invested as at 30 June 2011. As a result, the Treasurer approved a transfer of $5.9 million ($3.4 million) to the Consolidated Account in 2011.

4. Direct investment expenses

Direct investment expenses comprise fees paid to Funds SA and the investment managers. Funds SA advises the amount based on the Scheme's proportionate investments with the relevant investment managers.

5. Administration expenses

	2011	2010
	$'000	$'000
Administration expenses	45	44
Auditor's remuneration	8	7
	53	51

Administration expenses comprises the costs incurred by DTF in administering the Scheme, which are met in the first instance from the Department of Treasury and Finance Operating Account. DTF seeks reimbursement from the Scheme.

Auditor's remuneration comprises amounts paid or due and payable to the Auditor-General's Department (an SA Government entity) for the audit of the Scheme. For the reporting period these totalled $7700 ($7370). No other services were provided by the Auditor-General's Department.

6. Net assets available to pay benefits

	2011	2010
	$'000	$'000
Funds held at 1 July	171 075	157 740
Contributions	4 874	4 584
Investment revenue	20 384	20 264
Interest income	7	4
Transfers from (to) Consolidated Account	(5 900)	(3 400)
	19 365	21 452

6. Net assets available to pay benefits (continued)

	2011	2010
	$'000	$'000
Benefits paid	(7 706)	(7 163)
Direct investment expenses	(1 044)	(903)
Administration expenses	(53)	(51)
	(8 803)	(8 117)
Funds held at 30 June	181 637	171 075

7. Liability for accrued benefits

The liability for accrued benefits is the Scheme's present obligation to pay benefits to members and has been calculated on the basis of the present value of expected future payments arising from membership of the Scheme up to the reporting date.

The expected future benefit payments have been determined using the same pensioner mortality assumption as the 2010 triennial review of the South Australian Superannuation Scheme. Salary increases of 3.5 percent per annum above the Adelaide CPI have been assumed. In accordance with AAS 25, the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate of 4.5 percent per annum above the CPI.

The accrued superannuation liability as determined by the State Superannuation Office of DTF is estimated at $181.8 million ($171 million) as at 30 June 2011.

	2011	2010
	$'000	$'000
Liability for accrued benefits at 1 July	170 977	159 582
Benefits expenses(i)	18 504	18 558
Benefits paid/payable	(7 706)	(7 163)
Liabilities for accrued benefits at 30 June	181 775	170 977

(i) This figure represents the change in liability for accrued benefits plus benefits paid/payable for the year.

8. Vested benefits

Vested benefits	135 100	127 000

Vested benefits are benefits which are not conditional upon continued membership of the Scheme, or any factor other than resignation from the Scheme. Vested benefits include benefits which members are entitled to receive had they terminated their membership as at the reporting date. The vested superannuation liability as at 30 June 2011 is estimated at $135.1 million ($127 million).

9. Guaranteed benefits

The entitlements of members are specified by the Act.

10. Reconciliation of operating result to net cash provided by (used in) operating activities

	2011	2010
	$'000	$'000
Operating result	(236)	1 940
Benefits expense	18 504	18 558
Benefits paid/payable	(7 706)	(7 163)
Investment revenue	(20 384)	(20 264)
Direct investment expenses	1 044	903
Increase (Decrease) in sundry creditors	1	-
Increase (Decrease) in benefits payable	29	29
Net cash provided by (used in) operating activities	(8 748)	(5 997)

11. Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and deposits with DTF. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

	2011	2010
	$'000	$'000
Cash and deposits at Treasury	512	460

12. Financial instruments

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework.

The Scheme's investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Currency risk

Currency risk is a risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Scheme's currency risk is managed by Funds SA who has invested in assets denominated in foreign currencies.

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income), property and fixed interest asset sectors are fully hedged to Australian dollars.

- Foreign currency exposures in the international equities asset sector are one-third hedged to Australian dollars.

For the purpose of managing foreign currency risk, within defined constraints, the exposure to foreign currency can be varied from the strategic policy stated above.

(ii) Interest rate risk

Interest rate risk is the risk that a movement in interest rates will cause the value of fixed interest securities to deviate from expectations.

Funds SA manages interest rate risk through:

- ensuring asset allocations of different investment products are consistent with the time horizon of each

- the use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.

(iii) Other market price risk

Other market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Scheme's financial instruments are valued at net market value (fair value) with changes in net market value recognised in the Operating Statement, all changes in market conditions will directly affect investment revenue.

Funds SA manages the risk of financial market volatility through the adherence to two principles:

- ensuring a diversity of exposures to different financial markets and submarkets
- ensuring asset allocations for different investment products are consistent with the time horizon of each.

(iv) Sensitivity analysis

The Funds SA Board has determined that the forecast risk/return profile provide a reasonably possible change in the value of the investments in each investment option for the year ahead. These standard deviations provide the risk variable to be applied to each option. The following table illustrates the effect on change in investment assets from possible changes in market price risk.

Investment option	Sensitivity variable	Standard deviation Percent	Changes in investment assets $'000
2011			
Growth	Nominal standard deviation	11.10	20 135
Total			20 135
2010			
Growth	Nominal standard deviation	11.90	20 333
Total			20 333

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Scheme's investment revenue, on the basis that all other variables remain constant.

Standard deviation is a useful historical measure of the variability of return earned by an investment portfolio. The standard deviations above provide a reasonable sensitivity variable to estimate each investment options' expected return in future years.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

(b) Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme.

The net market value of financial assets, included in the Statement of Financial Position represents the Scheme's maximum exposure to credit risk in relation to those assets. The Scheme does not have any significant exposure to any individual counter party or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

The Scheme does not have any assets which are past due or impaired.

(c) Liquidity risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

The Scheme's liquidity position is monitored on a daily basis. The Scheme's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, expenses and investing activities.

(c) Liquidity risk (continued)

Funds SA manages liquidity risk as follows:

- By giving careful consideration to the expected net cash redemptions requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions.
- A large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

The following tables summarise the expected maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

	Less than three months	Total contractual cash flows	Carrying amount liabilities
2011	$'000	$'000	$'000
Benefits payable	270	270	270
Sundry creditors	8	8	8
Vested benefits(i)	135 100	135 100	135 100
Total	135 378	135 378	135 378
2010			
Benefits payable	241	241	241
Sundry creditors	7	7	7
Vested benefits(i)	127 000	127 000	127 000
Total	127 248	127 248	127 248

(i) Vested benefits have been included in the less than three months column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Scheme can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

(d) Fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (ie derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets at fair value through profit or loss (Level 1 and Level 3 are not relevant to the Scheme)	Level 2 $'000	Total $'000
2011		
Unlisted managed investments schemes:		
Funds SA	181 401	181 401
	181 401	181 401
2010		
Unlisted managed investments schemes:		
Funds SA	170 861	170 861
	170 861	170 861

(e) Derivative financial instruments

Derivatives can be defined as financial contracts whose value depend on, or are derived from, assets, liabilities reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

Land Management Corporation

Functional responsibility

Establishment

The Land Management Corporation (the Corporation) is a subsidiary corporation of the Minister for Infrastructure established pursuant to the provisions of the PCA. Its governing body is a Board whose members are appointed by the Minister.

Functions

The regulations establishing the Corporation provide for it to manage land and property through the acquisition, leasing and disposal of surplus and other land for commercial, industrial, residential or other purposes. In performing its functions the Corporation is required to ensure the orderly development of land.

Status of the financial report

The draft financial report for the Corporation for the year ended 30 June 2011 was received by 11 August 2011 as required by the PFAA.

Matters have arisen during the course of the audit of the Corporation's financial report that have required further work by the Corporation and Audit. These matters relate to the finalisation of the audited financial statements for one of its joint venture activities. The financial statements are prepared by the joint ventures and audited by private sector auditors appointed pursuant to relevant joint venture agreements.

As a consequence of these matters the audit was not able to be completed at the date of finalising this Report.

The audited financial report of the Corporation for the year ended 30 June 2011 will be included in a Supplementary Report to Parliament.

Legal Services Commission

Functional responsibility

Establishment

The Legal Services Commission (the Commission) is a body corporate established pursuant to subsection 6(1) of the *Legal Services Commission Act 1977* (the LSC Act). Subsection 6(3) of the LSC Act specifies that the Commission is not an instrumentality of the Crown and is independent of the Government.

Functions

The LSC Act provides for the Commission to undertake a variety of functions concerning legal assistance, including providing or arranging for legal representation and determining the criteria under which that representation is granted.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 25 of the LSC Act and subsection 31(1)(b) of the PFAA provide for the Auditor-General to audit the accounts of the Commission in respect of each financial year.

Assessment of controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Commission in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of the audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an opinion to be formed on the financial statements and internal controls.

Specific areas of audit attention included:

- payroll
- legal expenditure
- other expenditure
- revenue
- receipting and banking
- cash and cash equivalents
- fixed assets.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Legal Services Commission as at 30 June 2011, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Legal Services Commission in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters outlined under ‘Communication of audit matters’, are sufficient to provide reasonable assurance that the financial transactions of the Legal Services Commission have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in a management letter to the Chairperson of the Commission. The Commission’s response indicated that appropriate action would be taken to address the matters raised. Detailed below are the notable matters raised with the Commission.

Risk management

TI 2 requires an annual review of risk be undertaken. An entity wide review of risk, which allows for mitigation of identified risks did not occur in the 2009-10 year and was not fully completed in 2010-11. Audit recommended the Commission implement the Audit and Compliance Plan, to bring the Commission back into line with the risk management requirements of TI 2 in as timely a manner as practicable. The Commission noted Audit’s recommendation and will develop and implement the Audit and Compliance Plan.

Payroll EFT file access

Both Information Technology (IT) and Finance staff had opportunity to access the payroll EFT file produced by the CHRIS payroll system prior to the file being uploaded to the Commission’s banker systems for processing of disbursements. The Commission noted there was a low risk due to limited time available to access the file and the nature of the file, but agreed to limit access by IT staff.

Independent review of commitment certificates

The audit clarified with the Commission the nature of the independent review process exercised over commitment certificates issued to private practitioners for the provision of services. The Commission indicated that the current procedure for independent review of commitment certificates is performed by the Manager Assignments who receives a weekly report of all commitment certificates raised and if there are anomalies these will be checked for validity. The Commission agreed to ensure that all weekly reports are signed by the Manager Assignments.

Interpretation and analysis of the financial report

Highlights of the financial report	2011 $’million	2010 $’million
Expenses		
Employee benefits expenses	15.5	14.9
Legal expenses (excluding expensive criminal cases)	18.0	18.0
Other expenses	4.6	4.4
Total expenses	38.1	37.3
Income		
Legal Practitioners Act revenue	3.8	2.9
Other income	3.2	2.6
Total income	7.0	5.5
Net cost of providing services	31.1	31.8

	2011 $'million	2010 $'million
Revenues from (payments to) governments		
Commonwealth Government grants	15.0	14.1
State Government grants	18.6	16.8
Total revenues from governments	33.6	30.9
Net result and total comprehensive result	2.5	(0.9)
Net cash provided by (used in) operating activities	2.2	(2.3)
Assets		
Current assets	17.3	15.4
Non-current assets	6.6	5.7
Total assets	23.9	21.1
Liabilities		
Current liabilities	2.7	2.6
Non-current liabilities	3.0	2.7
Total liabilities	5.7	5.3
Total equity	18.2	15.8

Statement of Comprehensive Income

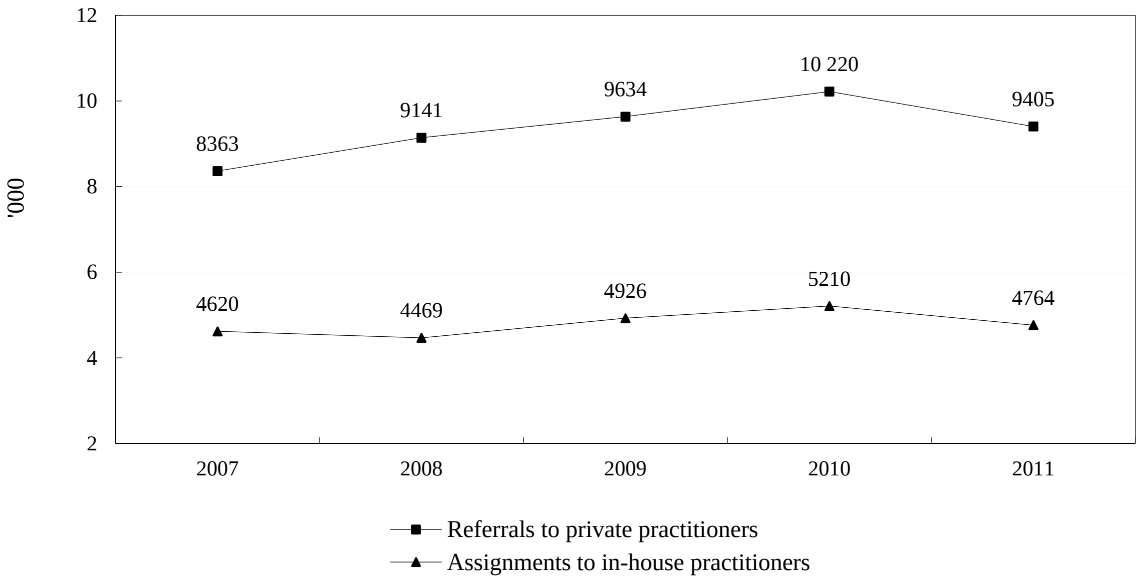
Operating expenses

The main operating expenses are employee benefits and private practitioner services. Employee benefits - salary and wages increased 3 percent due mainly to enterprise bargaining increases.

Referrals to private and in-house practitioners

Legal aid is provided by the Commission's practitioners and by referrals to private practitioners.

The following chart shows the trend in referrals to private practitioners and assignments to in-house practitioners over the past five years.



Applications assigned to in-house practitioners totalled 4764 cases (5210) or 34 percent (34 percent) of all referral and assigned cases.

Referrals to private practitioners for the year totalled 9405 cases (10 220) representing an 8 percent decrease on the previous year. Referrals to private practitioners are 66 percent (66 percent) of all referral and assigned cases. Fees to private legal practitioners for these cases (legal expenses) amounted to $18 million ($18 million) and comprised 47 percent (48 percent) of total expenses of the Commission.

In interpreting the relationship between case numbers and the cost of representation, the Commission has advised that a grant of legal aid for serious crime matters has a significant time lag, generally in excess of one year, before actual costs are incurred. This, together with the fact that cases being funded over the past year have been somewhat more complex, and hence more costly than the previous year, results in this reduction in referrals while costs remain comparable.

Income

Commonwealth Government grants

Legal assistance is provided in South Australia for matters arising under Commonwealth law. The matters are predominantly in the area of family law and to a lesser extent criminal and specific civil matters. In meeting the cost of providing this legal aid, the Commission receives funding from the Commonwealth Government under an agreement between the Commonwealth and State Governments. Grants received are expended in accordance with the agreement.

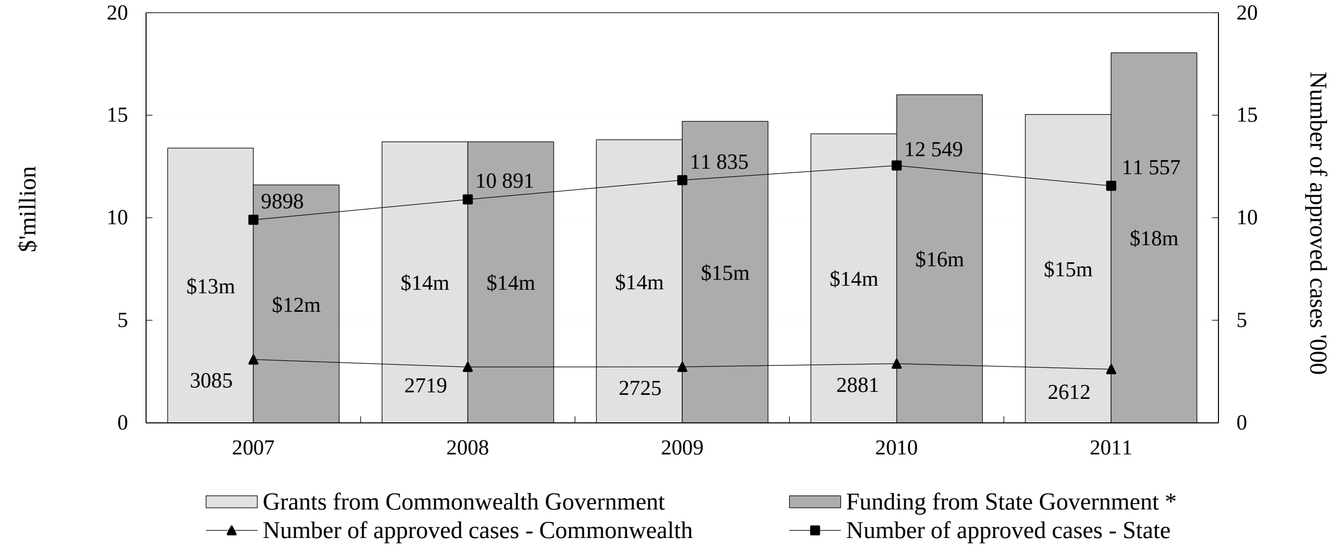
Grants from the Commonwealth Government totalled $15 million ($14.1 million) and comprised 37 percent (39 percent) of total revenues of the Commission. As at 30 June 2011, Commonwealth grant funding received but not yet expended in the manner specified by the Commonwealth totalled $7.9 million ($8.2 million). After adjustment for legal and other project commitments, uncommitted Commonwealth funding held at 30 June was $1.5 million ($2.3 million). Further information as to the nature of Commonwealth Government grants is disclosed in note 12 to the Commission's financial statements.

State Government funding

The funding provided by the State is determined through the budgetary process of the SA Government. The State funding received by the Commission is expended on state law matters and these are predominantly criminal cases.

General funding from the State Government totalled $18 million ($16.4 million) and comprised 44 percent (45 percent) of total revenues of the Commission.

Specific State grants for expensive cases totalled $532 000 ($373 000).



* Excluding expensive case grants

The foregoing chart illustrates, for the past five years, the amounts of State and Commonwealth funding (not including expensive case funding) provided to the Commission. It also illustrates the number of approved cases that relate to Commonwealth and State funding. Grants received from the Commonwealth increased this year with the introduction of the National Partnership Agreement on Legal Assistance Services which guarantees funding for 2010-11 through 2013-14.

Legal Practitioners Act revenue

Revenue received from the Law Society of South Australia in accordance with the *Legal Practitioners Act 1981* was $3.8 million ($2.9 million). This revenue varies from year to year as it is dependent on the level of trust monies held by legal practitioners in South Australia and the Law Society of South Australia and interest rates relating to these monies. Of note are the following items:

- Statutory Interest account revenue was $1.5 million in 2010-11, an increase of $282 000 from the previous year.
- Interest on legal practitioners trust accounts increased by $475 000 to $2.2 million.
- $163 000 was received from the Legal Practitioners Guarantee Fund during 2010-11 due mainly to the receipt of an excess guarantee payment.

For further information, refer note 9 to the Commission's financial statements.

Net result

The net result was a surplus of $2.5 million compared with a deficit of $895 000 in 2009-10. The improved result is due to additional revenues from the Commonwealth and State Governments and *Legal Practitioners Act* revenue.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2011.

	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Net cash flows				
Operating	2.2	(2.3)	0.8	2.1
Investing	(0.4)	(0.2)	(0.2)	(0.2)
Change in cash	1.8	(2.5)	0.6	1.9
Cash at 30 June	15.3	13.5	16.0	15.4

The analysis of cash flows shows a steady level of cash held at the end of each reporting period except for 2010 which was due primarily to higher levels of demand for legal assistance in that year.

As discussed previously under 'Commonwealth Government grants', as at 30 June 2011, Commonwealth grant funding received but not yet expended totalled $7.9 million ($8.2 million). Further, note 22 to the Commission's financial statements sets out legal expense commitments at 30 June 2011.

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Expenses:			
Employee benefits expenses	4	15 470	14 951
Private practitioner services	2.16	17 976	18 006
Private practitioner services - other expensive State matters	5	513	373
Supplies and services	6	3 830	3 706
Depreciation and amortisation expense	7	269	233
Other expenses	8	97	75
Total expenses		38 155	37 344
Income:			
Legal Practitioners Act revenue	9	3 836	2 919
Statutory charges		1 024	967
Interest revenue		865	656
Costs recovered and contributions	10	434	412
Other income	11	870	583
Total income		7 029	5 537
Net cost of providing services		31 126	31 807
Revenues from (payments to) governments:			
Commonwealth Government:			
Funding agreement	12	14 946	14 054
IAAAS income	12	94	40
State Government:			
Funding	13	18 047	16 445
Expensive cases - other matters	13	532	373
Total revenues from governments		33 619	30 912
Net result		2 493	(895)
Total comprehensive result		2 493	(895)

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash and cash equivalents	21	15 260	13 493
Receivables	14	1 635	1 377
Other current assets	15	420	504
Total current assets		17 315	15 374
Non-current assets:			
Property, plant and equipment	16	1 018	1 111
Intangible assets	16.1	510	-
Statutory charge debtors	17	5 049	4 618
Total non-current assets		6 577	5 729
Total assets		23 892	21 103
Current liabilities:			
Legal payables		1 102	1 263
Payables	18	572	309
Employee benefits	19	997	1 077
Total current liabilities		2 671	2 649
Non-current liabilities:			
Payables	18	177	190
Employee benefits	19	2 797	2 510
Total non-current liabilities		2 974	2 700
Total liabilities		5 645	5 349
Net assets		18 247	15 754
Equity:			
Asset revaluation surplus	2.9	79	79
Other reserves	20	100	100
Retained earnings		18 068	15 575
Total equity		18 247	15 754
Commitments	22,23		
Contingent liabilities	25		

Statement of Changes in Equity
for the year ended 30 June 2011

	Asset revaluation surplus $'000	Other reserves $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2009	79	328	16 242	16 649
Net result 2009-10	-	-	(895)	(895)
Transfer between equity components	-	(228)	228	-
Balance at 30 June 2010	79	100	15 575	15 754
Net result 2010-11	-	-	2 493	2 493
Balance at 30 June 2011	79	100	18 068	18 247

Statement of Cash Flows
for the year ended 30 June 2011

		2011	2010
		Inflows	Inflows
		(Outflows)	(Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Cash outflows:			
Employee benefits payments		(15 233)	(15 276)
Supplies and services		(3 915)	(4 141)
Private practitioner services		(18 288)	(18 318)
Private practitioner services - other expensive State matters		(339)	(373)
GST payments on purchases		(2 312)	(2 248)
Cash used in operations		(40 087)	(40 356)
Cash inflows:			
Legal Practitioners Act receipts		3 797	2 730
Costs recovered and contributions		466	362
Statutory charge receipts		645	594
Interest received		851	644
GST receipts on revenue		218	174
GST recovered from the ATO		2 094	2 074
Other receipts		796	558
Cash generated from operations		8 867	7 136
Cash flows from governments:			
Commonwealth Government:			
Funding agreement		14 946	14 054
IAAAS income		94	40
State Government:			
Funding		18 047	16 445
Expensive cases - other matters		358	373
Total cash flows from governments		33 445	30 912
Net cash provided by (used in) operating activities	21	2 225	(2 308)
Cash flows from investing activities:			
Purchase of property, plant and equipment		(458)	(229)
Cash provided by (used in) investing activities		(458)	(229)
Net increase (decrease) in cash and cash equivalents		1 767	(2 537)
Cash and cash equivalents at 1 July		13 493	16 030
Cash and cash equivalents at 30 June	21	15 260	13 493

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Legal Services Commission (the Commission)

The Commission was established under the *Legal Services Commission Act 1977* (the Act) to provide, or arrange for the provision of legal assistance in accordance with the Act. The objective of the Commission is to provide clients with accessible information, advice and representation to meet their legal needs.

2. Summary of significant accounting policies

2.1 Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and TIs and APSs promulgated under the provisions of the PFAA.

Except for AASB 2009-12, which the Commission has earlier adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Commission for the reporting period ending 30 June 2011.

The Commission'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 historical cost convention, except for the valuation of the library, which is at an independent valuation.

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

The financial statements have been prepared based on a 12 month operating cycle and presented in Australian currency.

2.2 Comparative figures

The presentation and classification of items in the financial statements are consistent with prior periods except where a specific APS or AAS has required a change.

Where presentation or classification of items in the financial statements have been amended, comparative amounts have been reclassified unless reclassification is impracticable.

The restated comparative amounts do not replace the original financial statements for the preceding period.

2.3 Rounding

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

2.4 Taxation

The Commission is not subject to income tax. The Commission is endorsed by the ATO as an income tax exempt charity and as a Public Benevolent Institution. The Commission is liable for GST.

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

- where the GST incurred by the Commission as a purchaser of goods or services is not recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO 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 is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

2.5 Income and expenses

Income and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from the Commission will occur and can be reliably measured.

Income and expenses have been classified according to their nature in accordance with APF II, APS 3.5 and have not been offset unless required or permitted by a specific accounting standard.

Government funding
The Commission receives funding from the State and Commonwealth Governments, which are recognised as income when monies are received.

Government funding expensive cases
The Commission recognises expensive case funding when the amount has been approved and can be reliably measured.

Other revenue
Other revenue is recognised as it accrues.

2.6 Current and non-current classification
Assets and liabilities are characterised as either current or non-current in nature. The Commission has a clearly identifiable operating cycle of 12 months. Therefore assets and liabilities that will be realised as part of the normal operating cycle will be classified as current assets or current liabilities.

All other assets and liabilities are classified as non-current.

2.7 Cash and cash equivalents
For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash at bank and deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis.

2.8 Property, plant and equipment
In accordance with APF III and the Commission's revaluation policy, property, plant and equipment are recognised at written down current cost unless the fair value of the group (at the time of acquisition) is greater than $1 million.

2.9 Asset revaluation surplus
The asset revaluation surplus includes the net revaluation increments and decrements arising from the revaluation of non-current assets.

2.10 Impairment
All non-current tangible and intangible assets are reviewed for indication of impairment each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

For revalued assets an impairment loss is offset against the asset revaluation surplus.

2.11 Depreciation and amortisation of non-current assets
All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to physical assets such as plant and equipment.

The useful lives of all major assets held by the Commission are reassessed on an annual basis.

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

Depreciation/Amortisation for non-current assets is determined as follows:

Class of asset	*Depreciation method*	*Useful life (years)*
Plant and equipment:		
Computers	Straight-line	3-5
Office equipment	Straight-line	5-13
Furniture and fittings	Straight-line	13
Leasehold improvements	Straight-line	10
Intangibles	Straight-line	3-5

2.12 Payables

Payables include creditors, accrued expenses and employment on-costs.

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 the Commission.

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.

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 in accordance with TI 11.

Legal payables represent invoices for work completed prior to 30 June 2011 received by the Commission up to and including 22 July 2011. Amounts billed after this date are reflected in legal expense commitments as disclosed at note 22.

Employment on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, annual leave and long service leave.

The Commission makes contributions to several superannuation schemes operated by the State Government and a Commonwealth scheme. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the superannuation schemes.

2.13 Employee benefits

Provision has been made in the financial statements for the Commission's liability for employee benefits arising from services rendered by employees to balance date. Related on-costs consequential to the employment of employees have been included in the determination of the liability. In accordance with APF IV, the employment on-costs component is included in creditors. The aggregate of employee benefits is disclosed at note 19.

1. Annual leave

Provision has been made for the unused component of annual leave at balance date. The provision has been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. A salary inflation of 4 percent has been applied to employee benefits which are expected to be settled in the next 12 months.

2. Sick leave

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.

3. Long service leave

The liability for long service leave is recognised after an employee has completed five years (5.5 years) of service. An actuarial assessment of long service leave undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Commission's experience of employee retention and leave taken.

4. Superannuation

Salaries and related payments include superannuation contributions paid by the Commission under the following categories:

(a) The Commission paid an amount to Comsuper towards the accruing government liability in respect of currently employed contributors to the Commonwealth Superannuation Fund. Payments amounted to $60 000 ($59 000).

(b) The Commission contributed to various superannuation schemes towards the accruing government liability for superannuation in respect of all employees. Payments amounted to $1.375 million ($1.35 million).

2.14 Workers compensation

The Commission pays a workers compensation levy to WorkCoverSA to provide insurance coverage in relation to workers compensation. These contributions are treated as an expense as they occur. There is no liability to claimants as they have been assumed by WorkCoverSA.

2.15 Financial instruments

The Commission's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2011, are as follows:

Financial assets

Cash and cash equivalents (note 21) comprises cash and deposits at call with the SAFA and are recorded at cost. Interest revenues are recognised as they accrue. Interest rates are at market rates and have fluctuated between 4.4 percent and 5.1 percent for the year ended 30 June 2011 (2.9 percent and 4.67 percent).

Receivables (note 14) include client debtors and other debtors and are reported at amounts due.

The Commission is exposed to credit risk associated with amounts due from clients with respect to contributions for legal aid and other sundry charges. The credit risk relating to the financial asset recognised in the Statement of Financial Position is recorded at the carrying amount.

Allowance for impairment loss is based on past experiences and expected changes in client credit rating and is reviewed at each reporting date. As at 30 June 2011, there is no evidence to indicate that financial assets are impaired.

Financial liabilities

Legal creditors are raised for amounts billed from private practitioners for approved cases undertaken but unpaid. They are normally settled within 30 days.

Creditors are raised for amounts billed but unpaid and are normally settled within 30 days.

All financial instruments are valued at the carrying amount as per the Statement of Financial Position, which approximates net fair value.

2.16 Private practitioner services

Comprise solicitor's fees, counsel fees and disbursements due to private practitioners for approved cases undertaken during the year.

2.17 Trust funds

Pursuant to the *Legal Practitioners Act 1981* the Commission holds funds in trust on behalf of clients. As at 30 June 2011, the total funds held were $68 000 ($117 000). These funds are not controlled by the Commission. As such they are not recognised in the financial statements.

3. New and revised accounting standards and policies

In accordance with amendments to APS 4.8 within APF II, effective 1 July 2010, the Commission has disclosed all employees whose normal remuneration is equal to or greater than the base executive level remuneration. Previously, APS 4.8 within APF II required the Commission to disclose all employees whose normal remuneration was equal to or greater than $100 000. This change is reflected in note 4.

Except for AASB 2009-12, which the Commission has earlier adopted, AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Commission for the reporting period 30 June 2011. The Commission has assessed the impact of the new amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Commission.

4. Employee benefits expenses

	2011	2010
	$'000	$'000
Salaries and wages	13 092	12 730
Superannuation	1 435	1 409
Long service leave	554	427
Payroll tax	314	307
Workers compensation	75	78
Total employee benefits expenses	15 470	14 951

Remuneration of employees	2011	2010
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
$127 500 - $130 699*	-	-
$130 700 - $140 699	4	2
$140 700 - $150 699	3	3
$150 700 - $160 699	1	1
$160 700 - $170 699	1	-
$170 700 - $180 699	1	1
$180 700 - $190 699	1	1
$190 700 - $200 699	-	1
$200 700 - $210 699	1	-
$230 700 - $240 699	1	1
$250 700 - $260 699	1	1
$300 700 - $310 699	-	1
Total	14	12

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2009-10.

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

The total remuneration received by these employees for the year was $2.38 million ($2.231 million).

Accounting policy change

In accordance with the revised APF II, the Commission has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than $100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by 17 (18).

5. State expensive case matters

The Commission is required to provide litigation services pursuant to the *Criminal Law (Legal Representation) Act 2001* for State matters that exceed the Commission's prescribed funding cap. These matters are separately funded by the State Government (refer note 13).

6. Supplies and services

	2011	2010
Supplies and services provided by entities external to the SA Government:	$'000	$'000
Accommodation	1 377	1 318
Computing and communications	852	807
Travel	189	131
Office requisites	256	257
Library	201	185
Consultancy fees	68	42
Other	234	295
Total supplies and services - non-SA Government entities	3 177	3 035
Supplies and services provided by entities within the SA Government:		
Accommodation	185	182
Computing and communications	226	251
Travel	61	57
Office requisites	10	19
Consultancy fees	-	15
Other*	171	147
Total supplies and services - SA Government entities	653	671
Total supplies and services	3 830	3 706

* Includes Auditor's remuneration of $58 000 ($58 000), for auditing the accounts. The auditors provided no other services and received no other benefits.

6. Supplies and services (continued)

The number and dollar amount of consultancies paid/payable (included in supplies and services expenses) that fell within the following bands:	2011 Number	2011 $'000	2010 Number	2010 $'000
Below $10 000	5	12	4	6
Between $10 000 and $50 000	2	56	2	51
Total paid/payable to the consultants engaged	7	68	6	57

7. Depreciation and amortisation expense

	2011 $'000	2010 $'000
Depreciation:		
Plant and equipment	183	136
Total depreciation	183	136
Amortisation:		
Leasehold improvements	86	87
Intangible assets	-	10
Total amortisation	86	97
Total depreciation and amortisation expense	269	233

8. Other expenses

Statutory charge bad debts	43	28
Other bad debts	54	47
Total other expenses	97	75

9. *Legal Practitioners Act* revenue

In accordance with the *Legal Practitioners Act 1981* the Commission is entitled to revenue from funds administered by the Law Society of South Australia. Amounts related to the:

Statutory Interest account	1 519	1 237
Interest on Legal Practitioners Trust accounts	2 154	1 679
Legal Practitioners Guarantee Fund	163	3
Total *Legal Practitioners Act* revenue	3 836	2 919

10. Costs recovered and contributions

Costs recovered	145	151
Contributions*	289	261
Total costs recovered and contributions	434	412

* In addition, contributions of $635 000 ($752 000) in relation to referred cases were paid or are payable directly to private practitioners by clients.

11. Other income

Other income from entities external to the SA Government	588	438
Other income from entities within the SA Government	282	145
Total other income	870	583

12. Commonwealth Government

A National Partnership Agreement on Legal Assistance Services was entered into between the Commonwealth of Australia and States and Territories. The Agreement was effective from 1 July 2010. Pursuant to that Agreement, the Commonwealth Government contributed funding of $14.946 million to South Australia. Under the prior funding arrangements in 2009-10 $14.054 million was received from the Commonwealth Government.

As at 30 June 2011, $7.947 million ($8.191 million) remains in cash and cash equivalents for future commitments. Included in this amount is $2.3 million ($2.3 million) for accommodation projects.

The Commission is also party to a separate agreement with the Commonwealth of Australia to provide services under the Immigration Advice and Application Assistance Scheme (IAAAS).

13. State Government

In 2010-11 the State Government contributed funding of $18.047 million ($16.445 million).

The Commission is separately funded by the State Government for matters that exceed the Commission's prescribed funding cap. The matters are funded pursuant to the *Criminal Law (Legal Representation) Act 2001*. The Commission enters into an approved case management agreement with the State Government for these matters.

The State Government provided $532 000 ($373 000) for approved expensive cases that exceeded the Commission cap.

14. Receivables

	2011 $'000	2010 $'000
Legal Practitioners Act debtors	917	879
GST	287	284
Client debtors and other debtors	431	214
Total current receivables	1 635	1 377

15. Other current assets

Prepayments	359	391
Prepaid salaries and wages	61	113
Total other current assets	420	504

16. Property, plant and equipment

Leasehold improvements at fair value	865	861
Accumulated depreciation	(629)	(543)
	236	318
Plant and equipment at fair value	1 882	1 710
Accumulated depreciation	(1 391)	(1 208)
	491	502
Library	291	291
Total property, plant and equipment	1 018	1 111

Valuation of library

The Commission obtained an independent revaluation of the library at market or fair value. The library collection comprises reports/major works, journals, loose-leaf services and a mix of dictionaries, encyclopaedias, statutes, etc.

The revaluation was undertaken by the Australian Valuation Office, which valued the library at $291 000.

16.1 Intangible assets

	2011 $'000	2010 $'000
Computer software	89	83
Computer software in progress	504	-
	593	83
Accumulated amortisation	83	83
Total intangible assets	510	-

16.2 Reconciliation of non-current assets

2011	Leasehold imprvmnts $'000	Plant and equipment $'000	Library $'000	Total property, plant and equipment $'000	Other computer software $'000	Total intangible assets $'000
Balance at 1 July	861	1 710	291	2 862	83	83
Additions	4	176	-	180	510	510
Adjustments	-	(4)	-	(4)	-	-
Balance at 30 June	865	1 882	291	3 038	593	593
Accumulated depreciation:						
Balance at 1 July	543	1 208	-	1 751	83	83
Depreciation expense	86	183	-	269	-	-
Balance at 30 June	629	1 391	-	2 020	83	83

16.2 Reconciliation of non-current assets (continued)

Net book value:	Leasehold imprvmnts $'000	Plant and equipment $'000	Library $'000	Total property, plant and equipment $'000	Other computer software $'000	Total intangible assets $'000
As at 30 June 2010	318	502	291	1 111	-	-
As at 30 June 2011	236	491	291	1 018	510	510

17. Statutory charge debtors

Statutory charge debtors are raised as a result of the Commission registering charges over property owned by some recipients of legal aid to secure legal costs owed on cases undertaken and are reported at amounts due. Debts are recovered when the property is refinanced or sold.

	2011 $'000	2010 $'000
Statutory charge debtors	5 049	4 618

18. Payables

Current:		
Creditors	395	126
Accrued expenses	53	47
Employment on-costs	124	136
Total current payables	572	309
Non-current:		
Employment on-costs	177	190
Total non-current payables	177	190
Total payables	749	499

19. Employee benefits

Current:		
Annual leave	849	886
Long service leave	148	191
Total current employee benefits	997	1 077
Non-current:		
Long service leave	2 797	2 510
Total non-current employee benefits	2 797	2 510
Total employee benefits	3 794	3 587

The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2010-11 is $1.121 million and $2.974 million respectively.

20. Other reserves

Movements during the year were:		
Commonwealth expensive case reserve:		
Balance at 1 July	100	100
Balance at 30 June	100	100
State Legal Assistance Scheme reserve:		
Balance at 1 July	-	228
Transfer to retained earnings	-	228
Balance at 30 June	-	-
Total other reserves	100	100

Commonwealth expensive cases

The Commission did not use the Commonwealth expensive case allocation in 2010-11.

21. Cash flow reconciliation

Cash and cash equivalents as at the end of the financial year as shown in the Statement of Cash Flow is reconciled to the items in the Statement of Financial Position as follows:

	2011	2010
	$'000	$'000
Deposits at call - SAFA	15 100	13 500
Cash	160	(7)
Cash and cash equivalents as recorded in the Statement of Financial Position	15 260	13 493
Cash and cash equivalents as recorded in the Statement of Cash Flows	15 260	13 493

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services

	2011	2010
Net cost of providing services	(31 126)	(31 807)
Revenues provided by government	33 619	30 912
Non-cash items:		
Depreciation and amortisation	269	233
Bad debts	97	75
Changes in assets/liabilities:		
Decrease (Increase) in statutory charge debtors	(431)	(437)
Decrease (Increase) in receivables	(355)	(260)
Decrease (Increase) in prepayments	84	(286)
Increase (Decrease) in employee provisions	207	(162)
Increase (Decrease) in payables	22	(154)
Increase (Decrease) in legal payables	(161)	(422)
Net cash provided by (used in) operating activities	2 225	(2 308)

22. Legal expense commitments

As at 30 June 2011, the Commission has a future commitment of $3.213 million ($4.548 million) on legal cases referred to private practitioners which are still to be finalised. The Commonwealth and State components are as follows:

	Commonwealth		State	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Legal expense commitments	1 202	1 355	2 011	3 193

In addition the Commission has a future commitment of $1.279 million ($405 000) on State expensive cases which will be funded separately. The Commission is also funding a further 24 cases relating to murder. To date, none have been identified as potential expensive criminal cases because funding is in its early stages. However, history suggests that some may require additional funding.

The Commission reviewed outstanding legal commitments and determined that commitments less the underutilisation factor of 25.2 percent Commonwealth and 33.28 percent State (24.38 percent and 32.93 percent) would be recognised on all outstanding amounts raised since January 2010 (ie the previous 18 months). Commitments raised prior to this date have not been recognised. If any file prior to this date is reactivated, new commitments will be raised.

In the normal course of business, further commitments may be required on recognised legal cases. It is not possible to quantify that amount.

23. Commitments for expenditure

At the reporting date the Commission had the following obligations under non-cancellable operating leases. The obligations are not recognised as liabilities in the Statement of Financial Position. The operating leases held by the Commission are property leases with penalty clauses equal to the amount of the residual payments remaining for the lease term. The leases are payable one month in advance. The option to renew the lease is held by the Commission. There are no existing contingent rental provisions.

	2011	2010
Operating lease commitments:	$'000	$'000
Not later than one year	466	436
Later than one year but not later than five years	175	544
Total operating lease commitments	641	980

23. Commitments for expenditure (continued)

	2011	2010
Remuneration commitments:	$'000	$'000
Not later than one year	2 607	2 946
Later than one year but not later than five years	3 872	2 802
Total remuneration commitments	6 479	5 748

The amounts disclosed as remuneration commitments, includes only those commitments arising from written contracts for executive and other written service contracts.

24. Related party disclosures

The members of the Commission who have held office during the financial year are:

Ms Dymphna Eszenyi (Chairman)	Reappointed 20 January 2011
Mr Michael Burgess	
Mr Michael Dawson	
Mr Andrew English	
Mr Hugh Gilmore	
Mr David Mazzone	Reappointed 17 January 2011
Mr David Meyer	
Ms Tracee Micallef	
Ms Wendy Purcell	
Ms Maurine Pyke, QC	Reappointed 24 March 2011

The members of the Commission are appointed by the Governor in accordance with the provisions of the *Legal Services Commission Act 1977* and include partners of legal firms. In the ordinary course of business the Commission enters into transactions with legal firms, some of which are associated with members of the Commission. Payments made to these firms are in accordance with the Commission's scale of fees and are payments that apply to practitioners generally.

The number of members whose remuneration received or receivable fell within the following bands was:	2011 Number	2010 Number
$nil	1	1
$1 - $10 000	1	2
$10 001 - $20 000	7	7
$20 001 - $30 000	1	1
Total	10	11

The total remuneration received or due and receivable by these members was $118 000 ($120 000).

Amounts paid to a superannuation plan for members was $10 000 ($10 000).

25. Contingent liabilities

At balance date and at the date of certification of the financial statements by the Commission there was no known contingent liability. However, legal expense commitments existed as disclosed at note 22.

The Legislature

Functional responsibility

Establishment

The Legislature for the purposes of this Report comprises the:

- House of Assembly established under the *Constitution Act 1934*
- Legislative Council established under the *Constitution Act 1934*
- Joint Parliamentary Service established under the *Parliament (Joint Services) Act 1985.*

Functions

The House of Assembly and the Legislative Council constitute the Parliament of South Australia. The main purpose of Parliament is to legislate for peace, order and responsible governance of South Australia.

The House of Assembly consists of 47 Members. The Legislative Council consists of 22 Members. The Members are elected by the inhabitants of the State legally qualified to vote.

The Joint Parliamentary Service provides services to Parliament including Hansard reporting, library facilities, catering, financial administration and building accommodation. The Joint Parliamentary Service is administered by the Joint Parliamentary Service Committee which comprises the Speaker and two Members of the House of Assembly and the President and two Members of the Legislative Council.

Audit mandate and coverage

Audit authority

Audit of the financial reports

Subsection 31(1) of the PFAA provides for the Auditor-General to audit the public accounts in respect of each financial year.

Scope of audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an opinion to be formed with respect to the financial reports and internal controls.

During 2010-11, specific areas of audit attention included:

- salaries of employees of the Legislature
- Members' salaries
- Members' allowances
- accounts payable and procurement.

Audit findings and comments

Financial reports

The general purpose financial statements have been audited and unmodified Independent Auditor's Reports were issued for the House of Assembly and the Legislative Council.

In the case of the Joint Parliamentary Service, a modified Independent Auditor's Report was issued. This modification was also given for the 2006-07 to 2009-10 general purpose financial statements. It results from a limitation of scope of audit (granting of Audit access to Service records, including catering records) and the limitation in the completeness of disclosures in the financial statements relating to the dining and refreshment services of Parliament House.

The inability to perform a complete audit of the functions and financial activity of the Joint Parliamentary Service was again raised with the Joint Parliamentary Service Committee. Audit has been advised that there is no change in the Committee's position of not providing Audit access to the Committee's minutes of meetings and to the records and accounts relating to the catering division trading account activities.

In my opinion, the financial accountability and auditability of the Joint Parliamentary Service falls short of that adopted and applied to the public accounts and the financial operations and accounts of public authorities.

Auditor's report on the financial report of the Joint Parliamentary Service

The following is an extract from the 2010-11 Independent Auditor's Report, which details the qualification to the Joint Parliamentary Service's financial report.

> ***Basis for Disclaimer of Opinion***
>
> *The members of the Joint Parliamentary Service Committee are responsible for the management of the Joint Parliamentary Service. The members have not provided unrestricted access to the minutes of their meetings. As a result, I can not assess whether matters deliberated and decided by the members that have financial consequences have been recognised or disclosed in the financial report.*
>
> *The members of the Joint Parliamentary Service Committee are responsible for the control and management of the dining and refreshment services of Parliament House. Certain income from the provision of these services and certain associated expenditure has been omitted from the financial report. The members have not provided access to this financial information to enable the effect of the omission on the financial report to be quantified.*
>
> ***Disclaimer of Opinion***
>
> *Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial report.*

Communication of audit matters

Matters arising during the course of the audit were detailed in a management letter to the Secretary, Joint Parliamentary Service Committee. Responses to the management letter matters were generally considered to be satisfactory. The main matters raised with the Secretary and the related responses are provided below.

Appropriations

Funds appropriations for the Legislature are automatically transferred each day from the Government's consolidated account into the Legislature's bank account to cover that day's net receipts and payments.

Each month the Legislature notifies DTF (the Treasurer) of the appropriation it has received. However, the Legislature's calculation method of the appropriation amount can result, without resolution, in different appropriation disclosure amounts for the Legislature's financial statements and the Treasurer's financial statements. This matter occurred in 2009-10 and was resolved before completing the Legislature's 2009-10 financial statements.

Audit recommended change to the Legislature's method of accounting to prevent these differences reoccurring. The recommendation was not implemented and differences occurred that needed to be resolved before the finalisation of the 2010-11 financial statements of the Legislature.

Budgetary control

The policies and procedures for preparing, approving and monitoring the budget of the Legislature had not been documented.

The Legislature advised that the policies and procedures have now been documented.

Procurement

Upon completing the audit for 2008-09, Audit recommended the Legislature establish appropriate policies and procedures for the procurement of goods and services and establish controls for monitoring compliance with those policies and procedures.

As a result the Legislature improved the documentation of its procurement policies and procedures. However, some aspects of the policies and procedures were not made applicable to all officers of the Legislature. Audit recommended in October 2010 and again in August 2011 that all of the guidance and controls contained in the procurement policies and procedures be made applicable to all officers of the Legislature.

The Legislature advised that the Joint Parliamentary Service is currently preparing procurement policies and procedures applicable to all officers of the Legislature.

Interpretation and analysis of the financial reports

The Legislature revalued its assets at 30 June 2011. The outcome of the revaluation mainly affected the financial statements of the Joint Parliamentary Service which recognised a $14 million increment in equity in the Statement of Financial Position and a $250 000 decrement in the Statement of Comprehensive Income. The increment was due mainly to the increased value of land while the decrement was due mainly to a fall in the value of the buildings.

The Joint Parliamentary Service also recognised building improvements of $3 million. The House of Assembly and the Legislative Council contributed towards the cost of these improvements. In 2010-11 they contributed $2 million of assets to the Joint Parliamentary Service.

The House of Assembly and the Legislative Council recognised $4 million of assets under construction. This mainly related to the installation of a new audio system in the chambers.

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Expenses:			
Employee benefit expenses	2	2 096	2 229
Supplies and services	3	2 566	2 518
Members' salaries and allowances	4	7 599	7 160
Depreciation	5	401	55
Loss on revaluation of non-current assets	9	149	-
Contribution of assets to Joint Parliamentary Service	9	1 590	95
Total expenses		14 401	12 057
Income:			
Other income		32	14
Total income		32	14
Net cost of providing services		14 369	12 043
Revenue from SA Government	6	13 035	13 742
Net result		(1 334)	1 699
Other comprehensive income:			
Changes in plant and equipment asset revaluation surplus		51	-
Total comprehensive result		(1 283)	1 699

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash and cash equivalents	7	914	820
Trade and other receivables	8	36	69
Total current assets		950	889
Non-current assets:			
Plant and equipment	9	3 947	5 458
Total non-current assets		3 947	5 458
Total assets		4 897	6 347
Current liabilities:			
Trade and other payables	10	120	124
Employee benefits	11	334	373
Provisions	12	5	5
Total current liabilities		459	502
Non-current liabilities:			
Trade and other payables	10	31	58
Employee benefits	11	560	659
Provisions	12	18	16
Total non-current liabilities		609	733
Total liabilities		1 068	1 235
Net assets		3 829	5 112
Equity:			
Retained earnings	13	3 778	5 112
Asset revaluation surplus	13	51	-
Total equity		3 829	5 112
Commitments	14		
Contingent assets and liabilities	19		

Statement of Changes in Equity
for the year ended 30 June 2011

	Note	Asset revaluation surplus $'000	Retained earnings $'000	Total equity $'000
Balance at 30 June 2009		-	3 413	3 413
Total comprehensive result for 2009-10		-	1 699	1 699
Balance at 30 June 2010		-	5 112	5 112
Net result for 2010-11		-	(1 334)	(1 334)
Gain on revaluation of equipment, fixtures and fittings	9	11	-	11
Gain on revaluation of works of art	9	40	-	40
Total comprehensive result for 2010-11		51	(1 334)	(1 283)
Balance at 30 June 2011		51	3 778	3 829

Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011 Inflows (Outflows) $'000	2010 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefit payments		(2 232)	(2 243)
Members' superannuation		(1 335)	(1 215)
Supplies and services		(2 830)	(2 913)
Cash used in operations		(6 397)	(6 371)
Cash inflows:			
GST recovered from ATO		263	357
Other income		36	15
Cash generated from operations		299	372
Cash flows from SA Government:			
Receipts from SA Government		6 771	7 797
Cash generated from SA Government		6 771	7 797
Net cash provided by (used in) operating activities	15	673	1 798
Cash flows from investing activities:			
Purchase of plant and equipment		(579)	(1 548)
Net cash provided by (used in) investing activities		(579)	(1 548)
Net increase (decrease) in cash and cash equivalents		94	250
Cash and cash equivalents at 1 July		820	570
Cash and cash equivalents at 30 June	7	914	820

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Significant accounting policies

The House of Assembly is established under the *Constitution Act 1934*. The House of Assembly, together with the Legislative Council, constitute the Parliament of South Australia. The principal purpose of Parliament is to legislate for peace, order and responsible governance of South Australia. The House of Assembly consists of 47 Members elected by the inhabitants of the State legally qualified to vote. The House of Assembly also employs clerical and administrative officers.

Certain support services provided to the House of Assembly are not reflected in these financial statements but in the financial statements of the Joint Parliamentary Service.

(a) Statement of compliance

The financial statements of the House of Assembly are general purpose financial statements. The accounts have been prepared in accordance with applicable AASs, including interpretations, other mandatory professional reporting requirements in Australia and TIs and APFs promulgated under the provisions of the PFAA.

Except for AASB 2009-12, which the House of Assembly has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the House of Assembly for the reporting period ending 30 June 2011. The House of Assembly has assessed the impact of these amendments and considers there will be no impact on the accounting policies or financial statements of the House of Assembly.

(b) Basis of preparation

The preparation of financial statements in conformity with AASs as discussed in the notes below, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the House of Assembly.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of AASs as discussed in the notes below, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in notes below.

The House of Assembly'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 historical cost convention, except for certain assets that were valued in accordance with the applicable valuation policy.

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

The financial statements have been prepared based on a 12 month operating cycle and presented in Australian currency. All amounts in the financial statements are rounded to the nearest thousand dollars ($'000).

(c) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where adjustments were required to reflect specific revised accounting standards and APSs.

Where presentation or classification of items in the financial statements has been amended comparative amounts have been reclassified unless reclassification is impracticable.

The restated comparative amounts do not replace the original financial statements for the preceding period.

(d) Plant and equipment

(i) Owned assets

Items of plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (g)).

In accordance with APF III:

- all non-current tangible assets with a value of $5000 or greater are capitalised
- componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than $5 million for infrastructure assets and $1 million for other assets.

Buildings within which the House of Assembly operates are recognised in the financial statements for the Joint Parliamentary Service.

Expenditure on assets not fully constructed at 30 June is disclosed separately as assets 'under construction'. Assets under construction contributed by the House of Assembly to the Joint Parliamentary Service once completed are recognised in the Statement of Comprehensive Income as an expense in the period contributed.

Art work on loan from the Art Gallery of South Australia is not recognised in the financial statements.

(ii) Subsequent costs

The House of Assembly recognises in the carrying amount of an item of plant and equipment the cost of replacing part of such an item when that cost is incurred, it is probable that the future economic benefits embodied with the item will flow to the House of Assembly and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income as an expense as incurred.

(iii) Depreciation

Depreciation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives in the current period are as follows:

Equipment, fixtures and fittings	5-10 years
Computer equipment	3 years

The residual value, if not insignificant, is reassessed annually.

The majority of fixtures and fittings are antiques. They are anticipated to have a very long and indeterminate useful life. Consequently, no amount for depreciation has been recognised during the reporting period for these assets.

Works of art

Works of art controlled by the House of Assembly are anticipated to have very long and indeterminate useful lives.

Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised during the reporting period for this class of asset.

(e) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see accounting policy (g)).

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits for the purpose of the Statement of Cash Flows.

(g) Impairment

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. For revalued assets, an impairment loss is offset against the asset revaluation surplus.

(h) Valuation of non-current assets

All non-current tangible assets are valued at written down current cost (a proxy for fair value); and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than three years.

Every five years, the House of Assembly revalues its non-current assets. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value. Plant and equipment including computer equipment, on acquisition, has been deemed to be held at fair value.

Any revaluation increment is credited to the asset revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expanse, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in revaluations reserve for the asset class.

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

Upon disposal or derecognition, any revaluation surplus relating to that asset is transferred to retained earnings.

Works of art, fixtures and fittings

An independent valuation of the works of art and fixtures and fittings was conducted at 30 June 2011 by Mr Stephen Sinclair, a recognised expert in the industry. The valuation at 30 June 2011 was a desktop valuation that updated a previous valuation at 30 June 2006. The valuation was determined at net market value.

(i) Employee benefits

(i) Defined contribution plans

The House of Assembly makes contributions to several State Government superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

(ii) Long-term service benefits

The House of Assembly's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The liability for long service leave is recognised after an employee has completed five years of service as advised in APF IV. An actuarial assessment of long service leave undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the House of Assembly's experience of employee retention and leave taken.

The current/non-current classification of the House of Assembly's long service leave obligation has been calculated based on the historical usage patterns consistent with APF IV, APS 5.15.

(iii) Wages, salaries, annual leave and sick leave

Liabilities for wages, salaries and annual leave that are expected to be settled within 12 months of reporting date, represent present obligations resulting from employees' services provided to reporting date, are measured as the undiscounted amounts based on remuneration wage and salary rates that the House of Assembly expects to pay as at reporting date including related on-costs.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

(iv) *Employee benefit on-costs*
Employee benefit on-costs (payroll tax, workers compensation and superannuation) are recognised separately under payables.

(j) Provisions
A provision is recognised in the Statement of Financial Position when the House of Assembly has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(k) Trade and other payables
Trade and other payables are stated at cost.

(l) Revenue from SA Government
Appropriations are recognised as revenues when the House of Assembly obtains control over the funding. Control over appropriations is normally obtained upon receipt.

(m) Taxation
The House of Assembly is not subject to income tax. The House of Assembly is liable for payroll tax, FBT, GST and Emergency Services levy.

Income, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

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

(n) Insurance
The House of Assembly has insured for risks through SAICORP, a division of SAFA. Under these insurance arrangements the House of Assembly will meet the first $5000 deductible of a loss or claim arising from property damage or civil liability (including public liability, products liability, professional indemnity and officers' liability).

(o) Members' allowances
Allowances and benefits provided to Members by other State Government agencies and included in their financial statements are not recognised or disclosed in these financial statements apart from Ministers' salaries and allowances disclosed in note 4.

2. Employee benefit expenses

	2011	2010
	$'000	$'000
Wages and salaries	1 738	1 839
Employment on-costs - superannuation	199	228
Employment on-costs - other	156	157
Workers compensation	3	5
Total employee benefit expenses	2 096	2 229

TVSPs
There were no TVSPs paid in 2011.

3. Supplies and services

Supplies and services provided by entities within the SA Government:

Printing	363	554
Information technology	471	352
Leases	98	56
Publications	13	73
Security	50	50
Vehicle hire	14	11
Total supplies and services - SA Government entities	1 009	1 096

3. Supplies and services

	2011	2010
Supplies and services provided by entities external to the SA Government:	$'000	$'000
Members' travel, accommodation, stationery and related expenses	885	768
Travelling expenses	63	33
FBT	166	193
Stationery	26	26
Publications	9	9
Information technology	135	139
Printing	14	23
Staff training and development	16	18
Other	243	213
Total supplies and services - non-SA Government entities	1 557	1 422
Total supplies and services	2 566	2 518

The number and dollar amount of consultancies paid/payable (included in supplies and services expenses) that fell within the following bands:	2011 Number	2011 $'000	2010 Number	2010 $'000
Below $10 000	1	5	1	1
Between $10 000 and $50 000	1	28	1	17
Total paid/payable to consultants engaged	2	33	2	18

Not included in the above table are consultancies for $6000 ($194 000), which were capitalised.

4. Members' salaries and allowances

	2011	2010
	$'000	$'000
Members' salaries and allowances	6 264	5 945
Superannuation	1 335	1 215
Total members' salaries and allowances	7 599	7 160

Members' salaries, electorate allowances and additional salaries of $6.264 million ($5.945 million) reflected in these financial statements are paid from appropriations administered by the Joint Parliamentary Service. The appropriations are provided under the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*. Ministers' salaries and allowances totalling $3.599 million ($3.014 million) and superannuation of $928 000 ($928 000) are not reported in these financial statements but in the financial statements of each Minister's respective department.

5. Depreciation

	2011	2010
	$'000	$'000
Equipment, fixtures and fittings	31	35
Computer equipment	370	20
Total depreciation	401	55

6. Revenue from SA Government

	2011	2010
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	6 771	7 797
Appropriations received under the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*	6 264	5 945
Total revenue from SA Government	13 035	13 742

7. Cash and cash equivalents

	2011	2010
Cash on hand	-	-
Special Deposit Account	914	820
Total cash and cash equivalents	914	820

The Special Deposit Account is the Accrual Appropriation Excess Funds Account. These funds are not available for general use, ie the funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

8. Trade and other receivables

	2011	2010
	$'000	$'000
Receivables	7	22
Prepayments	29	14
Other	-	33
Total trade and other receivables	36	69

9. Plant and equipment

	Under construction $'000	Equipment fixtures and fittings $'000	Computer equipment $'000	Artwork $'000	Total $'000
Cost:					
Balance at 1 July 2010	3 356	492	1 161	629	5 638
Purchases	541	-	38	-	579
Disposals	-	(23)	-	-	(23)
Transfers in (out)	-	-	-	-	-
Contribution to Joint Parliamentary Service	(1 492)	(98)	-	-	(1 590)
Revaluation increment (decrement)	-	(72)	(531)	40	(563)
Other	-	-	-	-	-
Balance at 30 June 2011	2 405	299	668	669	4 041
Depreciation:					
Balance at 1 July 2010	-	125	55	-	180
Depreciation charge	-	31	370	-	401
Disposals	-	(23)	-	-	(23)
Revaluation increment (decrement)	-	(83)	(382)	-	(465)
Other	-	-	1	-	1
Balance at 30 June 2011	-	50	44	-	94
Carrying amount:					
At 1 July 2010	3 356	367	1 106	629	5 458
At 30 June 2011	2 405	249	624	669	3 947
Asset revaluation:					
Increments	-	11	-	40	51
Decrements	-	-	(149)	-	(149)

10. Trade and other payables

	2011 $'000	2010 $'000
Current:		
Accrued expense	68	71
Accrued employee on-costs	37	22
Accrued payroll tax	-	3
Accrued superannuation	-	7
Sundry creditors	15	21
	120	124
Non-current:		
Accrued employee on-costs	31	58
	31	58

11. Employee benefits

Current:		
Accrued salaries and wages	-	53
Liability for annual leave	184	170
Liability for long service leave	150	150
	334	373
Non-current:		
Liability for long service leave	560	659
	560	659

The total current and non-current employee expense (ie aggregated employee benefit plus related on-costs) for 2011 is $364 000 and $591 000 respectively ($405 000 and $717 000 respectively).

As a result of the actuarial assessment performed by DTF, the benchmark for the measurement of long service leave liability has changed from the 2010 benchmark of 5.5 years to five years. The net effect of the changes in the current financial year is an increase in the long service leave liability is nil. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

12. Provisions

	2011	2010
Current:	$'000	$'000
Provision for workers compensation	5	5
Non-current:		
Provision for workers compensation	18	16
Total provisions for workers compensation	23	21

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on the actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

13. Equity

	2011	2010
	$'000	$'000
Retained earnings	3 778	5 112
Asset revaluation surplus	51	-
Total equity	3 829	5 112

The asset revaluation surplus is used to record increments and decrements in the fair value of equipment, fixtures and fittings, computer equipment and works of art to the extent that they offset each other. Relevant amounts are transferred to retained earnings when an asset is derecognised.

14. Commitments

Commitments are inclusive of GST.

Operating lease commitments

The House of Assembly leases office premises. Lease payments are increased annually in accordance with movements in the CPI. Lease commitments not recognised as liabilities are payable as follows:

	2011	2010
	$'000	$'000
Less than one year	87	87
Between one and five years	350	350
More than five years	-	87
Total operating lease commitments	437	524

15. Reconciliation of cash flows from operating activities to net cost of providing services

	2011	2010
Cash flows from operating activities:		
Net cash provided by (used in) operating activities	673	1 798
Revenues under *Appropriation Act*	(6 771)	(7 797)
Non-cash items:		
Depreciation	(401)	(55)
Loss on revaluation of non-current assets	(149)	-
Contribution of assets to Joint Parliamentary Service for nil consideration	(1 590)	(95)
Members' salaries and allowances	(6 264)	(5 945)
Adjustments to plant and equipment	(1)	-
Changes in assets/liabilities:		
Increase (Decrease) in trade and other receivables	(33)	23
Decrease (Increase) in trade and other payables	31	14
Decrease (Increase) in employee benefits	138	18
Decrease (Increase) in provisions	(2)	(4)
Net cost of providing services	(14 369)	(12 043)

16. Key management personnel

	2011	2010
The number of staff whose remuneration received or receivable falls within the following bands:	Number	Number
$150 700 - $160 999	2	1
$200 700 - $210 699	-	1
$210 700 - $220 699	1	1

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of staff reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees was $528 000 ($569 000).

Accounting policy change

In accordance with the revised APF II, the Legislature has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than $100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by 3 (2).

17. Economic dependency

The House of Assembly is dependent upon funding via the *Appropriation Act*.

18. Subsequent events

There have been no events subsequent to reporting date.

19. Contingent assets and liabilities

The House of Assembly had no contingent assets or liabilities as at reporting date.

20. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department are the responsibility of the Joint Parliamentary Service.

21. Financial instruments/Financial risk management

(a) Terms, conditions and accounting policies

(i) Financial assets

Cash is available at call and is recorded at cost. Receivables are raised for all goods and services provided for which payment has not been received. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than recognised in the provision 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.

(ii) Financial liabilities

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days.

(b) Categorisation of financial instrument

	2011		2010	
Financial instrument	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets:				
Cash and cash equivalents	914	914	820	820
Receivables	36	36	69	69
	950	950	889	889
Financial liabilities:				
Payables	83	83	92	92
	83	83	92	92

(c) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets of the House of Assembly which have been recognised in the Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts. The House of Assembly does not have significant exposure to any concentration of credit risk.

(d) Liquidity risk

Liquidity risk arises where the House of Assembly is unable to meet its financial obligations as they fall due. The House of Assembly is funded principally from appropriation by the SA Government. Undisputed accounts are settled within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution. The exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

(e) Market risk

The House of Assembly has no market risk exposure to foreign currency or other price risks or interest rate risks.

(f) ***Sensitivity disclosure analysis***

A sensitivity analysis has not been undertaken for the interest rate risk of the House of Assembly as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is minimal.

(g) ***Financial risk management***

The House of Assembly has non-interest bearing assets (cash on hand, special deposit account and receivables) and liabilities (payables). The House of Assembly's exposure to market risk and liquidity risk is minimal and there is no significant concentration of credit risk.

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Expenses:			
Employee benefit expenses	2	1 788	1 772
Supplies and services	3	1 526	1 652
Members' salaries and allowances	4	4 481	4 135
Depreciation	5	201	37
Loss on revaluation of non-current assets	9	67	-
Contribution of assets to Joint Parliamentary Service	9	731	170
Total expenses		8 794	7 766
Income:			
Other income		-	2
Total income		-	2
Net cost of providing services		8 794	7 764
Revenue from SA Government	6	8 111	8 512
Net result		(683)	748
Other comprehensive income:			
Changes in plant and equipment asset revaluation surplus		76	-
Total comprehensive result		(607)	748

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash and cash equivalents	7	651	560
Trade and other receivables	8	13	34
Total current assets		664	594
Non-current assets:			
Plant and equipment	9	2 601	3 235
Total non-current assets		2 601	3 235
Total assets		3 265	3 829
Current liabilities:			
Trade and other payables	10	118	100
Employee benefits	11	450	490
Provisions	12	7	6
Total current liabilities		575	596
Non-current liabilities:			
Trade and other payables	10	42	60
Employee benefits	11	763	684
Provisions	12	24	21
Total non-current liabilities		829	765
Total liabilities		1 404	1 361
Net assets		1 861	2 468
Equity:			
Retained earnings	13	1 785	2 468
Asset revaluation surplus	13	76	-
Total equity		1 861	2 468
Commitments	14		
Contingent assets and liabilities	19		

Statement of Changes in Equity
for the year ended 30 June 2011

	Note	Asset revaluation surplus $'000	Retained earnings $'000	Total equity $'000
Balance at 30 June 2009		-	1 720	1 720
Total comprehensive result for 2009-10		-	748	748
Balance at 30 June 2010		-	2 468	2 468
Net result for 2010-11		-	(683)	(683)
Gain on revaluation of equipment, fixtures and fittings	9	70	-	70
Gain on revaluation of works of art	9	6	-	6
Total comprehensive result for 2010-11		76	(683)	(607)
Balance at 30 June 2011		76	1 785	1 861

Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011 Inflows (Outflows) $'000	2010 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefit payments		(1 744)	(1 687)
Members' superannuation		(776)	(635)
Supplies and services		(1 657)	(1 945)
Cash used in operations		(4 177)	(4 267)
Cash inflows:			
GST recovered from ATO		151	219
Other income		-	1
Cash generated from operations		151	220
Cash flows from SA Government:			
Receipts from State Government		4 406	5 012
Cash generated from SA Government		4 406	5 012
Net cash provided by (used in) operating activities	15	380	965
Cash flows from investing activities:			
Purchase of plant and equipment		(289)	(780)
Net cash provided by (used in) investing activities		(289)	(780)
Net increase (decrease) in cash and cash equivalents		91	185
Cash and cash equivalents at 1 July		560	375
Cash and cash equivalents at 30 June	7	651	560

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Significant accounting policies

The Legislative Council is established under the *Constitution Act 1934*. The Legislative Council, together with the House of Assembly, constitute the Parliament of South Australia. The principal purpose of Parliament is to legislate for peace, order and responsible governance of South Australia. The Legislative Council consists of 22 Members elected by the inhabitants of the State legally qualified to vote. The Legislative Council also employs clerical and administrative officers.

Certain support services provided to the Legislative Council are not reflected in these financial statements but in the financial statements of the Joint Parliamentary Service.

(a) Statement of compliance

The financial statements of the Legislative Council are general purpose financial statements. The accounts have been prepared in accordance with applicable AASs, including interpretations, other mandatory professional reporting requirements in Australia and TIs and APFs promulgated under the provisions of the PFAA.

Except for AASB 2009-12, which the Legislative Council has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Legislative Council for the reporting period ending 30 June 2011. The Legislative Council has assessed the impact of these amendments and considers there will be no impact on the accounting policies or financial statements of the Legislative Council.

(b) Basis of preparation

The preparation of financial statements in conformity with AASs as discussed in the notes below, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Legislative Council.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of AASs as discussed in the notes below, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in notes below.

The Legislative Council'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 historical cost convention, except for certain assets that were valued in accordance with the applicable valuation policy.

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

The financial statements have been prepared based on a 12 month operating cycle and presented in Australian currency. All amounts in the financial statements are rounded to the nearest thousand dollars ($'000).

(c) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where adjustments were required to reflect specific revised accounting standards and APSs.

Where presentation or classification of items in the financial statements has been amended comparative amounts have been reclassified unless reclassification is impracticable.

The restated comparative amounts do not replace the original financial statements for the preceding period.

(d) Plant and equipment

(i) Owned assets

Items of plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (g)).

In accordance with APF III:

- all non-current tangible assets with a value of $5000 or greater are capitalised
- componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than $5 million for infrastructure assets and $1 million for other assets.

Buildings within which the Legislative Council operates are recognised in the financial statements for the Joint Parliamentary Service.

Expenditure on assets not fully constructed at 30 June is disclosed separately as assets 'under construction'. Assets under construction contributed by the Legislative Council to the Joint Parliamentary Service once completed are recognised in the Statement of Comprehensive Income as an expense in the period contributed.

Art work on loan from the Art Gallery of South Australia is not recognised in the financial statements.

(ii) Subsequent costs

The Legislative Council recognises in the carrying amount of an item of plant and equipment the cost of replacing part of such an item when that cost is incurred, it is probable that the future economic benefits embodied with the item will flow to the Legislative Council and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income as an expense as incurred.

(iii) Depreciation

Depreciation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives in the current period are as follows:

Equipment, fixtures and fittings	5-10 years
Computer equipment	3 years

The residual value, if not insignificant, is reassessed annually.

The majority of fixtures and fittings are antiques. They are anticipated to have a very long and indeterminate useful life. Consequently, no amount for depreciation has been recognised during the reporting period for these assets.

Works of art

Works of art controlled by the Legislative Council are anticipated to have very long and indeterminate useful lives.

Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised during the reporting period for this class of asset.

(e) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see accounting policy (g)).

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits for the purpose of the Statement of Cash Flows.

(g) Impairment

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. For revalued assets, an impairment loss is offset against the asset revaluation surplus.

(h) Valuation of non-current assets

All non-current tangible assets are valued at written down current cost (a proxy for fair value); and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than three years.

Every five years, the Legislative Council revalues its non-current assets. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value. Plant and equipment including computer equipment, on acquisition, has been deemed to be held at fair value.

Any revaluation increment is credited to the asset revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expanse, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in revaluations reserve for the asset class.

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

Upon disposal or derecognition, any revaluation surplus relating to that asset is transferred to retained earnings.

Works of art, fixtures and fittings

An independent valuation of the works of art and fixtures and fittings was conducted at 30 June 2011 by Mr Stephen Sinclair, a recognised expert in the industry. The valuation at 30 June 2011 was a desktop valuation that updated a previous valuation at 30 June 2006. The valuation was determined at net market value.

(i) Employee benefits

(i) Defined contribution plans

The Legislative Council makes contributions to several State Government superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

(ii) Long-term service benefits

The Legislative Council's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The liability for long service leave is recognised after an employee has completed five years of service as advised in APF IV. An actuarial assessment of long service leave undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Legislative Council's experience of employee retention and leave taken.

The current/non-current classification of the Legislative Council's long service leave obligation has been calculated based on the historical usage patterns consistent with APF IV, APS 5.15.

(iii) Wages, salaries, annual leave and sick leave

Liabilities for wages, salaries and annual leave that are expected to be settled within 12 months of reporting date, represent present obligations resulting from employees' services provided to reporting date, are measured as the undiscounted amounts based on remuneration wage and salary rates that the Legislative Council expects to pay as at reporting date including related on-costs.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

(iv) Employee benefit on-costs

Employee benefit on-costs (payroll tax, workers compensation and superannuation) are recognised separately under payables.

(j) Provisions

A provision is recognised in the Statement of Financial Position when the Legislative Council has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(k) Trade and other payables

Trade and other payables are stated at cost.

(l) Revenue from SA Government

Appropriations are recognised as revenues when the Legislative Council obtains control over the funding. Control over appropriations is normally obtained upon receipt.

(m) Taxation

The Legislative Council is not subject to income tax. The Legislative Council is liable for payroll tax, FBT, GST and Emergency Services levy.

Income, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

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

(n) Insurance

The Legislative Council has insured for risks through SAICORP, a division of SAFA. Under these insurance arrangements the Legislative Council will meet the first $5000 deductible of a loss or claim arising from property damage or civil liability (including public liability, products liability, professional indemnity and officers’ liability).

(o) Members’ allowances

Allowances and benefits provided to Members by other State Government agencies and included in their financial statements are not recognised or disclosed in these financial statements apart from Ministers’ salaries and allowances disclosed in note 4.

2. Employee benefit expenses

	2011	2010
	$’000	$’000
Wages and salaries	1 344	1 359
Employment on-costs - superannuation	307	303
Employment on-costs - other	133	105
Workers compensation	4	5
Total employee benefit expenses	1 788	1 772

TVSPs

There were no TVSPs paid in 2011.

3. Supplies and services

	2011	2010
Supplies and services provided by entities within the SA Government:		
Publications	-	13
Printing	211	311
Information technology	193	89
Lease	44	26
Members’ global allowance	55	62
Security	50	50
Vehicle hire	28	27
Total supplies and services - SA Government entities	581	578

3. Supplies and services

	2011	2010
Supplies and services provided by entities external to the SA Government:	$'000	$'000
Members' travel, accommodation, stationery and related expenses	270	244
Members' global allowance	296	353
Travelling expenses	40	69
FBT	112	115
Stationery	14	10
Publications	16	17
Printing	15	11
Telephones	5	7
Consultants fees	16	67
Commonwealth Parliamentary Association	32	33
Other	129	148
Total supplies and services - non-SA Government entities	945	1 074
Total supplies and services	1 526	1 652

The number and dollar amount of consultancies paid/payable (included in supplies and services expenses) that fell within the following bands:	2011 Number	2011 $'000	2010 Number	2010 $'000
Below $10 000	3	16	2	10
Between $10 000 and $50 000	-	-	4	57
Total paid/payable to consultants engaged	3	16	6	67

Not included in the above table are consultancies for $3000 ($95 000), which were capitalised.

4. Members' salaries and allowances

	2011 $'000	2010 $'000
Members' salaries and allowances	3 705	3 500
Superannuation	776	635
Total members' salaries and allowances	4 481	4 135

Members' salaries, electorate allowances and additional salaries of $3.705 million ($3.5 million) reflected in these financial statements are paid from appropriations administered by the Joint Parliamentary Service. The appropriations are provided under the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*. Ministers' salaries and allowances totalling $464 000 ($517 000) and superannuation of $132 000 ($146 000) are not reported in these financial statements but in the financial statements of each Minister's respective department.

5. Depreciation

	2011 $'000	2010 $'000
Equipment, fixtures and fittings	9	13
Computer equipment	192	24
Total depreciation	201	37

6. Revenue from SA Government

Appropriations from Consolidated Account pursuant to the *Appropriation Act*	4 406	5 012
Appropriations received under the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*	3 705	3 500
Total revenue from SA Government	8 111	8 512

7. Cash and cash equivalents

Cash on hand	-	-
Special Deposit Account	651	560
Total cash and cash equivalents	651	560

The Special Deposit Account is the Accrual Appropriation Excess Funds Account. These funds are not available for general use, ie the funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

8. Trade and other receivables

	2011 $'000	2010 $'000
Receivables	1	-
Prepayments	12	6
Other	-	28
Total trade and other receivables	13	34

9. Plant and equipment

	Under construction $'000	Equipment fixtures and fittings $'000	Computer equipment $'000	Works of art $'000	Total $'000
Cost:					
Balance at 1 July 2010	1 813	530	586	393	3 322
Purchases	289	-	-	-	289
Disposals	-	-	-	-	-
Transfers in (out)	-	-	-	-	-
Contribution to Joint Parliamentary Service	(731)	-	-	-	(731)
Revaluation increment (decrement)	-	45	(235)	6	(184)
Other	-	(1)	-	-	(1)
Balance at 30 June 2011	1 371	574	351	399	2 695
Depreciation:					
Balance at 1 July 2010	-	58	29	-	87
Depreciation charge	-	9	192	-	201
Disposals	-	-	-	-	-
Revaluation increment (decrement)	-	(25)	(168)	-	(193)
Other	-	(1)	-	-	(1)
Balance at 30 June 2011	-	41	53	-	94
Carrying amount:					
At 1 July 2010	1 813	472	557	393	3 235
At 30 June 2011	1 371	533	298	399	2 601
Asset revaluation:					
Increments	-	70	-	6	76
Decrements	-	-	(67)	-	(67)

10. Trade and other payables

	2011 $'000	2010 $'000
Current:		
Accrued expense	46	44
Accrued employee on-costs	61	26
Accrued payroll tax	-	2
Accrued superannuation	-	9
Sundry creditors	11	19
	118	100
Non-current:		
Accrued employee on-costs	42	60
	42	60

11. Employee benefits

Current:		
Accrued salaries and wages	-	38
Liability for annual leave	350	352
Liability for long service leave	100	100
	450	490
Non-current:		
Liability for long service leave	763	684
	763	684

The total current and non-current employee expense (ie aggregated employee benefit plus related on-costs) for 2011 is $506 000 and $805 000 respectively ($527 000 and $744 000 respectively).

As a result of the actuarial assessment performed by DTF, the benchmark for the measurement of long service leave liability has changed from the 2010 benchmark of 5.5 years to five years. The net effect of the changes in the current financial year is an increase in the long service leave liability is nil. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

12. Provisions

	2011	2010
Current:	$'000	$'000
Provision for workers compensation	7	6
Non-current:		
Provision for workers compensation	24	21
Total provisions for workers compensation	31	27

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on the actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

13. Equity

	2011	2010
	$'000	$'000
Retained earnings	1 785	2 468
Asset revaluation surplus	76	-
Total equity	1 861	2 468

The asset revaluation surplus is used to record increments and decrements in the fair value of equipment, fixtures and fittings, computer equipment and works of art to the extent that they offset each other. Relevant amounts are transferred to retained earnings when an asset is derecognised.

14. Commitments

Commitments are inclusive of GST.

Operating lease commitments

The Legislative Council leases office premises. Lease payments are increased annually in accordance with movements in the CPI. Lease commitments not recognised as liabilities are payable as follows:

	2011	2010
	$'000	$'000
Less than one year	39	39
Between one and five years	157	157
More than five years	-	39
Total operating lease commitments	196	235

15. Reconciliation of cash flows from operating activities to net cost of providing services

	2011	2010
Cash flows from operating activities:		
Net cash provided by (used in) operating activities	380	965
Revenues under *Appropriation Act*	(4 406)	(5 012)
Non-cash items:		
Depreciation	(201)	(37)
Loss on revaluation of non-current assets	(67)	-
Contribution of assets to Joint Parliamentary Service for nil consideration	(731)	(170)
Members' salaries and allowances	(3 705)	(3 500)
Changes in assets/liabilities:		
Increase (Decrease) in trade and other receivables	(21)	13
Decrease (Increase) in trade and other payables	-	61
Decrease (Increase) in employee benefits	(39)	(80)
Decrease (Increase) in provisions	(4)	(4)
Net cost of providing services	(8 794)	(7 764)

16. Key management personnel

	2011	2010
The number of staff whose remuneration received or receivable falls within the following bands:	Number	Number
$150 700 - $160 999	1	1
$200 700 - $210 699	-	1
$220 700 - $230 699	1	-

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of staff reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees was $380 000 ($354 000).

Accounting policy change

In accordance with the revised APF II, the Legislature has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than $100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by 1 (2).

17. Economic dependency

The Legislative Council is dependent upon funding via the *Appropriation Act.*

18. Subsequent events

There have been no events subsequent to reporting date.

19. Contingent assets and liabilities

The Legislative Council had no contingent assets or liabilities as at reporting date.

20. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department are the responsibility of the Joint Parliamentary Service.

21. Financial instruments/Financial risk management

(a) Terms, conditions and accounting policies

(i) Financial assets

Cash is available at call and is recorded at cost. Receivables are raised for all goods and services provided for which payment has not been received. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than recognised in the provision 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.

(ii) Financial liabilities

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days.

(b) Categorisation of financial instrument

	2011		2010	
Financial instrument	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets:				
Cash and cash equivalents	651	651	560	560
Receivables	13	13	34	34
	664	664	594	594
Financial liabilities:				
Payables	57	57	63	63
	57	57	63	63

(c) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets of the Legislative Council which have been recognised in the Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts. The Legislative Council does not have significant exposure to any concentration of credit risk.

(d) Liquidity risk

Liquidity risk arises where the Legislative Council is unable to meet its financial obligations as they fall due. The Legislative Council is funded principally from appropriation by the SA Government. Undisputed accounts are settled within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution. The exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

(e) Market risk

The Legislative Council has no market risk exposure to foreign currency or other price risks or interest rate risks.

(f) Sensitivity disclosure analysis

A sensitivity analysis has not been undertaken for the interest rate risk of the Legislative Council as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is minimal.

(g) Financial risk management

The Legislative Council has non-interest bearing assets (cash on hand, Special Deposit Account and receivables) and liabilities (payables). The Legislative Council's exposure to market risk and liquidity risk is minimal and there is no significant concentration of credit risk.

Statement of Comprehensive Income for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Expenses:			
Employee benefit expenses	2	5 585	5 293
Supplies and services	3	3 178	3 039
Depreciation	5	1 070	1 567
Loss on revaluation of non-current assets	9	250	-
Total expenses		10 083	9 899
Income:			
Contribution of assets from House of Assembly	9	1 590	95
Contribution of assets from Legislative Council	9	731	170
Other income		50	51
Total income		2 371	316
Net cost of providing services		7 712	9 583
Revenue from SA Government	6	10 181	9 454
Net result		2 469	(129)
Other comprehensive income:			
Changes in property, plant and equipment asset revaluation surplus		14 069	-
Total comprehensive result		16 538	(129)

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash and cash equivalents	7	4 039	3 294
Trade and other receivables	8	171	195
Total current assets		4 210	3 489
Non-current assets:			
Property, plant and equipment	9	80 947	65 287
Total non-current assets		80 947	65 287
Total assets		85 157	68 776
Current liabilities:			
Trade and other payables	10	382	295
Financial liabilities/borrowings	11	8	16
Employee benefits	12	605	677
Provisions	13	106	97
Total current liabilities		1 101	1 085
Non-current liabilities:			
Trade and other payables	10	60	109
Financial liabilities/borrowings	11	-	8
Employee benefits	12	1 082	1 242
Provisions	13	357	313
Total non-current liabilities		1 499	1 672
Total liabilities		2 600	2 757
Net assets		82 557	66 019
Equity:			
Retained earnings	14	68 488	66 019
Asset revaluation surplus	14	14 069	-
Total equity		82 557	66 019
Commitments	15		
Contingent assets and liabilities	20		

Statement of Changes in Equity
for the year ended 30 June 2011

	Note	Asset revaluation surplus $'000	Retained earnings $'000	Total equity $'000
Balance at 30 June 2009		-	66 148	66 148
Total comprehensive result for 2009-10		-	(129)	(129)
Balance at 30 June 2010		-	66 019	66 019
Net result for 2010-11		-	2 469	2 469
Gain on revaluation of land	9	13 835	-	13 835
Gain on revaluation of plant and equipment	9	78	-	78
Gain on revaluation of fixtures and fittings	9	156	-	156
Total comprehensive result 2010-11		14 069	2 469	16 538
Balance at 30 June 2011		14 069	68 488	82 557

Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011 Inflows (Outflows) $'000	2010 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefit payments		(5 764)	(5 069)
Supplies and services		(3 428)	(3 266)
Cash used in operations		(9 192)	(8 335)
Cash inflows:			
GST recovered from ATO		308	304
Other income		53	55
Cash generated from operations		361	359
Cash flows from SA Government:			
Receipts from State Government		10 181	9 454
Cash generated from SA Government		10 181	9 454
Net cash provided by (used in) operating activities	16	1 350	1 478
Cash flows from investing activities:			
Purchase of plant and equipment		(589)	(565)
Net cash provided by (used in) investing activities		(589)	(565)
Cash flows from financing activities:			
Proceeds from borrowings		-	32
Repayment of finance lease		(16)	(8)
Net cash generated from financing activities		(16)	24
Net increase (decrease) in cash and cash equivalents		745	937
Cash and cash equivalents at 1 July		3 294	2 357
Cash and cash equivalents at 30 June	7	4 039	3 294

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Significant accounting policies

The Joint Parliamentary Service is established under the *Parliament (Joint Services) Act 1985*.

The Joint Parliamentary Service provides services to both Houses of Parliament including Hansard reporting, library facilities, catering, financial administration, and building accommodation. The Joint Parliamentary Service is administered by the Joint Parliamentary Service Committee which comprises the Speaker and two Members of the House of Assembly and the President and two Members of the Legislative Council. The Joint Parliamentary Service also administers the payment of Members' salaries. These payments are disclosed as Administered Items in note 22.

(a) Statement of compliance

The financial statements of the Joint Parliamentary Service are general purpose financial statements. The accounts have been prepared in accordance with applicable AASs including interpretations, other mandatory professional reporting requirements in Australia and TIs and APFs promulgated under the provisions of the PFAA.

Except for AASB 2009-12, which the Joint Parliamentary Service has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Joint Parliamentary Service for the reporting period ending 30 June 2011. The Joint Parliamentary Service has assessed the impact of these amendments and considers there will be no impact on the accounting policies or financial statements of the Joint Parliamentary Service.

(b) Basis of preparation

The preparation of financial statements in conformity with AASs as discussed in the notes below, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Joint Parliamentary Service.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of AASs as discussed in the notes below, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in notes below.

The Joint Parliamentary Service'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 historical cost convention, except for certain assets that were valued in accordance with the applicable valuation policy.

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

The financial statements have been prepared based on a 12 month operating cycle and presented in Australian currency. All amounts in the financial statements are rounded to the nearest thousand dollars ($'000).

(c) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where adjustments were required to reflect specific revised accounting standards and APSs.

Where presentation or classification of items in the financial statements has been amended comparative amounts have been reclassified unless reclassification is impracticable.

The restated comparative amounts do not replace the original financial statements for the preceding period.

(d) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (g)).

In accordance with APF III:

- all non-current tangible assets with a value of $5000 or greater are capitalised.
- componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than $5 million for infrastructure assets and $1 million for other assets.

Buildings within which the House of Assembly and Legislative Council operate are recognised in the financial statements of the Joint Parliamentary Service.

Expenditure on assets not fully constructed at 30 June is disclosed separately as assets 'under construction'. Assets under construction contributed by the House of Assembly and Legislative Council to the Joint Parliamentary Service once completed are recognised in the Statement of Comprehensive Income as income in the period contributed.

Art work on loan from the Art Gallery of South Australia is not recognised in the financial statements.

(ii) Subsequent costs

The Joint Parliamentary Service recognises in the carrying amount of an item of plant and equipment the cost of replacing part of such an item when that cost is incurred, it is probable that the future economic benefits embodied with the item will flow to the Joint Parliamentary Service and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income as an expense as incurred.

(iii) *Depreciation*
Depreciation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives in the current period are as follows:

Buildings	100 years
Plant and equipment	5-10 years
Fixtures and fittings	3-10 years
Computer equipment	3 years

The residual value, if not insignificant, is reassessed annually.

Joint Parliamentary Service estimates the remaining useful life of Parliament House to be 100 years ending in 2096.

The library collection controlled by the Joint Parliamentary Service is mainly a research and heritage collection. The majority of the fixtures and fittings are antiques. The library collection and fixture and fittings antiques are anticipated to have a very long and indeterminate useful life. The service potential of the collection has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised during the reporting period for this class of asset.

(e) Trade and other receivables
Trade and other receivables are stated at their cost less impairment losses (see accounting policy (g)).

(f) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits for the purpose of the Statement of Cash Flows.

(g) Impairment
The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. For revalued assets, an impairment loss is offset against the asset revaluation surplus.

(h) Valuation of non-current assets
All non-current tangible assets are valued at written down current cost (a proxy for fair value); and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than three years.

Every five years, the Joint Parliamentary Service revalues its non-current assets. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value. Plant and equipment including computer equipment, on acquisition, has been deemed to be held at fair value.

Any revaluation increment is credited to the asset revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expanse, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in revaluations reserve for the asset class.

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

Upon disposal or derecognition, any revaluation surplus relating to that asset is transferred to retained earnings.

Land, buildings, plant and equipment
An independent valuation of the land, buildings, plant and equipment was conducted as at 30 June 2011 by Fred Taormina, BAppSc(Val), AAPI, Certified Practicing Valuer on behalf of Valcorp Pty Ltd. The valuation at 30 June 2011 was prepared on a fair value basis. The valuer has determined that the value of the land where Old Parliament House is situated, is greater than the value with the building. Therefore, only the value of the land is recognised in these financial statements.

Library collection, fixtures and fittings
An independent valuation of the library collection and fixtures and fittings was conducted at 30 June 2011 by Mr Stephen Sinclair, a recognised expert in the industry. The valuation at 30 June 2011 was a desktop valuation that updated a previous valuation at 30 June 2006. The valuation was determined by grouping the library collection into categories. Those categories with an intrinsic value were determined at net market value. The remainder of the categories were determined at written down replacement cost.

(i) Employee benefits

(i) Defined contribution plans
The Joint Parliamentary Service makes contributions to several State Government superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

(ii) Long-term service benefits
The Joint Parliamentary Service's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The liability for long service leave is recognised after an employee has completed five years of service as advised in APF IV. An actuarial assessment of long service leave undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Joint Parliamentary Service's experience of employee retention and leave taken.

The current/non-current classification of the Joint Parliamentary Service's long service leave obligation has been calculated based on the historical usage patterns consistent with APF IV, APS 5.15.

(iii) Wages, salaries, annual leave and sick leave
Liabilities for wages, salaries and annual leave that are expected to be settled within 12 months of reporting date, represent present obligations resulting from employee's services provided to reporting date, are measured as the undiscounted amounts based on remuneration wage and salary rates that the Joint Parliamentary Service expects to pay as at reporting date including related on-costs.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

(iv) Employee benefit on-costs
Employee benefit on-costs (payroll tax, workers compensation and superannuation) are recognised separately under payables.

(j) Provisions
A provision is recognised in the Statement of Financial Position when the Joint Parliamentary Service has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(k) Trade and other payables
Trade and other payables are stated at cost.

(l) Financial liabilities/borrowings

The Joint Parliamentary Service measures financial liabilities including borrowings/debt at historical cost.

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Joint Parliamentary Service has entered into finance leases and operating leases.

(i) Finance leases

Finance leases, which transfer to the Joint Parliamentary Service substantially all the risks and benefits/rewards incidental to ownership of the leased assets, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments.

Minimum lease payments are allocated, between interest expense/borrowing costs and reduction of the lease liability, to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Where there is no reasonable assurance that the department will obtain ownership of the capitalised asset at the end of the lease term, the asset is amortised over the shorter of the lease term and its useful life.

(ii) Operating leases

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased assets.

(m) Revenue from SA Government

Appropriations are recognised as revenues when the Joint Parliamentary Service obtains control over the funding. Control over appropriations is normally obtained upon receipt

(n) Taxation

The Joint Parliamentary Service is not subject to income tax. The Joint Parliamentary Service is liable for payroll tax, FBT, GST and Emergency Services levy.

Income, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

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

(o) Insurance

The Joint Parliamentary Service has insured for risks through SAICORP, a division of SAFA. Under these insurance arrangements the Joint Parliamentary Service will meet the first $5000 deductible of a loss or claim arising from property damage or civil liability (including public liability, products liability, professional indemnity and officers' liability).

2. Employee benefit expenses

	2011	2010
	$'000	$'000
Wages and salaries	4 740	4 468
Employment on-costs - superannuation	533	517
Employment on-costs - other	257	238
Workers compensation	55	70
Total employee benefit expenses	5 585	5 293

TVSPs

There were no TVSPs paid in 2011.

3. Supplies and services

	2011	2010
Supplies and services provided by entities within the SA Government:	$'000	$'000
Building maintenance	424	305
Utilities	61	65
Printing and publishing	190	479
Insurance	62	59
Information technology	30	37
Lease	42	56
Audit fees	74	95
Shared services	79	74
Other	48	44
Total supplies and services - SA Government entities	1 010	1 214

	2011	2010
Supplies and services provided by entities external to the SA Government:		
Building maintenance	320	211
Utilities	305	343
Cleaning	219	199
Minor works and equipment	96	82
Telephones	200	242
Information technology	648	254
Agency staff hire	25	101
FBT	48	40
Consultants fees	41	58
Other	266	295
Total supplies and services - non-SA Government entities	2 168	1 825
Total supplies and services	3 178	3 039

The number and dollar amount of consultancies paid/payable (included in supplies and services expenses) that fell within the following bands:	2011 Number	2011 $'000	2010 Number	2010 $'000
Below $10 000	7	14	4	9
Between $10 000 and $50 000	2	27	2	49
Total paid/payable to consultants engaged	9	41	6	58

Not included in the above table are payments made to consults for $17 000 ($8000), which were capitalised.

4. Auditor's remuneration

	2011	2010
	$'000	$'000
Audit fees	74	95
Total auditor's remuneration	74	95

Audit fees are paid or payable to the Auditor-General's Department.

5. Depreciation

	2011	2010
Buildings	486	481
Plant and equipment	80	85
Fixtures and fittings	1	1
Computer equipment	503	1 000
Total depreciation	1 070	1 567

6. Revenue from SA Government

	2011	2010
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	10 181	9 454
Total revenue from SA Government	10 181	9 454

7. Cash and cash equivalents

	2011	2010
Cash on hand	-	-
Special Deposit Account	4 048	3 303
Bank overdraft	(9)	(9)
Total cash and cash equivalents	4 039	3 294

The bank overdraft reflects the value of unpresented cheques at 30 June 2011.

The Special Deposit Account is the Accrual Appropriation Excess Funds Account. These funds are not available for general use, ie the funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

8. Trade and other receivables

	2011 $'000	2010 $'000
Receivables	88	165
Prepayments	77	23
Other	6	7
Total trade and other receivables	171	195

9. Property, plant and equipment

Cost:	Under construction $'000	Land $'000	Buildings $'000	Plant and equipment $'000	Fixtures and fittings $'000	Computer equipment $'000	Library $'000	Total $'000
Balance at 1 July 2010	500	12 840	48 109	1 759	810	5 186	1 531	70 735
Purchases	589	-	-	-	-	-	-	589
Disposals	-	-	-	-	-	-	-	-
Transfers in (out)	(2 804)	-	3 359	(555)	-	-	-	-
Contributed assets	2 223	-	98	-	-	-	-	2 321
Revaluation increment (decrement)	-	13 835	(3 035)	(234)	59	(114)	(36)	10 475
Other	-	-	-	1	-	(1)	-	-
Balance at 30 June 2011	508	26 675	48 531	971	869	5 071	1 495	84 120
Depreciation:								
Balance at 1 July 2010	-	-	2 340	417	97	2 594	-	5 448
Depreciation charge	-	-	486	80	1	503	-	1 070
Disposals	-	-	-	-	-	-	-	-
Revaluation increment (decrement)	-	-	(2 825)	(312)	(97)	(110)	-	(3 344)
Other	-	-	(1)	1	(1)	-	-	(1)
Balance at 30 June 2011	-	-	-	186	-	2 987	-	3 173
Carrying amount:								
At 1 July 2010	500	12 840	45 769	1 342	713	2 592	1 531	65 287
At 30 June 2011	508	26 675	48 531	785	869	2 084	1 495	80 947
Asset revaluation:								
Increments	-	13 835	-	78	156	-	-	14 069
Decrements	-	-	(210)	-	-	(4)	(36)	(250)

10. Trade and other payables

	2011 $'000	2010 $'000
Current:		
Trade payables	1	3
Accrued expenses	280	201
Accrued employee on-costs	80	33
Accrued payroll tax	-	7
Accrued superannuation	-	16
Sundry creditors	21	35
	382	295
Non-current:		
Accrued employee on-costs	60	109
	60	109

11. Financial liabilities/borrowings

Current:		
Obligations under finance leases	8	16
	8	16
Non-current:		
Obligations under finance leases	-	8
	-	8

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Assets pledged as security

The carrying amount of non-current assets pledged as security are:

Leased plant and equipment	5	27
	5	27

12. Employee benefits

	2011	2010
Current:	$'000	$'000
Accrued salaries and wages	-	136
Liability for annual leave	455	391
Liability for long service leave	150	150
	605	677
Non-current:		
Liability for long service leave	1 082	1 242
	1 082	1 242

The total current and non-current employee expense (ie aggregated employee benefit plus related on-costs) for 2011 is $635 000 and $1.142 million respectively ($733 000 and $1.351 million respectively).

As a result of the actuarial assessment performed by DTF, the benchmark for the measurement of long service leave liability has changed from the 2010 benchmark of 5.5 years to five years. The net effect of the changes in the current financial year is an increase in the long service leave liability of $5000 and the employee benefit expense of $nil. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

13. Provisions

	2011	2010
Current:	$'000	$'000
Provision for workers compensation	106	97
Non-current:		
Provision for workers compensation	357	313
	463	410

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on the actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

14. Equity

	2011	2010
	$'000	$'000
Retained earnings	68 488	66 019
Asset revaluation surplus	14 069	-
Total equity	82 557	66 019

The asset revaluation surplus is used to record increments and decrements in the fair value of land, buildings, plant and equipment, fixtures and fittings, computer equipment and works of art to the extent that they offset each other. Relevant amounts are transferred to retained earnings when an asset is derecognised.

15. Commitments

Commitments are inclusive of GST.

Operating lease commitments

The Joint Parliamentary Service leases computer software, office premises and photocopiers under non-cancellable operating leases with periods up to six years. Lease payments are increased annually in accordance with movements in the CPI. Lease commitments not recognised as liabilities are payable as follows:

	2011	2010
	$'000	$'000
Less than one year	37	42
Between one and five years	149	149
More than five years	-	37
Total operating lease commitments	186	228

Other commitments

Other commitments contracted but not recognised as liabilities are payable as follows:

Less than one year	94	111
Between one and five years	131	68
More than five years	-	-
Total other commitments	225	179

Finance lease commitments

Future minimum lease payments under finance leases and hire purchase contracts together with present value of net minimum lease payments are as follows:	2011 Minimum lease payments $'000	2011 Present value of lease payments $'000	2010 Minimum lease payments $'000	2010 Present value of lease payments $'000
Less than one year	8	8	16	16
Between one and five years	-	-	8	8
More than five years	-	-	-	-
	8	8	24	24
Amounts representing finance charges	-	-	-	-
Present value of minimum lease payments	8	8	24	24

Included in the financial statements as:	2011 $'000	2010 $'000
Current financial liabilities/borrowings	8	16
Non-current financial liabilities/borrowings	-	8
	8	24

The Joint Parliamentary Service has a finance lease for an item of equipment with a carrying amount of $5000. This contract will expire within one year. The lease has no terms of renewal. The weighted average interest rate implicit in the leases is zero percent.

16. Reconciliation of cash flows from operating activities to net cost of providing services

	2011 $'000	2010 $'000
Cash flows from operating activities:		
Net cash provided by (used in) operating activities	1 350	1 478
Revenues under *Appropriation Act*	(10 181)	(9 454)
Non-cash items:		
Depreciation	(1 070)	(1 567)
Loss on revaluation of non-current assets	(250)	-
Contribution of assets from House of Assembly for nil consideration	1 590	95
Contribution of assets from Legislative Council for nil consideration	731	170
Adjustments to plant and equipment	1	-
Changes in assets/liabilities:		
Increase (Decrease) in trade and other receivables	(24)	(26)
Decrease (Increase) in trade and other payables	(38)	(56)
Decrease (Increase) in employee benefits	232	(158)
Decrease (Increase) in provisions	(53)	(65)
Net cost of providing services	(7 712)	(9 583)

17. Key management personnel

The number of staff whose remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
$130 700 - $140 699	-	1
$140 700 - $150 699	1	-
$220 700 - $230 699	1	-

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of staff reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees was $368 000 ($137 000).

Accounting policy change

In accordance with the revised APF II, the Legislature has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than $100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by 10 (6).

18. Economic dependency

The Joint Parliamentary Service is dependent upon funding via the *Appropriation Act*.

19. Subsequent events

There have been no events subsequent to reporting date.

20. Contingent assets and liabilities

The Joint Parliamentary Service had no contingent assets or liabilities as at reporting date.

21. Financial instruments/Financial risk management

(a) Terms, conditions and accounting policies

(i) Financial assets

Cash is available at call and is recorded at cost. Receivables are raised for all goods and services provided for which payment has not been received. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than recognised in the provision 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.

(ii) Financial liabilities

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days.

Borrowings represent financial lease repayments expected to be paid in the next year.

(b) Categorisation of financial instrument

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial instrument	$'000	$'000	$'000	$'000
Financial assets:				
Cash and cash equivalents	4 039	4 039	3 294	3 294
Receivables	171	171	195	195
	4 210	4 210	3 489	3 489
Financial liabilities:				
Payables	302	302	239	239
Borrowings	8	8	24	24
	310	310	263	263

(c) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets of the Joint Parliamentary Service which have been recognised in the Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts. The Joint Parliamentary Service does not have significant exposure to any concentration of credit risk.

(d) Liquidity risk

Liquidity risk arises where the Joint Parliamentary Service is unable to meet its financial obligations as they fall due. The Joint Parliamentary Service is funded principally from appropriation by the SA Government. Undisputed accounts are settled within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution. The exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

(e) Market risk

The Joint Parliamentary Service has no market risk exposure to foreign currency or other price risks or interest rate risks.

(f) Sensitivity disclosure analysis

A sensitivity analysis has not been undertaken for the interest rate risk of the Joint Parliamentary Service as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is minimal.

(g) Financial risk management

The Joint Parliamentary Service has non-interest bearing assets (cash on hand, Special Deposit Account and receivables) and liabilities (payables). The Joint Parliamentary Service's exposure to market risk and liquidity risk is minimal and there is no significant concentration of credit risk.

22. Administered items

The Joint Parliamentary Service administers the payment of Members' salaries funded by appropriations under the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*.

Schedule of Administered Income and Expenses

	2011 $'000	2010 $'000
Administered income:		
Recurrent appropriations	9 969	9 445
Total administered income	9 969	9 445
Administered expenses:		
Members' salaries	9 969	9 445
Total administered expenses	9 969	9 445

Libraries Board of South Australia

Functional responsibility

Establishment

The Libraries Board of South Australia (the Board) is established pursuant to the *Libraries Act 1982* and is responsible for the administration of the State Library of South Australia and ensuring the provision of a coordinated system of public library services by councils and other bodies. For details of the Board's functions refer note 1 to the financial statements.

Audit mandate and coverage

Audit authority

Audit of the financial report

Subsection 31(1)(b) of the PFAA and subsection 18(2) of the *Libraries Act 1982* provide for the Auditor-General to audit the accounts of the Board for each financial year.

Assessment of controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an opinion to be formed with respect to the financial report and internal controls.

During 2010-11, specific areas of audit attention included:

- expenditure, including accounts payable and payroll
- revenue, including cash receipting and banking
- subsidy payments to public libraries
- budgetary control and financial management reporting
- property, plant and equipment
- research and heritage collections.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Libraries Board of South Australia as at 30 June 2011, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Libraries Board of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matter raised in relation to the implementation of TIs 2 and 28 outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Libraries Board of South Australia have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in a management letter to the Director of the State Library and a satisfactory response was received.

Implementation of TIs 2 and 28

TI 2 and TI 28 instituted new and revised financial management requirements for agencies from 2008-09. TI 2 requires agencies to document key financial policies and procedures. TI 28 also requires agencies to develop and maintain a financial management compliance program of review of relevant policies and procedures, internal controls and financial reporting.

Previous Reports have conveyed that the Board was relating with DPC (which provides business support) to assist with the implementation of the TI requirements. In seeking an update status on this matter in 2010-11 the Board advised Audit that DPC has developed a document that articulates its financial management compliance program for 2011-12. The Board will consider the appropriateness of the program, make amendments if required, and implement accordingly.

Interpretation and analysis of the financial report

Highlights of the financial report

	2011 $'million	2010 $'million
Expenses		
Staff benefits	11	11
Subsidies to public libraries	12	12
Other expenses	10	10
Total expenses	33	33
Income		
State Government grants	31	30
Other income	2	3
Total income	33	33
Net result	-	-
Net cash provided by (used in) operating activities	2	2
Net cash provided by (used in) investing activities	(1)	(1)
Assets		
Current assets	7	6
Non-current assets	168	106
Total assets	175	112

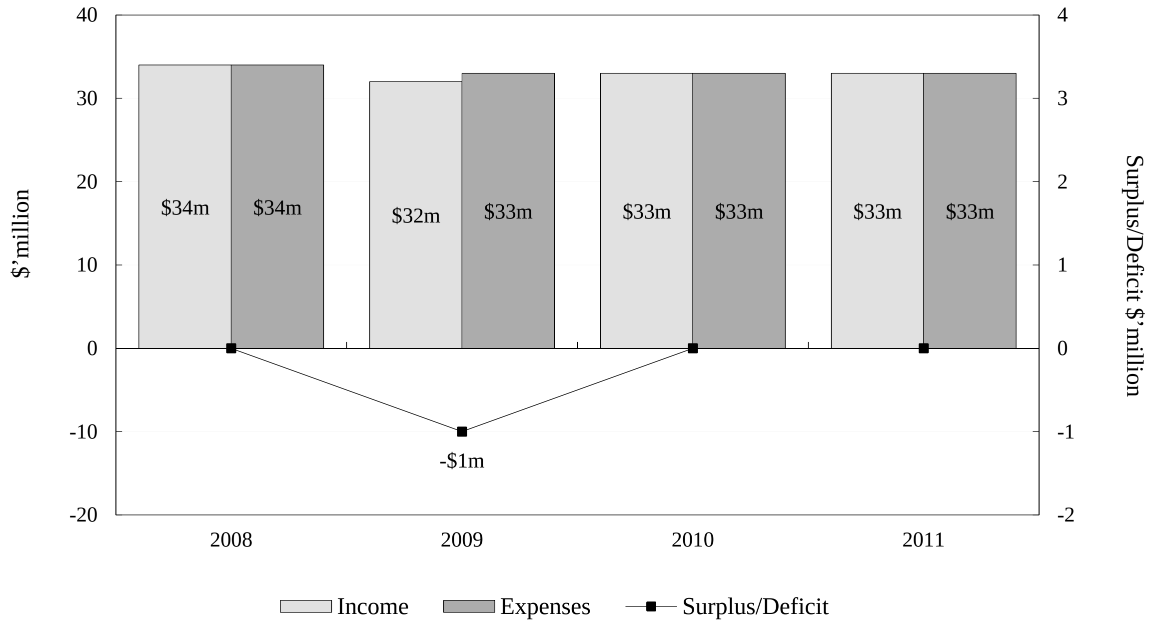
	2011 $'million	2010 $'million
Liabilities		
Current liabilities	1	2
Non-current liabilities	3	2
Total liabilities	4	4
Total equity	171	108

Statement of Comprehensive Income

The net result for the year was a deficit of $301 000 ($493 000).

Net result

The following chart shows income, expenses and surpluses/deficits for the four years to 2011.



Statement of Financial Position

The total assets of the Board at 30 June 2011 are $175.4 million ($112.2 million), of which $52.1 million (30 percent) relates to the Board's property, plant and equipment and $110 million (63 percent) relates to research and heritage collections.

In 2010-11, the research and heritage collections were revalued. The first-time valuation of private archives collections was the principal factor in the overall collections increasing in value by $63.6 million (refer notes 2.10 and 20 to the financial statements).

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2011.

	2011 $'million	2010 $'million	2009 $'million	2008 $'million
Net cash flows				
Operating	2	2	1	1
Investing	(1)	(1)	(1)	(1)
Change in cash	1	1	-	-
Cash at 30 June	6	5	4	4

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Expenses:			
Staff benefits	5	11 275	11 253
Supplies and services	7	5 201	5 526
Accommodation and facilities	8	2 132	2 019
Depreciation and amortisation	9	2 164	2 150
Subsidies to public libraries		12 065	12 098
Net loss from disposal of non-current assets	10	52	76
Total expenses		32 889	33 122
Income:			
Fees and charges	11	431	723
Donations		93	191
Council contributions		91	80
Rent and facilities hire		271	341
Resources received free of charge	12	259	342
Interest and investment income	13	684	609
Recoveries		147	87
Other	14	184	144
Total income		2 160	2 517
Net cost of providing services		30 729	30 605
Revenues from SA Government:			
Recurrent operating grant		30 355	29 907
Capital grant		73	205
Total revenues from SA Government		30 428	30 112
Net result		(301)	(493)
Other comprehensive income:			
Change in research and heritage collections revaluation surplus	20	63 600	-
Total comprehensive income		63 600	-
Total comprehensive result		63 299	(493)

Net result and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash	16	6 378	5 345
Receivables	17	550	463
Total current assets		6 928	5 808
Non-current assets:			
Property, plant and equipment	18	52 076	54 099
Intangible assets	19	29	-
Research and heritage collections	20	110 003	45 919
Investments	21	6 370	6 424
Total non-current assets		168 478	106 442
Total assets		175 406	112 250
Current liabilities:			
Payables	22	527	774
Staff benefits	23	1 077	1 234
Provisions	24	69	64
Other	25	1	8
Total current liabilities		1 674	2 080
Non-current liabilities:			
Payables	22	202	206
Staff benefits	23	2 316	2 080
Provisions	24	235	204
Other	25	10	10
Total non-current liabilities		2 763	2 500
Total liabilities		4 437	4 580
Net assets		170 969	107 670
Equity:			
Retained earnings		90 022	90 425
Asset revaluation surplus		80 947	17 245
Total equity		170 969	107 670

Total equity is attributable to the SA Government as owner

	Note
Unrecognised contractual commitments	26
Contingent assets and liabilities	27

Statement of Changes in Equity
for the year ended 30 June 2011

	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2009	17 245	90 918	108 163
Net result for 2009-10	-	(493)	(493)
Total comprehensive result for 2009-10	-	(493)	(493)
Balance at 30 June 2010	17 245	90 425	107 670
Error correction	102	(102)	-
Net result for 2010-11	-	(301)	(301)
Gain on revaluation of research and heritage collections	63 600	-	63 600
Total comprehensive result for 2010-11	63 702	(403)	63 299
Balance at 30 June 2011	80 947	90 022	170 969

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

Statement of Cash Flows
for the year ended 30 June 2011

		2011	2010
		Inflows	Inflows
		(Outflows)	(Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Cash outflows:			
Staff benefits		(11 113)	(11 197)
Supplies and services		(5 126)	(4 895)
Accommodation and facilities		(2 170)	(2 030)
Subsidies to public libraries		(12 207)	(12 090)
Cash used in operations		(30 616)	(30 212)
Cash inflows:			
Fees and charges		453	810
Donations		83	172
Council contributions		91	80
Rent and facilities hire		271	296
Interest and investment income		678	589
Recoveries		151	69
Other		169	146
Cash generated from operations		1 896	2 162
Cash flows from SA Government:			
Recurrent operating grant		30 355	29 907
Capital grant		73	205
Cash generated from SA Government		30 428	30 112
Net cash provided by (used in) operating activities	28	1 708	2 062
Cash flows from investing activities:			
Cash outflows:			
Purchase of heritage collections		(474)	(471)
Purchase of investments		(178)	(87)
Purchase of property, plant and equipment		(112)	(270)
Purchase of land and buildings		(91)	-
Cash used in investing activities		(855)	(828)
Cash inflows:			
Proceeds from the sale/maturity of investments		180	89
Cash generated from investing activities		180	89
Net cash provided by (used in) investing activities		(675)	(739)
Net increase (decrease) in cash		1 033	1 323
Cash at 1 July		5 345	4 022
Cash at 30 June	28	6 378	5 345

Disaggregated Disclosures - Expenses and Income
for the year ended 30 June 2011

	2011			2010		
(Activities - refer note 4)	1	2	Total	1	2	Total
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000
Staff benefits	9 652	1 623	11 275	9 462	1 791	11 253
Supplies and services	2 248	2 953	5 201	2 661	2 865	5 526
Accommodation and facilities	2 053	79	2 132	1 951	68	2 019
Subsidies to public libraries	-	12 065	12 065	-	12 098	12 098
Depreciation and amortisation	2 077	87	2 164	2 117	33	2 150
Net loss from the disposal of non-current assets	52	-	52	76	-	76
Total expenses	16 082	16 807	32 889	16 267	16 855	33 122
Income:						
Fees and charges	429	2	431	715	8	723
Donations	93	-	93	191	-	191
Council contributions	-	91	91	-	80	80
Rent and facilities hire	271	-	271	341	-	341
Resources received free of charge	258	1	259	324	18	342
Interest and investment income	561	123	684	508	101	609
Recoveries	114	33	147	52	35	87
Other	111	73	184	93	51	144
Total income	1 837	323	2 160	2 224	293	2 517
Net cost of providing services	14 245	16 484	30 729	14 043	16 562	30 605
Revenues from SA Government:						
Recurrent operating grant	12 995	17 360	30 355	12 800	17 107	29 907
Capital grant	73	-	73	205	-	205
Total revenues from SA Government	13 068	17 360	30 428	13 005	17 107	30 122
Net result	(1 177)	876	(301)	(1 038)	545	(493)

Disaggregated Disclosures - Assets and Liabilities
as at 30 June 2011

	2011			2010		
(Activities - refer note 4)	1	2	Total	1	2	Total
Assets:	$'000	$'000	$'000	$'000	$'000	$'000
Assets	170 310	5 096	175 406	107 801	4 449	112 250
Total assets	170 310	5 096	175 406	107 801	4 449	112 250
Liabilities:						
Liabilities	3 708	729	4 437	3 657	923	4 580
Total liabilities	3 708	729	4 437	3 657	923	4 580

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Libraries Board (the Board)

The Board is constituted pursuant to section 8 of the *Libraries Act 1982* (the Act). The Board is charged with the management of the State Library of South Australia and the public library services under the Act.

The functions of the Board as prescribed under the Act are as follows:

- formulate polices and guidelines for the provision of public library services
- establish, maintain and expand collections of library materials
- administer the State Library
- promote, encourage and assist in the establishment, operation and expansion of public libraries and public library services by councils and others.

2. Summary of significant accounting policies

2.1 Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and TIs and APSs promulgated under the provision of the PFAA.

Except for AASB 2009-12, which the Board has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the reporting period ending 30 June 2011. These are outlined in note 3.

2.2 Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Board's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in the financial statements:
  (a) income, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items applies
  (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)
  (c) staff TVSP information
  (d) staff whose normal remuneration is equal to or greater than the base executive remuneration level (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly, by the entity to those staff
  (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Board'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 historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

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

The financial statements have been prepared based on a 12 month operating cycle and are presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011 and comparative information presented for the year ended 30 June 2010.

2.3 Sources of funds

The Board's principal source of funds consists of grants from the State Government. In addition, the Board also receives monies from sales, rent, venue hire, investments, donations, bequests and other receipts, and uses the monies for the achievement of its objectives.

2.4 Income and expenses

Income and expenses are recognised in the Board's Statement of Comprehensive Income when and only when it is probable that the flow of economic benefits to or from the entity will occur and can be reliably measured. Income and expenses 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.

Income from fees and charges is derived from the provision of goods and services to other government agencies and to the public. This income is recognised upon the delivery of the goods or services to customers. Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Government grants and council contributions are recognised as income in the period in which the Board obtains control over the grants and the contributions.

Subsidies to public libraries

Public library services receive contributions from councils to purchase additional materials through the centralised purchasing system. The expenditure for these materials is recorded under 'Subsidies to public libraries' in the Statement of Comprehensive Income. The total amount received from councils for the year was $91 000 ($80 000).

Resources received free of charge

Resources received free of charge are recorded as income and expenditure in the Statement of Comprehensive Income at their fair value.

Under an arrangement with Arts SA and Artlab Australia, divisions of DPC, Artlab Australia receives SA Government appropriation to perform conservation services on the Board's research and heritage collections. The value of this work performed is recognised as resources received free of charge in income (note 12) and a corresponding amount included as conservation work expenditure in supplies and services (note 7).

Under an arrangement with the Services Division of DPC, financial services and human resources are provided free of charge to the Board. The value of these services is recognised as resources received free of charge in income (note 12) and a corresponding amount included as a business services charge in supplies and services (note 7).

2.5 Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. The Board has a clearly identifiable operating cycle of 12 months. Therefore assets and liabilities that will be realised as part of the normal operating cycle will be classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

2.6 Cash

Cash in the Statement of Financial Position includes cash at bank and on hand.

For the purposes of the Statement of Cash Flows, cash is defined as above.

Cash is measured at nominal value.

Trust accounts

Public library services hold subsidy payments in trust for the Outback Communities Authority and Aboriginal Lands (Anangu Pitjantjatjara, Maralinga Tjarutja, Nepabunna, Gerard and Yalata). These funds are recorded in the cash balance as at 30 June 2011. The total of these trust accounts is $198 000 ($162 000).

2.7 Receivables

Receivables include amounts receivable from trade, prepayments and other accruals.

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

The ability to collect trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Board will not be able to collect the debt.

2.8 Investments

Investments are brought to account at cost in accordance with APF IV, APS 2.1.

2.9 Non-current asset acquisition and recognition

The cost method of accounting is used for the initial recording of all acquisitions of assets. Cost is determined as the fair value of the assets given the consideration plus costs incidental to the acquisition. Assets donated during the year have been brought to account at fair value.

All non-current tangible assets with a value of $10 000 or greater are capitalised.

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than $5 million for infrastructure assets and $1 million for other assets.

2.10 Valuation of non-current assets

Revaluation of non-current assets

All non-current assets are valued at written down current cost (a proxy for fair value) and a revaluation of non-current assets or a group of assets is only performed when its fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than three years.

Land and buildings and heritage collections are revalued every five years. However, if at any time management considers the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current assets that are acquired between revaluations are held at cost until the next valuation, where they are then revalued to fair value.

Any revaluation increment is credited to the asset revaluation surplus except to the extent that it reverses a revaluation decrement of the same asset class previously recognised as an expense in the Statement of Comprehensive Income, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in the revaluation surplus for that asset class.

Any revaluation decrement is recognised as an expense in the Statement of Comprehensive Income, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in the revaluation surplus for that asset class.

Upon revaluation, the accumulated depreciation has been restated proportionately with the change in gross carrying amount of the asset so that the carrying amount, after revaluation, equals its revalued amount.

Upon disposal or derecognition, any revaluation surplus relating to that asset is transferred to retained earnings.

Land and buildings

An independent valuation of the land and buildings was conducted as at 30 June 2008 by the Australian Valuation Office (AVO). The valuation at 30 June 2008 was prepared on a fair value basis.

Plant and equipment

Plant and equipment, including computer equipment and compactus and shelving, on acquisition has been deemed to be held at fair value.

Public library service collections

The film collection was valued at zero value on the basis that this collection is not being added to, is rarely used and may not be disposed under the terms of its original acquisition.

Research and heritage collections

The Board's research and heritage collections were revalued as at 30 June 2011 using the valuation methodology outlined below.

The State Library of South Australia appointed Ty Noble, Director General Valuations, Plant and Equipment, of the AVO to undertake the valuation of all of the Library's collections as at 30 June 2011. All valuations were carried out by specialists employed by the AVO.

Collections were valued by applying a fair value average price based on a sampling of items and then applying this value to the number of items held.

Research and heritage collections (continued)
Significant and unique objects were valued individually. Other collections were valued using the linear method of valuation. This method is based on an average cost per volume applied to the size of the collection. Sampling techniques were used to value other less significant elements of the heritage collection.

The fair value applied is represented by the quoted market price in an active and liquid market, where available, or is estimated by reference to the best available market evidence of the price such as current market prices for assets that are similar in use, type and condition or the price of the most recent transaction for the same or a similar asset. Where no market exists or market prices materially differ, the fair value is determined with reference to the asset's market buying price indicated by the replacement cost of the asset's remaining future economic benefits.

Valuations were carried out by the following recognised industry experts:

Rare books	J Burdon
Framed works	D Hyles
Published and archival collections	K Adam
Miscellaneous	I & M Armstrong
Archival collections (records groups)	J Thompson

Collections which have been valued include: rare and special collections and artworks; the general collections - reference monographs, children's literature, maps, serials, newspapers, parliamentary publications, Australian Bureau of Statistics, electoral rolls, patents and named collections; published heritage collections - monographs, newspapers, serials, ephemera, audio visual, maps; archival collections - manuscript items, photographic collections, record group and oral history.

Private records has been valued for the first time as they are now able to be reliably valued.

2.11 Impairment of assets

All non-current tangible and intangible assets are tested for indications of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

For revalued assets, an impairment loss is offset against the asset revaluation surplus.

2.12 Depreciation of non-current assets

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each non-current asset over its expected useful life except for land, research and heritage collections, which are not depreciable. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The estimated useful life of the following classes of assets are as follows:

Class of asset	*Useful life (years)*
Property, plant and equipment:	
Buildings and improvements	Useful life depends on individual asset item
Plant and equipment	5-20
Computer equipment	3-5
Compactus and lifts	30

The research and heritage collections are kept under special conditions to minimise deterioration and are anticipated to have very long and indeterminate useful lives. No amount for depreciation has been recognised, as their service potential has not, in any material sense, been consumed during the reporting period.

2.13 Payables

Payables include creditors, accrued expenses and staff on-costs.

Creditors and accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period. 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.

Staff on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave.

2.14 Staff benefits

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

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 staff is estimated to be less than the annual entitlement of sick leave.

Salaries, wages and annual leave

Liabilities for salaries, wages and annual leave have been recognised as the amount unpaid at the reporting date at current remuneration rates. The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

Long service leave

A liability for long service leave is recognised after a staff member has completed five years of service. An actuarial assessment of long service leave, undertaken by DTF based on a significant sample of employees throughout the South Australian public sector, determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Board's experience of staff retention and leave taken.

On-costs

Staff benefit on-costs (payroll tax, workers compensation and superannuation) are recognised separately under payables.

Superannuation

Contributions are made by the Board to several superannuation schemes operated by the State Government and private sector. 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 superannuation schemes. DTF centrally recognises the superannuation liability, for the schemes operated by the State Government, in the whole-of-government financial statements.

2.15 Workers compensation provision

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

2.16 Leases

The Board has entered into a number of operating lease agreements for accommodation and vehicles where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Comprehensive Income in the periods in which they are incurred.

2.17 Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or APSs have required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable to do so.

The restated comparative amounts do not replace the original financial statements for the preceding period.

2.18 Taxation

The Board is not subject to income tax. The Board is liable for payroll tax, FBT, GST and Emergency Services levy.

Income, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred by the Board as a purchaser is not recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

The net GST receivable/payable to the ATO is not recognised as a receivable/payable in the Statement of Financial Position as the Board is a member of an approved GST group of which Arts SA, a division of DPC, is responsible for the remittance and collection of GST. As such, there are no cash flows relating to GST transactions with the ATO in the Statement of Cash Flows.

2.19 State Government funding

The financial statements are presented under the assumption of ongoing financial support being provided to the Board by the State Government.

2.20 Rounding

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

2.21 Insurance

The Board has arranged through SAICORP, a division of SAFA, insurance cover that insures all major risks of the Board. The excess payable is fixed under this arrangement.

2.22 Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

3. New and revised accounting standards

In accordance with amendments to APS 4.8 within APF II, effective 1 July 2010, the Board has disclosed all staff whose normal remuneration is equal to or greater than the base executive level remuneration. Previously APS 4.8 within APF II required the Board to disclose all staff whose normal remuneration was equal to or greater than $100 000. This change is reflected in note 5.

Details of the impact, where significant, on the Board's financial statements from new and amended AASs that are applicable for the first time in 2010-11 are detailed below.

Except for AASB 2009-12, which the Board has early-adopted, the AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Board for the period ending 30 June 2011. The Board has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Board.

4. Activities of the Board

The identity and purpose of each major activity undertaken by the Board during the year ended 30 June 2011 is summarised below (refer to the Disaggregated Disclosures Schedules – Expenses and Income and Assets and Liabilities).

Activity 1: Provision of State Library Services

To provide, through the State Library of South Australia, a comprehensive library and information service for the economic, educational, cultural and social benefit of South Australia and its citizens.

Activity 2: Support of Public Library Services

To provide through public library services and the distribution of State subsidies, an equitable and responsible provision of resources, support and services to public libraries and community information agencies.

5. Staff benefits

	2011	2010
	$'000	$'000
Salaries and wages	8 867	8 825
Annual leave	36	13
Board fees	113	111
Superannuation	1 016	1 027
Long service leave	532	415
Payroll tax	524	514
TVSP payments (refer below)	-	217
Other staff related expenses	187	131
Total staff benefits	11 275	11 253

Remuneration of staff	2011	2010
The number of staff whose remuneration received or receivable falls within the following bands:	Number	Number
\$130 700 - \$140 699	1	-
\$140 700 - \$150 699	-	1
\$150 700 - \$160 699	-	1
\$180 700 - \$190 699	1	1
\$200 700 - \$210 699	1	-
Total	3	3

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of staff reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these staff for the year was \$526 000 (\$496 000).

Accounting policy change
In accordance with the revised APF II, the Board has changed its accounting policy and now discloses all staff who receive remuneration equal to or greater than the base executive remuneration level rather than all staff who receive remuneration equal to or greater than \$100 000. The impact of this change in accounting policy is the number of staff disclosed has reduced by 9 for 2011 and 3 for 2010.

TVSPs	2011	2010
Amount paid to these staff:	\$'000	\$'000
TVSPs	-	217
Annual leave and long service leave paid for the period	-	78
	-	295
Recovery from DTF	-	217
Net cost to the Board	-	78

The number of staff who were paid TVSPs during the reporting period was nil (2).

6. Remuneration of board members

Members that were entitled to receive remuneration for membership during the 2010-11 financial year were:

Libraries Board

Dr P Goldsworthy, AM (Chairman)
Mr P J Myhill (Deputy Chairman)
Mrs F Adler
Mr J Bruce (appointed 24 April 2011)
Mr G E Coles, AO
Ms B S Davidson-Park
Mr J McDonnell (term expired 23 April 2011)
Ms H Nichols
Mrs J Nitschke (appointed 29 July 2010)
Mrs A Short

The number of board members whose remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
\$0 - \$9 999	1	-
\$10 000 - \$19 999	8	9
\$20 000 - \$29 999	1	-
Total	10	9

Remuneration of board members reflects all costs of performing board member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received by the board members for the year was \$126 000 (\$125 000).

Amounts paid to superannuation plans for board members were \$10 000 (\$10 000).

Unless otherwise disclosed, transactions between board members and/or their related entities, are on conditions, no more favourable than those that it is reasonable to expect the Board would have adopted if dealing with the related party at arm's length, in the same circumstances.

7. Supplies and services

	2011 $'000	2010 $'000
Administration expenses	611	630
Artlab conservation	108	158
Business services charge	151	184
Communications	806	688
Conservation work	5	2
Consultants' fees	19	37
Contractors' fees	74	113
EDS charges	157	223
Electronic resources	407	413
Entertainment	5	4
Information technology	496	735
Insurance and risk management	184	174
Maintenance	756	692
Marketing and promotion	274	261
Materials	-	7
Minor equipment purchases and leasing	201	345
Motor vehicle expenses	33	26
P2 enhancements	50	25
Preservation activities	205	183
Projects	90	4
Travel and accommodation	101	76
Other	468	546
Total supplies and services	5 201	5 526

Supplies and services provided by entities within the SA Government:

	2011 $'000	2010 $'000
Administration expenses	33	51
Artlab conservation	108	158
Business services charge	151	184
Communications	4	16
EDS charges	20	219
Information technology	85	66
Insurance and risk management	184	174
Maintenance	173	163
Minor equipment purchases and leasing	5	5
Motor vehicle expenses	32	26
Other	85	83
Total supplies and services - SA Government entities	880	1 145

Payments to consultants

The number and dollar amount of consultancies paid/payable that fell within the following bands:	2011 Number	2011 $'000	2010 Number	2010 $'000
Below $10 000	1	2	2	3
Between $10 000 - $50 000	1	17	2	34
Total paid/payable to the consultants engaged	2	19	4	37

8. Accommodation and facilities

	2011 $'000	2010 $'000
Accommodation	820	828
Facilities	887	764
Security	425	427
Total accommodation and facilities	2 132	2 019

Accommodation and facilities provided by entities within the SA Government:

	2011 $'000	2010 $'000
Accommodation	167	190
Facilities	492	439
Security	1	-
Total accommodation and facilities - SA Government entities	660	629

9. Depreciation and amortisation

	2011 $'000	2010 $'000
Buildings and improvements	1 897	1 843
Compactus and lifts	79	77
Computer equipment	81	104
Intangibles	1	4
Plant and equipment	106	122
Total depreciation and amortisation	2 164	2 150

10. Net loss from disposal of non-current assets

Plant and equipment:		
Proceeds from plant and equipment	-	-
Net book value of plant and equipment disposed	-	(9)
Net loss from sale of plant and equipment	-	(9)
Investments:		
Proceeds from the sale of investments	180	89
Net book value of investments disposed	(232)	(156)
Net loss on sale of investments	(52)	(67)
Total assets:		
Total proceeds from disposal	180	89
Total net book value of assets disposed	(232)	(165)
Total net loss from disposal of non-current assets	(52)	(76)

11. Fees and charges

Fees for services	145	232
Lecturing services	121	129
Microfilming services	15	188
Photocopying services	72	55
Other fees and charges	78	119
Total fees and charges	431	723
Fees and charges received/receivable from entities within the SA Government:		
Fees for services	142	193
Other fees and charges	8	2
Total fees and charges - SA Government entities	150	195

12. Resources received free of charge

Resources received free of charge from entities within the SA Government:		
Conservation services	108	158
Business services	151	184
Total resources received free of charge	259	342

13. Interest and investment income

Interest from entities within the SA Government	289	222
Interest and investment income from entities external to the SA Government	375	387
Total interest and investment income	684	609

14. Other income

Salary recoups	77	58
Other receipts	107	86
Total other income	184	144
Other income received/receivable from entities within the SA Government:		
Salary recoups	67	58
Other receipts	37	-
Total other income - SA Government entities	104	58

15. Auditor's remuneration

	2011	2010
Audit fees paid/payable to the Auditor-General's Department:	$'000	$'000
State Library of South Australia	29	28
Support of public library services	10	9
Total audit fees - SA Government entities	39	37

Other services

No other services were provided to the Board by the Auditor-General's Department.

16. Cash

Deposits with the Treasurer	6 370	5 337
Cash on hand	8	8
Total cash	6 378	5 345

Deposits with the Treasurer

Deposits with the Treasurer are funds held in the 'Libraries Board of South Australia Account', an account held with the Treasurer of South Australia pursuant to section 21 of PFAA.

Cash on hand

Cash on hand includes petty cash, floats, change machines and an advance account.

Interest rate risk

Cash is recorded at nominal value. Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Board are held in a Section 21 interest bearing account titled the 'Libraries Board of South Australia Account'. In 2010-11 deposits with the Treasurer were bearing a floating interest rate between 4.35 percent and 4.6 percent (2.85 percent and 4.07 percent).

17. Receivables

	2011	2010
Current:	$'000	$'000
Prepayments	210	-
Receivables	193	322
Accrued income	147	141
Total receivables	550	463
Receivables from SA Government entities:		
Prepayments	2	-
Receivables	55	169
Accrued income	27	21
Total receivables - SA Government entities	84	190

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. Receivables and accrued income are non-interest bearing.

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.

(a) Maturity analysis of receivables - refer note 29.
(b) Categorisation of financial instruments and risk exposure information - refer note 29.

18. Property, plant and equipment

	2011	2010
Land, buildings and improvements:	$'000	$'000
Land at valuation	7 900	7 900
Buildings and improvements at valuation	68 076	67 600
Accumulated depreciation	(26 057)	(23 775)
Total land, buildings and improvements	49 919	51 725
Compactus and lifts:		
Compactus and lifts at cost (deemed fair value)	2 378	2 358
Accumulated depreciation	(619)	(540)
Total compactus and lifts	1 759	1 818

18. Property, plant and equipment (continued)

	2011	2010
Plant and equipment:	$'000	$'000
Plant and equipment at cost (deemed fair value)	1 667	1 695
Accumulated depreciation	(1 302)	(1 224)
Total plant and equipment	365	471
Computer equipment:		
Computer equipment at cost (deemed fair value)	577	543
Accumulated depreciation	(524)	(458)
Total computer equipment	33	85
Total property, plant and equipment	52 076	54 099

Valuation of non-current assets

The valuation of land, buildings and improvements was performed by the AVO as at 30 June 2008.

Impairment

There were no indications of impairment of property, plant and equipment as at 30 June 2011.

Movement reconciliation of property, plant and equipment

2011	Land $'000	Buildings & imprvmnts $'000	Works in progress $'000	Compactus and lifts $'000	Plant and equipment $'000
Carrying amount at 1 July	7 900	43 825	-	1 818	471
Additions	-	18	73	20	-
Disposals	-	-	-	-	-
Depreciation and amortisation	-	(1 897)	-	(79)	(106)
Transfer from capital work in progress	-	73	(73)	-	-
Transfers out	-	-	-	-	-
Carrying amount at 30 June	7 900	42 019	-	1 759	365

	Computer equipment $'000	Tangible assets total $'000	Computer software $'000	Intangible assets total $'000
Carrying amount at 1 July	85	54 099	-	-
Additions	29	140	30	30
Disposals	-	-	-	-
Depreciation and amortisation	(81)	(2 163)	(1)	(1)
Transfer from capital work in progress	-	-	-	-
Transfers out	-	-	-	-
Carrying amount at 30 June	33	52 076	29	29

2010	Land $'000	Buildings & imprvmnts $'000	Works in progress $'000	Compactus and lifts $'000	Plant and equipment $'000
Carrying amount at 1 July	7 900	45 486	112	1 859	526
Additions	-	-	70	36	192
Disposals	-	-	-	-	(9)
Depreciation and amortisation	-	(1 843)	-	(77)	(122)
Transfer from capital work in progress	-	182	(182)	-	-
Transfers out	-	-	-	-	(116)
Carrying amount at 30 June	7 900	43 825	-	1 818	471

	Computer equipment $'000	Tangible assets total $'000	Computer software $'000	Intangible assets total $'000
Carrying amount at 1 July	278	56 161	4	4
Additions	-	298	-	-
Disposals	-	(9)	-	-
Depreciation and amortisation	(104)	(2 146)	(4)	(4)
Transfer from capital work in progress	-	-	-	-
Transfers out	(89)	(205)	-	-
Carrying amount at 30 June	85	54 099	-	-

19. Intangible assets

	2011	2010
Intangibles:	$'000	$'000
Computer software	44	14
Accumulated amortisation	(15)	(14)
Total intangibles	29	-

20. Research and heritage collections

	2011			2010		
	At valuation $'000	At cost $'000	Total $'000	At valuation $'000	At cost $'000	Total $'000
Family history collection	-	-	-	124	12	136
Maps	760	-	760	1 197	27	1 224
Microfilm serials	1 584	-	1 584	1 519	151	1 670
Monographs	14 258	-	14 258	16 609	729	17 338
Mortlock audio-visual	2 135	-	2 135	84	36	120
Mortlock use collections	2 141	-	2 141	90	60	150
Newspapers purchased	281	-	281	781	388	1 169
Periodicals	2 995	-	2 995	4 125	681	4 806
Private archives	65 301	-	65 301	-	51	51
Purchased databases	-	19	19	-	-	-
Rare books and named collections	20 529	-	20 529	19 173	82	19 255
Total research and heritage collections	109 984	19	110 003	43 702	2 217	45 919

The valuation of the research and heritage collections was performed by the AVO as at 30 June 2011.

Reconciliation of carrying amounts of research and heritage collections

	Balance 01.07.10 $'000	Additions $'000	Revaluation increment/ (decrement) $'000	Balance 30.06.11 $'000	Balance 01.07.09 $'000	Additions $'000	Balance 30.06.10 $'000
Family history collection	136	1	(137)	-	134	2	136
Maps	1 224	5	(469)	760	1 219	5	1 224
Microfilm serials	1 670	40	(126)	1 584	1 630	40	1 670
Monographs	17 338	130	(3 210)	14 258	17 194	144	17 338
Mortlock audio-visual	120	7	2 008	2 135	109	11	120
Mortlock use collections	150	13	1 978	2 141	142	8	150
Newspapers purchased	1 169	96	(984)	281	1 086	83	1 169
Periodicals	4 806	127	(1 938)	2 995	4 665	141	4 806
Private archives	51	38	65 212	65 301	23	28	51
Purchased databases	-	19	-	19	-	-	-
Rare books and named collections	19 255	8	1 266	20 529	19 246	9	19 255
Total carrying amounts of research and heritage collections	45 919	484	63 600	110 003	45 448	471	45 919

21. Investments

	2011	2010
Non-current:	$'000	$'000
Shares and other direct investments in companies	6 370	6 424
Total non-current investments	6 370	6 424
Total investments	6 370	6 424

The market value of investments as at 30 June 2011 is $5.9 million ($6 million).

22. Payables

Current:		
Creditors and accruals	393	600
Staff on-costs	134	174
Total current payables	527	774
Non-current:		
Staff on-costs	202	206
Total non-current payables	202	206
Total payables	729	980

22. Payables (continued)

	2011	2010
Payables to SA Government entities:	$'000	$'000
Creditors and accruals	77	79
Staff on-costs	336	380
Total payables - SA Government entities	413	459

An actuarial assessment performed by DTF determined that the percentage of the proportion of long service leave taken as leave has changed from the 2010 rate of 45 percent to 35 percent, and the average factor for the calculation of employer superannuation on-cost has changed from the 2010 rate of 10.5 percent to 10.3 percent. These rates are used in the employment on-cost calculation.

Interest rate and credit risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. Staff on-costs are settled when the respective staff benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand.

(a) Maturity analysis of payables - refer note 29.

(b) Categorisation of financial instruments and risk exposure information - refer note 29.

23. Staff benefits

	2011	2010
Current:	$'000	$'000
Annual leave	565	535
Long service leave	512	438
Accrued salaries and wages	-	261
Total current staff benefits	1 077	1 234
Non-current:		
Long service leave	2 316	2 080
Total non-current staff benefits	2 316	2 080
Total staff benefits	3 393	3 314

The total current and non-current staff expenses (ie aggregate staff benefits plus related on-costs) for 2010-11 are $1.2 million ($1.4 million) and $2.5 million ($2.3 million) respectively.

As a result of an actuarial assessment undertaken by DTF, the benchmark for the measurement of the long service leave liability has changed from the 2010 benchmark of 5.5 years to five years.

The salary inflation rate remains constant at 4 percent.

24. Provisions

	2011	2010
Current:	$'000	$'000
Provision for workers compensation	69	64
Total current provisions	69	64
Non-current:		
Provision for workers compensation	235	204
Total non-current provisions	235	204
Total provisions	304	268
Carrying amount at 1 July	268	239
Increase (Decrease) in provision recognised	36	29
Carrying amount at 30 June	304	268

25. Other liabilities

Current:		
Deferred asset	1	8
Total current other liabilities	1	8
Non-current:		
Contractual security deposit	10	10
Total non-current other liabilities	10	10
Total other liabilities	11	18

26. Unrecognised contractual commitments

Operating lease commitments

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial statements are payable as follows:

	2011 $'000	2010 $'000
Not later than one year	34	26
Later than one year and not later than five years	55	-
Total operating lease commitments	89	26

The operating lease commitments comprise:

- a non-cancellable property lease with rental payable monthly in advance. A contingent rental provision within the lease agreement requires the minimum lease payment to be increased by the CPI
- non-cancellable motor vehicle leases, with rentals payable monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their terms.

Public libraries commitments

Committed orders placed by public libraries through public library services for libraries materials at the reporting date not recognised as liabilities in the financial statements, are payable as follows:

	2011 $'000	2010 $'000
Not later than one year	1 491	1 587
Total public libraries commitments	1 491	1 587

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial statements, are payable as follows:

Not later than one year	-	-
Later than one year and not later than five years	-	79
Total capital commitments	-	79

Remuneration commitments

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:

Not later than one year	511	493
Later than one year and not later than five years	842	1 514
Total remuneration commitments	1 353	2 007

Amounts disclosed include commitments arising from executive and other service contracts. The Board does not offer remuneration contracts greater than five years.

Other commitments

The Board's other commitments are for contracts for security and cleaning.

Not later than one year	539	493
Later than one year and not later than five years	326	121
Total other commitments	865	614

Contingent rental provisions within the contracts require the minimum contract payments to be increased by variable operating costs and wage rises. Options exist to renew the contracts at the end of their terms.

27. Contingent assets and liabilities

The Board is not aware of any contingent assets and liabilities as at 30 June 2011.

28. Cash flow reconciliation

	2011	2010
Reconciliation of cash at 30 June:	$'000	$'000
Cash as disclosed in the Statement of Financial Position	6 378	5 345
Balance as per Statement of Cash Flows	6 378	5 345

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services	2011 $'000	2010 $'000
Net cash provided by (used in) operating activities	1 708	2 062
Revenues from SA Government	(30 428)	(30 112)
Non-cash items:		
Amortisation of intangibles	(1)	(4)
Depreciation of property, plant and equipment	(2 163)	(2 146)
Donations of heritage assets	9	18
Loss on sale of investments	(52)	(67)
Loss on sale of plant and equipment	-	(9)
Transfer of assets	-	(205)
Changes in assets and liabilities:		
Increase (Decrease) in receivables	73	142
Decrease (Increase) in payables	240	(101)
Decrease (Increase) in staff benefits	(79)	(154)
Decrease (Increase) in provisions	(36)	(29)
Net cost of providing services	(30 729)	(30 605)

29. Financial instruments/Financial risk management

29.1 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 note 2.

		2011		2010	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash and cash equivalents:					
Cash	16	6 378	6 378	5 345	5 345
Loans and receivables:					
Receivables[(1)]	17	340	340	463	463
Available-for-sale financial assets:					
Investments	21	6 370	5 880	6 424	5 952
Financial liabilities					
Financial liabilities at cost:					
Payables[(1)]	22	393	393	600	600
Other	25	11	11	18	18

(1) 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 levy receivables/payables, tax equivalents, Commonwealth tax, audit receivables/ payables, etc 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) except for staff on-costs, which are determined via reference to the staff benefit liability to which they relate.

Credit risk

Credit risk arises when there is the possibility of the Board's debtors defaulting on their contractual obligations resulting in financial loss to the Board. The Board measures credit risk on a fair value basis and monitors risk on a regular basis.

The Board has minimal concentration of credit risk. The Board has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Board does not engage in high risk hedging for its financial assets.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Currently the Board does not hold any collateral as security for any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired.

The following table discloses the ageing of financial assets and the ageing of impaired assets:

29.2 Ageing analysis of financial assets

	Past due by			
	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
2011	$'000	$'000	$'000	$'000
Not impaired:				
Receivables	321	8	11	340
2010				
Not impaired:				
Receivables	421	16	26	463

The following table discloses the maturity analysis of financial assets and financial liabilities.

29.3 Maturity analysis of financial assets and liabilities

	Contractual maturity			
2011	Carrying amount	Less than 1 year	1-5 years	More than 5 years
Financial assets:	$'000	$'000	$'000	$'000
Cash	6 378	6 378	-	-
Receivables	340	340	-	-
Investments	6 370	-	-	6 370
Total financial assets	13 088	6 718	-	6 370
Financial liabilities:				
Payables	393	393	-	-
Other	11	1	10	-
Total financial liabilities	404	394	10	-
2010				
Financial assets:				
Cash	5 345	5 345	-	-
Receivables	463	463	-	-
Investments	6 424	-	-	6 424
Total financial assets	12 232	5 808	-	6 424
Financial liabilities:				
Payables	600	600	-	-
Other	18	8	10	-
Total financial liabilities	618	608	10	-

30. Events after balance date

Apart from the item disclosed below there has not arisen in the interval between the end of the financial year and the date of this report, any other item, transaction or event of a material and unusual nature likely, in the opinion of the members of the Board, to affect significantly the operations of the Board, the results of those operations, or the state of affairs of the Board in subsequent financial years.

The Board, on 18 July 2011, approved the transfer of the Hindmarsh land and buildings to the Minister for the Arts.

The Board, on 5 August 2011, approved the divestment of part of its investment portfolio raising net cash proceeds of $999 000 in August 2011.

Local Government Finance Authority of South Australia

Functional responsibility

Establishment

The Local Government Finance Authority of South Australia (the Authority), a body corporate, was established under the *Local Government Finance Authority Act 1983* (the LGFA Act). It is managed and administered by a Board of Trustees.

Functions

The main functions of the Authority are to develop and implement borrowing and investment programs for the benefit of councils and prescribed local government bodies. For more information about the Authority's functions refer note 1 to the financial statements.

Guarantee by the Treasurer

Liabilities incurred or assumed by the Authority in pursuance of the LGFA Act are guaranteed by the Treasurer under subsection 24(1) of the LGFA Act. As a result of this guarantee the Authority pays an annual guarantee fee to the Treasurer.

Audit mandate and coverage

Audit authority

Audit of the financial report

Subsection 31(1)(b) of the PFAA, provides for the Auditor-General to audit the accounts of a public authority. In addition, subsection 33(2) of the LGFA Act specifically provides for the Auditor-General to audit the accounts of the Authority in respect of each financial year.

Assessment of controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Authority in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls.

During 2010-11, areas of review included:

- investments
- borrowings

- deposits
- loans
- payroll
- derivatives
- bonus payments to councils and local government bodies.

Audit findings and comments

Auditor's report on the financial report

The following is an extract from the 2010-11 Independent Auditor's Report, which details the qualification to the Authority's financial report.

Basis for Qualified Opinion

In 2009-10 the Local Government Finance Authority of South Australia (the Authority) recognised a grant payment of $1.5 million as a distribution from Retained Profits in the Statement of Changes in Equity. The Authority did not make a similar grant payment in 2010-11.

Section 5 of the Local Government Finance Authority Act 1983 *specifies that Councils are members of the Authority. The payment was made to an external entity which was not a Council.*

In my opinion, the payment was not a distribution to owners in accordance with AASB 101 Presentation of Financial Statements but a grant expense that should be recognised in the Statement of Comprehensive Income.

As a result, the following comparative items are misstated in the Statement of Comprehensive Income:

- *Expenses understated by $1.5 million in 2010*
- *Profit before Income Tax Equivalents overstated by $1.5 million in 2010*
- *Income Tax Equivalent Expense overstated by $450 000 in 2010*
- *Profit after Income Tax Equivalents overstated by $1 050 000 in 2010*
- *Total Comprehensive Result overstated by $1 050 000 in 2010.*

There is no effect on the corresponding 2011 figures.

Qualified Opinion

In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraphs, the financial report gives a true and fair view of the financial position of the Local Government Finance Authority of South Australia as at 30 June 2011, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, *the* Local Government Finance Authority Act 1983 *and Australian Accounting Standards.*

Assessment of controls

In my opinion, the controls exercised by the Local Government Finance Authority of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to the implementation of TIs 2 and 28 as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Local Government Finance Authority of South Australia have been conducted properly and in accordance with law.

Communication of audit matters

The only matter arising from the audit was detailed in a letter to the Chairman and related to the Authority's progress in the implementation of TIs 2 and 28 requirements.

Implementation of TIs 2 and 28

To comply with TIs 2 and 28 the Authority is taking steps to implement a financial management compliance program to check compliance with its documented policies, procedures and internal controls. However, the anticipated financial management compliance program was not operating in 2010-11. The Authority has engaged external parties to develop and execute the financial management compliance program in 2011-12.

Interpretation and analysis of the financial report

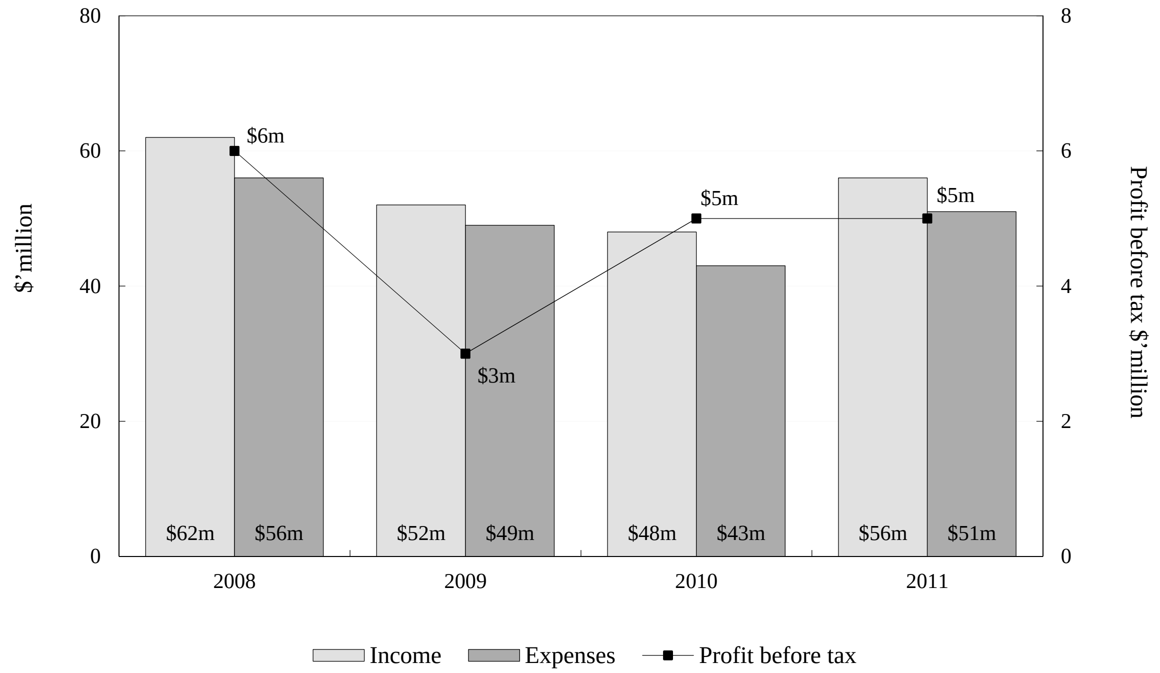
The analysis that follows is based upon the financial information recorded within the financial report which is subject to a qualification.

Highlights of the financial report

	2011 $'million	2010 $'million
Income		
Interest and other income	56	48
Expenses		
Interest expense	48	40
Guarantee fee and administration expenses	3	3
Total expenses	51	43
Profit before income tax equivalents	5	5
Total comprehensive result	3	3
Net cash provided by (used in) operating activities	2	3
Assets		
Net loans and advances	579	530
Other assets	51	66
Total assets	630	596
Liabilities		
Deposits and borrowings	564	528
Other liabilities	11	15
Total liabilities	575	543
Total equity	55	53

Statement of Comprehensive Income

The following chart shows the income, expenses and profit before income tax expense for the four years to 2011.



Income

As the Authority is a financial institution servicing local government, its main operating revenue is interest income with other income being insignificant.

Interest income from loans and advances increased by $8 million from the previous year reflecting:

- a minor increase in debenture loan interest
- a $3 million increase in cash advance interest due to higher average daily cash advances and interest rates
- a $5 million increase in derivative interest due to higher average daily swap loans receivable and interest rates.

Expenses

The Authority's main operating expense is interest expense with guarantee fees and administration expenses being less significant.

Interest expense increased by $8 million from the previous year reflecting:

- a $4 million increase in deposit interest due to higher interest rates offset by lower average daily deposits
- a $3 million increase in short-term borrowing interest due to higher average daily borrowings and interest rates
- a $1 million increase in derivative interest caused by higher swap loans payable.

Profit before tax

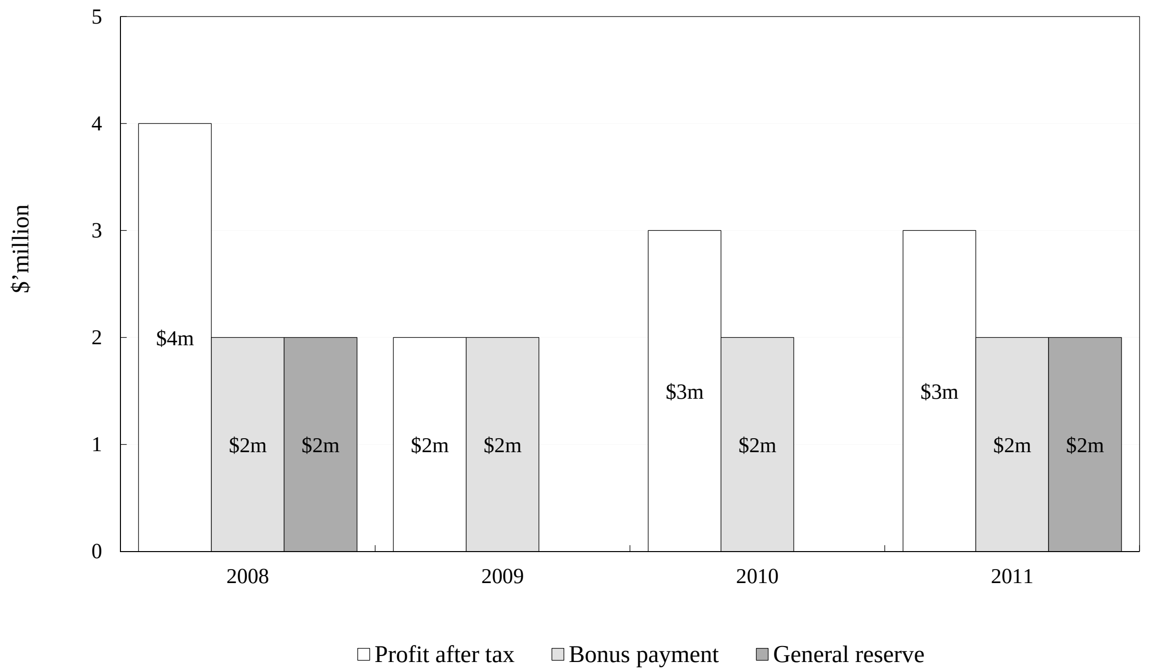
Profit before tax was similar to 2010. Interest income and interest expense increased by similar amounts in 2011 causing little impact on profit. The sensitivity of profit to interest rate movements is disclosed in note 22 to the financial statements.

Tax equivalent payments

The Authority is required to make payments equivalent to company income tax under the Taxation Equivalent Payments System. The amounts are paid into an account established with the State Treasurer titled the 'Local Government Taxation Equivalents Fund'. The funds are available for local government development purposes as recommended by the Local Government Association of South Australia and agreed by the Minister for State/Local Government Relations in accordance with section 31A of the LGFA Act. For this financial year, the amount payable for income tax equivalent was $1 million.

Net profit and distributions

In 2011 the Authority achieved a profit after tax of $3 million ($3 million) which was available for distribution or transfer to a general reserve. The profit and principal distributions for the past four years are presented in the following chart.



Under subsection 22(2) of the LGFA Act, the Authority has discretion to make distributions from the surplus for the year to councils and local government bodies. These distributions are recorded as bonus payments in the financial report. In 2011 the Authority provided $2 million ($2 million) for bonus payments.

The Authority also made a transfer to a general reserve of $2 million ($nil).

Statement of Financial Position

Assets and liabilities

The Statement of Financial Position shows net assets of $55 million ($53 million).

The Authority's net loans and advances to customers increased by $50 million while deposits from customers fell by $7 million. This gap of $57 million was funded mainly from an increase in short-term borrowings of $43 million and a reduction of $16 million in deposits and securities issued by banks. The $50 million increase in net loans and advances included a downward fair value adjustment of $2 million for certain hedged loan assets which corresponded with a downward fair value adjustment for derivative liabilities (refer notes 9 and 14 to the financial statements for details of the fair value adjustments).

Asset quality

The Authority predominantly lends to councils and local government bodies on a secured basis. The security is by debentures providing a charge over the council's general revenue. Notes 2(g) and 22(c) to the financial statements explain the details.

The Authority has not experienced defaults or losses associated with those loans. Consequently there is no provision for doubtful debts against the assets.

Liabilities of the Authority

The Authority funds loans to customers via customer deposits, borrowings or from its own accumulated reserves.

To mitigate this risk the Authority hedges its interest rate exposures using interest rate swap agreements and futures contracts. Note 22(b)(i) to the financial statements refers to interest rate risk management of the Authority.

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Income:			
Interest on investments	2(c)	3 314	3 096
Interest on loans and advances	2(c)	51 877	43 896
Other income	2(f),2(h),3	515	675
Total income		55 706	47 667
Expenses:			
Interest on deposits from councils and local government bodies	2(d)	18 442	14 597
Interest on borrowings	2(d)	29 810	25 685
Fees for the guarantee of the Treasurer of SA on liabilities	23	1 022	962
Administration expenses	4	1 749	1 651
Total expenses		51 023	42 895
Profit before income tax equivalents		4 683	4 772
Income tax equivalent expense	2(e),23	1 405	1 432
Profit after income tax equivalents		3 278	3 340
Total comprehensive result		3 278	3 340

Profit after income tax equivalents and total comprehensive result are attributable to the owners

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Assets:			
Cash and liquid assets	5	169	482
Accrued interest receivable	6	4 027	3 320
Investment securities	2(f),7	45 831	61 534
Other assets	8	268	278
Net loans and advances	2(g),9	579 331	529 763
Property, plant and equipment	2(j),10	317	319
Total assets		629 943	595 696
Liabilities:			
Deposits from councils and local government bodies	2(k),11	358 514	365 162
Accrued interest payable	12	5 137	4 687
Borrowings	13	205 360	162 730
Derivatives	2(i),14	3 190	6 582
Provisions	2(l),15	2 812	3 170
Other liabilities	16	349	322
Total liabilities		575 362	542 653
Net assets		54 581	53 043
Equity:			
General reserve		54 000	52 400
Retained profits		581	643
Total equity		54 581	53 043

Total equity is attributable to the owners

Contingent liabilities	21		

Statement of Changes in Equity
for the year ended 30 June 2011

	General reserve $'000	Retained profits $'000	Total $'000
Balance at 1 July 2009	52 400	543	52 943
Profit (Loss) after income tax equivalents for 2009-10	-	3 340	3 340
Total comprehensive result of 2009-10	-	3 340	3 340
Grant to Local Government Association of South Australia*	-	(1 500)	(1 500)
Transfer to bonus payment provision	-	(1 740)	(1 740)
Balance at 30 June 2010	52 400	643	53 043
Profit (Loss) after income tax equivalents for 2010-11	-	3 278	3 278
Total comprehensive result of 2010-11	-	3 278	3 278
Transfer to bonus payment provision	-	(1 740)	(1 740)
Transfer to general reserve	1 600	(1 600)	-
Balance at 30 June 2011	54 000	581	54 581

* The grant to Local Government Association of South Australia was an appropriation of profit for local government purposes as enabled by the *Local Government Finance Authority Act 1983* subsection 22(2)(c).

All changes in equity are attributable to the owners

Statement of Cash Flows
for the year ended 30 June 2011

		2011	2010
		Inflows	Inflows
		(Outflows)	(Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Interest and bill discounts received		53 988	44 495
Interest paid		(47 610)	(38 510)
Fees paid re guarantee provided by the Treasurer of SA		(1 018)	(950)
Cash payments to suppliers and employees		(1 626)	(1 520)
Fees received		202	209
Income tax paid		(1 749)	(482)
Net cash provided by (used in) operating activities	18	2 187	3 242
Cash flows from investing activities:			
Loans to councils and local government bodies		(51 977)	(46 880)
Investment securities		16 000	(59 000)
Payments for property, plant and equipment		(189)	(264)
Proceeds from sale of property, plant and equipment		79	124
Net cash provided by (used in) investing activities		(36 087)	(106 020)
Cash flows from financing activities:			
Repayment of inscribed stock		-	(311)
Promissory notes		(1 600)	600
Deposits from councils and local government bodies		(6 648)	(35 718)
Short-term money market facilities		44 230	120 630
Bonus payments to councils and local government bodies		(1 740)	(1 740)
Grants to Local Government Association of South Australia		-	(1 500)
Other		(655)	72
Net cash provided by (used in) financing activities		33 587	82 033
Net increase (decrease) in cash held		(313)	(20 745)
Cash at 1 July		482	21 227
Cash at 30 June	18	169	482

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Local Government Finance Authority of South Australia (the Authority)

The Authority was established pursuant to the *Local Government Finance Authority Act 1983*. The functions of the Authority are as follows:

(a) To develop and implement borrowing and investment programs for the benefit of councils and prescribed local government bodies.

(b) To engage in such other financial activities as are determined by the Minister, after consultation with the Local Government Association, to be in the interests of local government.

2. Summary of accounting policies

(a) Basis of accounting

The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable AASs and the requirements of the TIs relating to financial reporting by statutory authorities which are issued pursuant to the PFAA.

(a) Basis of accounting (continued)

The Authority'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 historical cost convention, except for certain financial instruments that were valued in accordance with the valuation policy applicable.

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

(b) Classification of financial instruments

Management determines the classification of its investments at initial recognition and at each reporting date in accordance with AASB 139. The Authority classifies its investments into the following categories, which determines the applicable accounting treatment:

- Loans and receivables – measured at amortised cost. The Authority classifies loans and advances, accrued interest receivable, cash and liquid assets and other assets under this category.
- Held to maturity financial assets – measured at amortised cost. The Authority did not have any assets in this category at balance date.
- Available-for-sale financial assets – measured at fair value with fair value changes taken to equity and impairment losses and gains taken to the Statement of Comprehensive Income. The Authority classifies certain investment securities (note 2(f)) under this category, which are not held for trading but can be disposed of in an existing market if required.
- Financial assets or financial liabilities at fair value through profit and loss – measured at fair value with fair value changes taken to the Statement of Comprehensive Income. The Authority classifies derivative instruments which are not classified as effective hedging instruments under this category (note 2(i)).
- Fair value hedge – measured at fair value with hedge accounting adjustments taken to the Statement of Comprehensive Income. The Authority classifies derivatives which are effective hedging instruments (note 2(i)) and the corresponding hedged items (note 2(h)), which are all fixed rate debenture loans under this category.
- Financial liabilities at amortised cost – the Authority classifies all liabilities under this category, other than derivative instrument liabilities which are not classified as effective hedging instruments (note 2(i)).

(c) Interest income

Interest on investments

This item includes interest income from assets which are classified as available-for-sale financial assets and financial assets at fair value through profit and loss and deposits held with financial institutions during the year.

The interest income is calculated on an accruals basis.

Interest on loans and advances

This item includes interest income from assets classified as loans and advances as well as interest income from derivatives that are classified under the fair value hedge category. The interest income is calculated on an accruals basis.

(d) Interest expense

Interest on deposits from councils and local government bodies

This item includes interest paid to councils and local government bodies and is calculated on an accruals basis.

Interest on borrowings

This item includes interest expense on other liabilities used in funding lending activity and interest expense on derivative instruments, and is calculated on an accruals basis.

(e) Income tax

The Authority is required to make payments equivalent to company income tax under the taxation equivalent payment system. The equivalent company income tax liability is calculated/applied on an accounting profits basis.

(f) Investment securities

The Authority has investments that are categorised as available-for-sale financial assets which have therefore been recorded at fair value with the change in fair value being adjusted against equity on the Statement of Financial Position. Where such investments are subsequently deemed to be impaired under the provisions of AASB 139 then the impaired amount is transferred from equity to the Statement of Comprehensive Income.

(g) Loans and advances

The majority of loan agreements are secured by debentures, providing a charge over council general revenue. Loans to prescribed local government bodies (totalling $35.7 million as at 30 June 2011) are predominantly to council subsidiaries and rely upon the constitutional obligations of councils in the guarantee of the liabilities incurred or assumed by subsidiaries as per Schedule 2 of the *Local Government Act 1999*.

Due to the high level of security provided by a debenture over the general revenue of councils, no specific or general provision for doubtful debts has been made.

The Authority has not incurred any bad debts since its inception in 1984.

(h) Hedge accounting

Loans which are not effectively hedged by a derivative financial instrument are recorded in the accounts on the basis of historical cost. Loans which are effectively hedged by a derivative financial instrument are recorded using hedge accounting.

The Authority uses interest rate swaps to hedge the interest rate risk associated with long-term fixed rate debenture loans to councils and prescribed bodies. Hedge accounting is used where it has been determined that the hedge is highly effective and has been documented according to AASB 139.

The hedges used by the Authority are classified as fair value hedges and the hedged items are all long-term fixed rate debenture loans. The hedged amount of the loan is recorded at fair value with the non-interest rate risk component or credit margin recorded on an accrual accounting basis.

(i) Derivative transactions

The Authority has entered into agreements with high credit status organisations to swap certain rights and obligations (note 22).

Interest rate swaps are categorised as fair value hedges and futures contracts are categorised as financial assets or financial liabilities at fair value through profit and loss.

(j) Property, plant and equipment

Property, plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation.

The depreciable amount of all property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives from the time the asset is held ready for use. The useful life of each category is as follows:

	Years
Office equipment	3
Office furniture	5
Computer software	2.5
Motor vehicles	4.5-6.7

(k) Concentrations of deposits

The Authority is an industry specific financial institution which operates under the *Local Government Finance Authority Act 1983*. The Authority is restricted by legislation to accepting deposits from councils and local government bodies operating in South Australia.

(l) Employee benefits

A provision is made in respect of the Authority's liability for annual leave, long service leave and related on-costs as at balance date. Long service leave is accrued for all employees from the date of commencement of service.

No provision is made in the accounts for sick leave entitlements.

(m) Accounting judgments, estimates and assumptions

Significant accounting judgments

In the process of applying the Authority's accounting policies, management has made judgments in the classification of financial instruments which has had a significant effect on the amounts recognised in the financial statements. In particular, the classification of derivatives and long-term fixed rate debenture loans as fair value hedges has enabled management to utilise the hedge accounting provisions of AASB 139.

Significant accounting estimates and assumptions

The fair values of available-for-sale financial assets, hedged long-term fixed rate debenture loans and derivatives are based on observable market rates as at balance date and therefore, no significant estimates or assumptions are used in their calculation.

(n) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and APSs have required a change.

Where presentation or classification of items in the financial statements has been amended, comparative amounts have been reclassified unless reclassification is impracticable.

The restated comparative amounts do not replace the original financial statements for the preceding period.

(o) Rounding

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

(p) Accounting policy change - employee remuneration

In accordance with the revised APF II, the Authority has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than $100 000 (refer note 20). The impact of this change in accounting policy is the number of employees disclosed has reduced by 1 (1).

		2011	2010
3.	**Other income**	$'000	$'000
	Gain on impaired available-for-sale assets revaluation	294	145
	Gain on fair value hedges revaluation (hedge accounting)	69	349
	Fee income	152	181
		515	675
4.	**Administration expenses**		
	Salaries and on-costs	910	876
	Depreciation	102	94
	Auditor's fees	80	57
	Consultancy fees	26	14
	Other expenses	631	610
		1 749	1 651
	The amounts received, or due and receivable in respect of this financial year, by the auditors in connection with:		
	Auditing the accounts by the Auditor-General's Department	59	57
	Financial management compliance program by an external audit firm	21	-
		80	57
5.	**Cash and liquid assets**		
	Cash at bank	169	482
6.	**Accrued interest receivable***		
	Interest receivable - loans to councils and local government bodies	2 800	2 141
	Interest receivable - investment securities	1 227	1 179
		4 027	3 320

* The accrued interest receivable on investment securities, net loans and advances and derivatives which are required to be recorded at fair value have been transferred to the respective line item.

7. Investment securities

	2011	2010
	$'000	$'000
Deposits and securities issued by banks	47 000	63 000
Accrued interest receivable	29	26
Fair value loss on impaired available-for-sale assets*	(1 198)	(1 492)
	45 831	61 534

* The unrealised impairment loss relates to the market value of perpetual Floating Rate Capital Notes, which fluctuates with the quoted price on the Australian Stock Exchange. Whilst the market value will fluctuate over time the return on the initial investment of $4 million remains constant at 75-100 basis points over the 90 day BBSW interest rate on the face value of the notes.

8. Other assets

	2011	2010
	$'000	$'000
Sundry debtors and prepayments	268	278

9. Net loans and advances

Advances	130 049	92 605
Term loans	434 614	420 080
Loans and advances - at cost	564 663	512 685
Fair value adjustment (hedge accounting)	14 668	17 078
Net loans and advances	579 331	529 763
Commitments - loans and advances:		
Unused cash advance facilities	268 241	219 833
Term loans approved not advanced	2 652	2 456
	270 893	222 289

10. Property, plant and equipment

Plant, equipment and motor vehicles:		
At cost	1 016	1 029
Accumulated depreciation	(699)	(710)
Total property, plant and equipment	317	319

11. Deposits from councils and local government bodies

Deposits from councils and local government bodies	358 514	365 162

12. Accrued interest payable

Interest payable on:		
Deposits from councils and local government bodies	4 290	4 018
Borrowings*	847	669
	5 137	4 687

* The accrued interest payable on interest rate swaps which are required to be recorded at fair value has been transferred to the derivatives line item.

13. Borrowings

Short-term money market facility	164 860	120 630
Promissory notes	40 500	42 100
	205 360	162 730

The liabilities of the Authority in respect of all borrowings of the Authority (including its liabilities in respect to monies accepted on deposit from councils and local government bodies), are guaranteed by the Treasurer of South Australia pursuant to section 24 of the *Local Government Finance Authority Act 1983*.

14. Derivatives

	2011	2010
	$'000	$'000
Swap principal receivable	(8 587)	(7 974)
Interest receivable - interest rate swaps	(2 486)	(2 265)
Interest payable - interest rate swaps	4 428	4 158
Fair value adjustment	9 847	12 595
Interest rate swaps*	3 202	6 514
Futures contracts	(12)	68
	3 190	6 582

* Interest rate swaps are shown as the net of the fixed rate leg and the floating rate leg.

15. Provisions

	2011 $'000	2010 $'000
Employee benefits	367	382
FBT	16	15
Bonus payments to councils and local government bodies	1 740	1 740
Provision for income tax	689	1 033
	2 812	3 170

Movements of major provisions during the year

(i) Bonus payments to councils and local government bodies		
Opening balance 1 July	1 740	1 740
Increase in provision	1 740	1 740
Amounts paid	(1 740)	(1 740)
Closing balance 30 June	1 740	1 740
(ii) Provision for income tax		
Opening balance 1 July	1 033	83
Increase in provision	1 405	1 432
Amounts paid	(1 749)	(482)
Closing balance 30 June	689	1 033

16. Other liabilities

Sundry creditors	229	197
GST payable	-	5
Payments due to SAFA	120	120
	349	322

17. Superannuation commitments

The Authority contributes to the local government superannuation fund, Local Super, in accordance with the rules of that fund. The fund provides benefits in the form of lump sum payments for retirement, death, total and permanent disability and temporary disability.

18. Notes to the Statement of Cash Flows

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Note	2011 $'000	2010 $'000
Cash and liquid assets	5	169	482

(b) Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:

(i) client deposits and withdrawals
(ii) sales and purchases of money market securities
(iii) drawdown and repayment of loans and investments
(iv) fees paid and received.

(c) Reconciliation of net cash provided by (used in) operating activities to profit after income tax equivalents

Profit after income tax equivalents	3 278	3 340
Increase (Decrease) in interest payable	651	1 781
Decrease (Increase) in interest receivable	(1 213)	(2 505)
Increase (Decrease) in sundry creditors	28	9
Increase (Decrease) in provisions	(358)	982
Decrease (Increase) in sundry debtors	53	34
Depreciation	102	94
Revaluation loss (gain)	(69)	(349)
Impairment loss (gain)	(294)	(145)
Loss (gain) on disposal of fixed assets	9	1
Net cash provided by (used in) operating activities	2 187	3 242

19. Remuneration of board members

The Authority operates independently under its own legislation and has no other controlled entities.

The name of each person holding the position of board member during the year is as follows:

Ms Wendy Campana
Mr Paul Cohen
Councillor John Frogley
Ms Susan McCormick
Ms Elizabeth Moran
Mr Anthony Pederick, OAM
Mr David Posaner
Councillor John Sanderson

Ms Elizabeth Moran was replaced by Ms Susan McCormick as the appointee of the Minister for State/Local Government Relations commencing from 1 February 2011.

Board members are entitled to receive an allowance. Payment of allowances in respect of members appointed by the Minister, Treasurer or Executive Director of the Local Government Association of South Australia are made in accordance with section 13 of the *Local Government Finance Authority Act 1983*. The appointee of the Minister and the appointee of the Treasurer presently do not seek fees. The amount payable in respect of the Executive Director of the Local Government Association of South Australia is paid to the Local Government Association of South Australia.

The total amount paid or payable to board members for the financial year ended 30 June 2011 was $46 522 which includes salary, superannuation, salary sacrificed items and associated FBT.

Unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

The number of members whose remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
No remuneration	3	2
$1 - $10 000	4	4
$10 001 - $20 000	1	1

20. Remuneration of employees

The number of employees whose remuneration was within the bands:	2011	2010
$150 700 - $160 699	1	2
$160 700 - $170 699	1	-
$320 700 - $330 699	-	1
$330 700 - $340 699	1	-

The table above includes all employees who received remuneration equal to or greater than the base executive remuneration level, as determined by DTF, during the year (note 2(p)). The remuneration comprises salary, employer's superannuation costs including superannuation guarantee charge, motor vehicle package and associated FBT, car parking and associated FBT and living away from home allowance. The total remuneration received by these employees for the year was $660 969 ($635 813).

21. Contingent liabilities

The Authority incurs contingent liabilities as part of its normal operations in providing borrowing and investment services to local government in South Australia as are contemplated by its enabling legislation.

(a) Financial guarantee

The Authority has issued a financial guarantee on behalf of the Workers Compensation Scheme of the Local Government Association of South Australia in favour of WorkCover Corporation of South Australia.

The guarantee is fully secured against depositor funds held, the value of which will not be less than the value of any liability that might be incurred. As at 30 June 2011 the amount guaranteed was $24.464 million.

(b) Performance bond/guarantees

(i) Northern Adelaide Waste Management Authority

The Authority has issued a performance bond/guarantee on behalf of the prescribed local government body, Northern Adelaide Waste Management Authority, a regional subsidiary of the City of Playford, Corporation of the Town of Gawler and City of Salisbury in favour of the Environment Protection Authority. As at 30 June 2011 the amount guaranteed was $350 000.

(ii) *Western Region Waste Management Authority*
The Authority has issued a performance bond/guarantee on behalf of the prescribed local government body, Western Region Waste Management Authority, a regional subsidiary of the City of Charles Sturt, City of Holdfast Bay, City of Port Adelaide Enfield and City of West Torrens in favour of the Environment Protection Authority and Land Management Corporation. As at 30 June 2011 the amount guaranteed was $12 million.

(iii) *City of Charles Sturt*
The Authority has issued a performance bond/guarantee on behalf of the City of Charles Sturt in favour of the Commonwealth of Australia represented by the Department of Families, Housing, Community Services and Indigenous Affairs. As at 30 June 2011 the amount guaranteed was $12 million.

Note: Pursuant to Schedule 2 of the *Local Government Act 1999*, liabilities incurred or assumed by a regional subsidiary are guaranteed by the constituent councils.

22. Financial risk management

(a) *Risk management policies and procedures*

The Treasurer issued a revised consent dated 28 October 2010, for the Authority to enter into a range of financial instruments as part of its normal operations of providing borrowing and investment services to Local Government in South Australia and for managing the associated risks.

All financial instrument transactions and internal control activities are conducted within a board approved Risk Policy document. A Treasury Management System is in place which provides comprehensive accounting and reporting of financial instrument transactions which in turn allows for compliance with the Risk Policy to be monitored closely.

The risk management process is subject to regular and close senior management scrutiny, including regular board and other management reporting. An Asset and Liability Committee has been appointed to direct and monitor risk management operations in accordance with the Risk Policy and is accountable to the Board.

(b) *Market risk*

Market risk for the Authority is primarily through interest rate risk and other price risk. There is no exposure to foreign currency risk.

(i) *Interest rate risk*
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Authority's exposure to interest rate risk arises where mismatches occur between the maturities of financial assets and financial liabilities. In order to mitigate this risk the Authority has entered into interest rate swap contracts and interest rate futures contracts to hedge actual financial transactions.

(i) *Fair value sensitivity analysis for fixed rate instruments*
The Authority had a number of fair value hedges in place at the reporting date. As the hedging instrument and hedged items have matching fixed rate positions which directly offset each other there would be no material effect on profit or loss if interest rates change.

(ii) *Sensitivity analysis for variable rate instruments*
It is estimated that a change of 50 basis points applied to the risk exposures in existence at the reporting date would have increased (decreased) profit for the reporting period by the amounts shown below. For the purpose of this analysis variable rate instruments include all variable rate interest bearing financial instruments which are due to be repriced within 90 days of the reporting date.

	2011			2010		
	Principal balance	+0.5%	-0.5%	Principal balance	+0.5%	-0.5%
Variable rate financial assets:	$'000	$'000	$'000	$'000	$'000	$'000
Investment securities	19 000	95	(95)	25 000	125	(125)
Advances	131 730	659	(659)	102 075	510	(510)
Variable rate financial liabilities:						
Council deposits	285 795	(1 429)	1 429	298 282	(1 491)	1 491
Short-term money market facility	164 860	(824)	824	120 630	(603)	603
Promissory notes	40 500	(203)	203	42 100	(211)	211
Variable rate derivatives:						
Interest rate swaps (notional principal)	411 212	2 056	(2 056)	383 719	1 919	(1 919)
Futures (notional principal/bond formula)	3 000	120	(120)	3 000	121	(121)
Profit (loss) interest rate sensitivity		474	(474)		370	(370)

(ii) Other price risk

The Authority holds investments issued by Australian banks known as Floating Rate Capital Notes, which are traded on the Australian Stock Exchange and are therefore classified as available-for-sale assets. These investments are subject to price variations caused by factors other than interest rate fluctuations.

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Authority's exposure to credit risk arises from the potential default by counterparties with whom financial assets are held.

Included in the Authority's Risk Policy document is a Credit Risk Limits Policy which stipulates counterparty credit limits as follows:

(i) Investments and derivatives

Individual counterparties are assessed based on Standard & Poor's credit ratings and a limit applied based on that rating. Specific approvals are given for counterparties that are outside of this criteria. Regular reporting of investment and derivative credit exposures are provided to the Board and management.

(ii) Loans and advances

Credit limits are applied to individual councils based on debt servicing levels not exceeding board approved percentages. Debt servicing levels are analysed on receipt of each loan application and the Board approved percentages are reviewed annually. Credit risk is considered minimal as the majority of loan agreements are secured by debentures providing a charge over the council's general revenue.

The Authority has not incurred any bad debts since its inception in 1984.

A concentration of credit risk occurs in relation to loans and advances as under the *Local Government Finance Authority Act 1983*, loans and advances made are restricted to councils and local government bodies (note 2(g)).

Non-derivative financial assets are shown below at face value or amortised cost and derivative financial assets are shown at their fair value plus the credit conversion factors in line with the APRA Guidelines. The Authority uses Standard & Poor's credit ratings to assess the credit quality of the counterparties it invests with. Loans to councils and local government bodies are shown as No Rating (NR) in the following analysis as they are not required to be rated in this manner.

	Short-term rating			Long-term rating					
	A1+	A1	A2	AA	A+	A	BBB+	NR	Total
2011	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and liquid assets	169	-	-	-	-	-	-	-	169
Investment securities	-	15 000	5 000	10 000	10 000	-	7 000	-	47 000
Loans and advances	-	-	-	-	-	-	-	564 663	564 663
Derivatives	-	-	-	-	-	5 400	-	177	5 577
	169	15 000	5 000	10 000	10 000	5 400	7 000	564 840	617 409
2010									
Cash and liquid assets	482	-	-	-	-	-	-	-	482
Investment securities	10 000	3 000	8 000	5 000	-	25 000	12 000	-	63 000
Loans and advances	-	-	-	-	-	-	-	512 685	512 685
Derivatives	-	-	-	-	-	4 904	-	134	5 038
	10 482	3 000	8 000	5 000	-	29 904	12 000	512 819	581 205

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Authority's exposure to liquidity risk arises where a mismatch of cash flows between short-term financial liabilities and long-term financial assets exists.

The Authority has a State Government Guarantee covering all liabilities which enables it to borrow funds as required from the financial markets at favourable rates. In order to cover seasonal shortfalls in funding the Authority has access to short-term borrowing arrangements with SAFA.

(d) Liquidity risk (continued)

A liquidity policy is included in the Authority's Risk Policy document which provides for regular management reporting in order to closely monitor the liquidity position. The Risk Policy requires that sufficient funds are available at all times to meet any reasonable calls on its liabilities.

The following are the remaining contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount	Contracted cash flows	0-3 months	3-12 months	1-5 years	More than 5 years
2011	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivative financial liabilities:						
Deposits from councils and local government bodies	362 804	(362 804)	(290 085)	(15 719)	(21 000)	-
Borrowings	206 206	(206 488)	(206 488)	-	-	-
Other liabilities	120	(124)	-	(124)	-	-
Derivative financial liabilities:						
Interest rate swaps - outflow	416 845	(544 884)	(11 770)	(55 865)	(226 842)	(250 407)
Interest rate swaps - inflow	(413 643)	513 155	15 851	45 635	209 771	241 898
2010						
Non-derivative financial liabilities:						
Deposits from councils and local government bodies	369 180	(369 180)	(302 300)	(60 195)	(6 685)	-
Borrowings	163 399	(163 647)	(163 647)	-	-	-
Other liabilities	120	(129)	-	(4)	(125)	-
Derivative financial liabilities:						
Interest rate swaps - outflow	392 458	(508 550)	(11 632)	(52 132)	(216 488)	(228 298)
Interest rate swaps - inflow	(385 944)	480 216	15 167	42 550	200 780	221 719

23. Transactions with SA Government

	2011 $'000	2010 $'000
The following expense transactions were undertaken during the financial year between the Authority and the SA Government:		
Interest paid - short-term money market facility	4 700	2 061
Interest paid - promissory notes	2 021	1 567
Interest paid - inscribed stock	-	9
Fees for the guarantee of the Treasurer of SA on liabilities	1 022	962
Income tax equivalent expense	1 405	1 432
The following financial liabilities were outstanding at the end of the financial year between the Authority and the SA Government:		
Short-term money market facility	164 860	120 630
Promissory notes	40 500	42 100
Interest payable - short-term money market facility	584	418
Interest payable - promissory notes	263	251

24. Fair value of financial instruments

The book value of financial assets and financial liabilities shown in the table below includes principal, accrued interest and, where applicable, a fair value adjustment. The distribution of accrued interest to asset and liability categories which are recorded at amortised cost in the accounts will cause the amounts shown as book values to differ from those shown on the Statement of Financial Position.

From 1 July 2005 all derivative financial instruments and available-for-sale financial assets (investment securities) have been recorded at fair value, including accrued interest, in the accounts. A portion of net loans and advances has been recorded at fair value using hedge accounting with the remainder recorded at amortised cost.

The following methods and assumptions are used to determine the fair values of financial assets and liabilities:

Cash and liquid assets

As the assets are at call the carrying amount equates to fair value.

Other assets

The carrying amount of sundry debtors and prepayments is estimated to approximate fair value.

Investment securities
The fair value of Floating Rate Capital Notes is based on current market rates as quoted on the Australian Stock Exchange. The fair value of fixed term deposits held with Banks is estimated based on a discounted cash flow analysis utilising a zero coupon curve which is representative of the market rates used for unwinding such instruments.

Net loans and advances
The fair value is estimated based on a discounted cash flow analysis utilising a zero coupon curve which is representative of the market rates used for unwinding such instruments.

Deposits from councils and prescribed local government bodies
The fair value is estimated using discounted cash flow analysis based on current market rates for deposits having substantially the same terms and conditions.

Provisions
The carrying amount of provisions is estimated to approximate fair value.

Other liabilities
The carrying amount of sundry creditors is estimated to approximate fair value. The fair value of payments due to SAFA is estimated based on a discounted cash flow analysis utilising a zero coupon curve which is representative of the market rates used for unwinding such instruments.

Borrowings
The fair value of promissory notes is estimated using discounted cash flow analysis based on current market rates for promissory notes having substantially the same terms and conditions. The fair value of inscribed stock is estimated based on a discounted cash flow analysis utilising a zero coupon curve which is representative of the market rates used for unwinding such instruments

Interest rate swaps
The fair value is estimated based on a discounted cash flow analysis utilising a zero coupon curve which is representative of the market rates used for unwinding such instruments.

Futures contracts
The fair value is based on current market rates as quoted on the Sydney Futures Exchange.

		2011		2010	
		Book value	Fair value	Book value	Fair value
	Note	$'000	$'000	$'000	$'000
Financial assets	2(b)				
Loans and receivables:					
Cash and liquid assets		169	169	482	482
Other assets		268	268	278	278
Investment securities		44 227	44 596	60 179	60 519
Net loans and advances		165 284	171 455	139 446	144 536
Available-for-sale financial assets:					
Investment securities		2 831	2 831	2 533	2 533
Fair value hedge:					
Net loans and advances		416 846	416 846	392 458	392 458
Financial liabilities	2(b)				
Financial liabilities at amortised cost:					
Deposits from councils and prescribed bodies		362 803	362 383	369 180	369 504
Borrowings		206 207	206 178	163 399	163 373
Provisions		2 812	2 812	3 170	3 170
Other liabilities		349	351	322	326
Fair value hedge:					
Derivatives		3 202	3 202	6 514	6 514
Financial assets at fair value:					
Derivatives		(18)	(18)	68	68

Lotteries Commission of South Australia

Functional responsibility

Establishment

The Lotteries Commission of South Australia (the Commission) is a statutory authority established pursuant to the *State Lotteries Act 1966* with its principal function being to promote and conduct lotteries for South Australia.

Functions

The functions of the Commission are to administer and promote the following lotteries in South Australia:

- Monday/Wednesday X Lotto
- Oz Lotto
- Powerball
- Saturday X Lotto
- Super 66
- The Pools
- Keno
- Instant Scratchies
- Special Appeal Lotteries
- Special lotteries
- Sports lotteries

Audit mandate and coverage

Audit authority

Audit of the financial report

Subsection 31(1)(b) of the PFAA and subsection 18A(2) of the *State Lotteries Act 1966* provide for the Auditor-General to audit the accounts of the Commission for each financial year.

Assessment of controls

Subsection 36(1)(b)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Commission in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of the audit

The audit program covered major financial systems and was directed to obtaining sufficient evidence to form an opinion on the financial report and internal controls.

During 2010-11, specific areas of audit attention included:

- revenue including gaming revenue and other revenue
- prize payments
- expenditure
- payroll

- inventory
- general ledger
- corporate governance arrangements
- information technology governance and control
- internal audit activity.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Lotteries Commission of South Australia as at 30 June 2011, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Lotteries Commission of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Lotteries Commission of South Australia have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit are formally reported to the Chief Executive of the Commission. There were no notable matters arising from the financial management and accounting and reporting component of the audit and the satisfactory nature of the audit was formally advised to the Chief Executive. At the time of finalising this Report, review work relating to the information technology component of the audit was being completed. The results of this audit will also be formally communicated to the Chief Executive.

Interpretation and analysis of the financial report

Highlights of the financial report

	2011 $'million	2010 $'million
Income		
Sales	389	391
Cost of sales	(341)	(342)
Other revenue	7	7
Total income	55	56
Expenses		
Supplies and services	16	16
Employee benefits expenses	7	8
Other expenses	2	2
Total expenses	25	26
Profit before income tax equivalent	30	30
Income tax equivalent expense	9	9
Profit after income tax equivalent and total comprehensive result	21	21

	2011 $'million	2010 $'million
Net cash provided by (used in) operating activities	4	(10)
Distribution to the Hospitals Fund and Recreation and Sport Fund	94	102
Assets		
Current assets	56	70
Non-current assets	14	16
Total assets	70	86
Liabilities		
Current liabilities	36	51
Non-current liabilities	10	11
Total liabilities	46	62
Total equity	24	24

Statement of Comprehensive Income

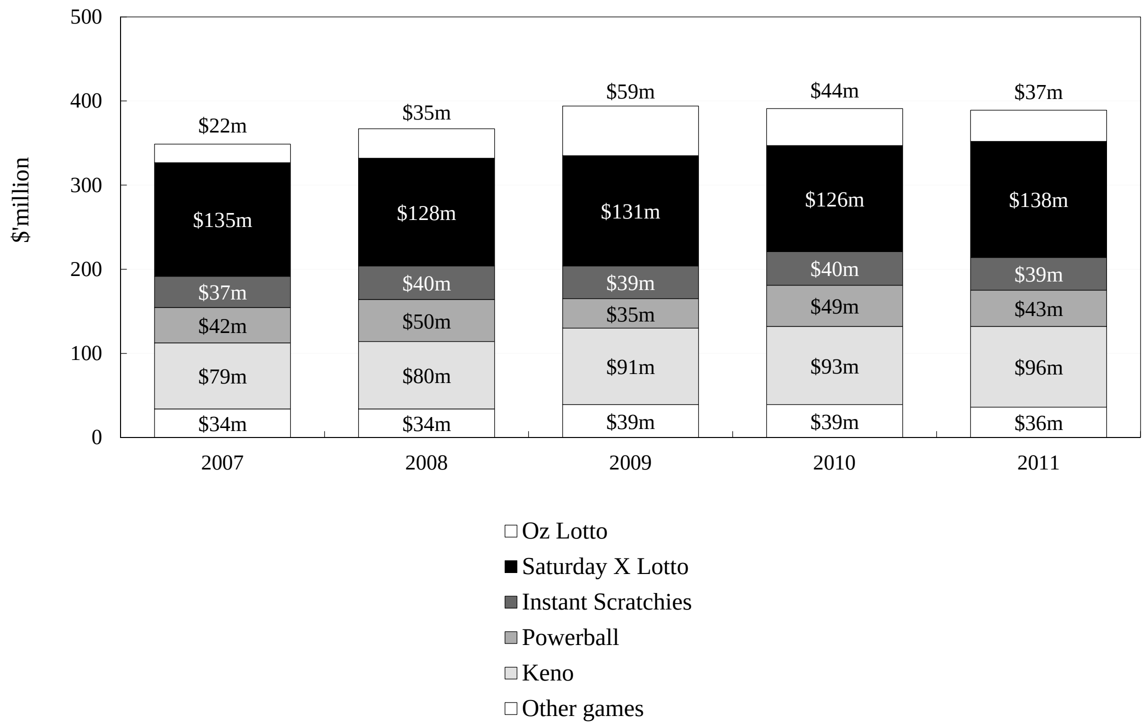
Income

Total income for the year was $54.8 million, a decrease of $1.4 million from the previous year. While sales revenue for the year decreased by $2 million, cost of sales remained the same as in 2009-10.

The decrease in sales revenue in 2011 predominantly reflects a reduction in the number of jackpots during the year.

Saturday X Lotto sales were $138 million, Keno sales were $96 million and Powerball sales were $43 million, representing 36 percent, 25 percent and 11 percent of total sales respectively.

A structural analysis of sales revenue generated by the Commission's lottery products in the five years to 2011 is presented in the following chart.



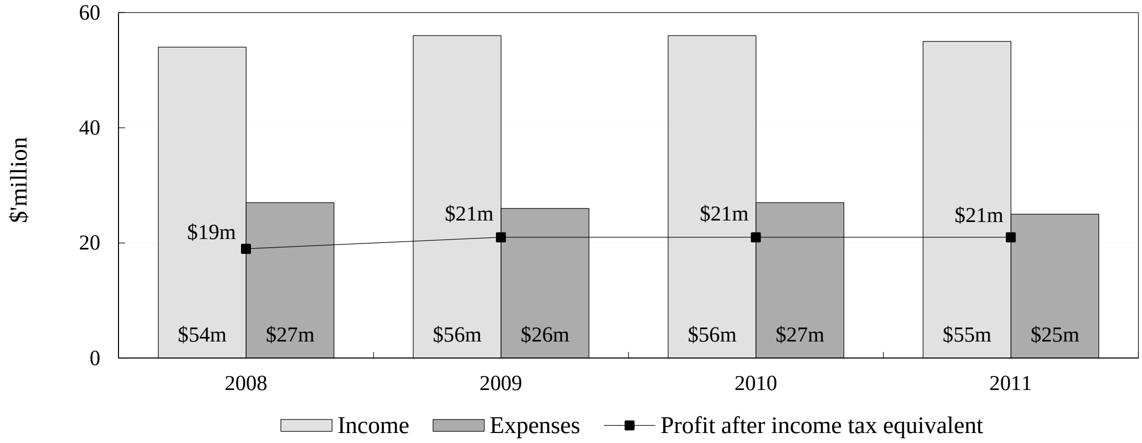
Expenses

Total expenses reduced by $1.4 million to $25.3 million. The decrease is attributable mainly to decreased employee benefits expense and supplies and services offset by an increase in depreciation.

Profit after income tax equivalent

Profit after income tax equivalent was consistent between 2010 and 2011.

The following chart shows the income, expenses and profit after income tax equivalent for the four years to 2011.

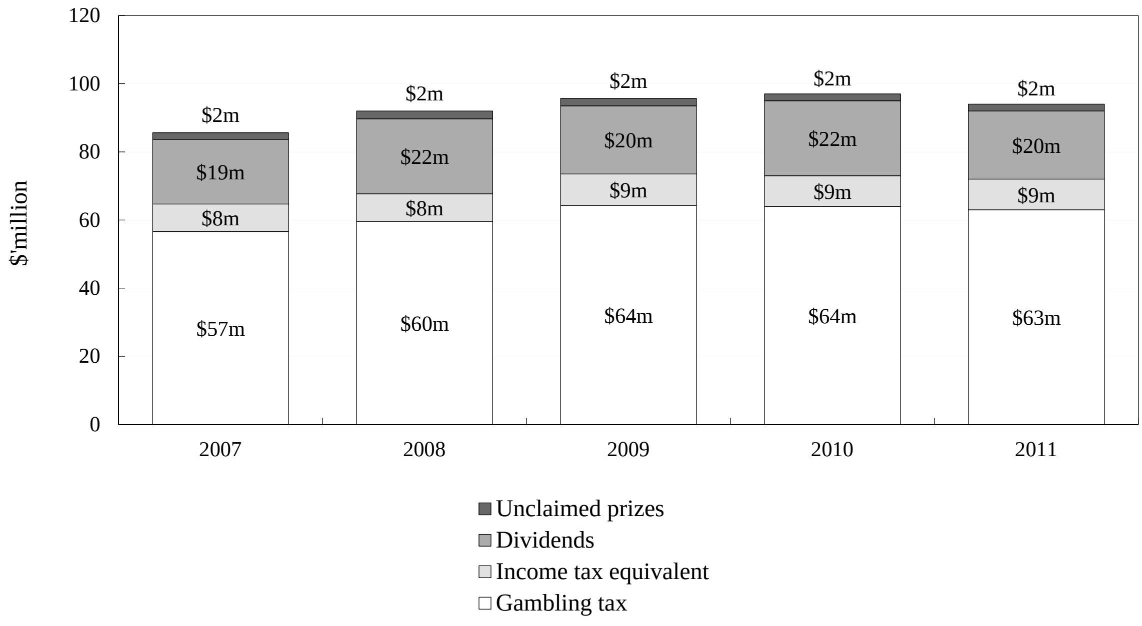


Distributions to government

The Commission makes payments to the Government in accordance with the requirements of the *State Lotteries Act 1966* and the TIs which are detailed in notes 2(k) and 24 to the financial statements. Essentially these payments comprise a gambling tax, an income tax equivalent payment, a dividend and 50 percent of unclaimed prizes.

In 2010-11 the distribution provided for government amounted to $94 million, a decrease of $2.8 million over the previous year. This reflects a decrease in amounts provided for gambling tax of $1.5 million and the dividend of $1.7 million, and an increase in unclaimed prizes of $400 000.

The following chart analyses the distributions provided to government for the five years to 2011.



Statement of Financial Position

Assets

Total assets decreased by $16 million to $70 million. This decrease reflects a decrease in receivables of $16 million. The decrease is attributable mainly to the recognition in 2010 of a receivable due from interstate Bloc members with respect to a South Australian Division 1 Oz Lotto prize of $17 million. The prizes had not been paid to the winner and settlement not received from interstate Bloc members as at 30 June 2010.

Liabilities

Total liabilities decreased by $16 million to $46 million principally due to a decrease in prizes payable of $16 million which reflects the recognition of a $17 million Division 1 prize payable at 30 June 2010. As at 30 June 2011 there were no significant division winners with unpaid prizes.

Statement of Cash Flows

The following table summarises the net cash flows for the five years to 2011.

	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Net cash flows					
Operating	4	(10)	21	4	-
Investing	(1)	(11)	(1)	(1)	(1)
Financing	-	-	-	(1)	(2)
Change in cash	3	(21)	20	2	(3)
Cash at 30 June	53	50	71	51	49

The increase in net cash from operating activities is due to decreased prizes paid and payments to suppliers and employees. It also reflects a decrease in distributions paid to the Hospitals Fund and Recreation and Sport Fund for gambling tax and dividends.

The decrease in net cash used in investing activities reflects reduced spending on assets following the implementation of the new online lotteries system in May 2010.

Further commentary on operations

Sublicence to private operator

On 9 June 2011 the Government announced that SA Lotteries would be sublicensed to a private operator while remaining Government owned.

This has been disclosed in note 2(u) to the financial statements.

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Income:			
Sales revenue	5	388 940	390 704
Cost of sales	6	341 325	341 378
Gross margin		47 615	49 326
Interest revenue		2 465	2 242
Other revenues	7	4 676	4 579
Total income		54 756	56 147
Expenses:			
Employee benefits expenses	8	7 315	8 029
Supplies and services	9	15 646	16 542
Depreciation and amortisation expense	10	2 315	2 163
Net loss on disposal of non-current assets	11	18	-
Total expenses		25 294	26 734
Profit before income tax equivalent		29 462	29 413
Income tax equivalent expense		8 839	8 824
Profit after income tax equivalent		20 623	20 589
Total comprehensive result		20 623	20 589

Profit after income tax equivalent and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash and cash equivalents	13	52 546	50 089
Receivables	14	2 783	19 567
Inventories		635	699
Total current assets		56 964	70 355
Non-current assets:			
Receivables	14	133	186
Property, plant and equipment	15	13 888	15 552
Intangible assets	16	-	3
Total non-current assets		14 021	15 741
Total assets		69 985	86 096
Current liabilities:			
Payables	17	24 948	41 693
Employee benefits	18	666	869
Other current liabilities	19	10 397	8 898
Total current liabilities		36 011	51 460
Non-current liabilities:			
Payables	17	1 448	1 068
Employee benefits	18	1 341	1 363
Other non-current liabilities	19	6 939	8 586
Total non-current liabilities		9 728	11 017
Total liabilities		45 739	62 477
Net assets		24 246	23 619
Equity:			
Funds retained for capital purposes		636	636
Asset revaluation surplus		1 151	849
Reserves		22 459	22 134
Total equity		24 246	23 619

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	21
Contingent assets and liabilities	22

Statement of Changes in Equity
for the year ended 30 June 2011

	Note	Funds retained for capital purposes $'000	Asset revaluation surplus $'000	Building mainten-ance reserve $'000	Capital asset reserve (note 20) $'000	Keno prize reserve $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2009		636	5 474	65	17 337	1 486	-	24 998
Profit after income tax equivalent for 2009-10		-	-	-	-	-	20 589	20 589
Total comprehensive result for 2009-10		-	-	-	-	-	20 589	20 589
Transfers:								
From retained earnings		-	-	-	2 000	2 749	(4 749)	-
To retained earnings		-	(4 625)	-	(1 503)	-	6 128	-
Dividend contribution to SA Government		-	-	-	-	-	(21 968)	(21 968)
Balance at 30 June 2010		636	849	65	17 834	4 235	-	23 619
Profit after income tax equivalent for 2010-11		-	-	-	-	-	20 623	20 623
Total comprehensive result for 2010-11		-	-	-	-	-	20 623	20 623
Transfers:								
From retained earnings		-	-	-	2 000	2 771	(4 771)	-
To retained earnings		-	-	(24)	(2 277)	(2 145)	4 446	-
Gain on revaluation of property in 2010-11	15	-	302	-	-	-	-	302
Dividend contribution to SA Government		-	-	-	-	-	(20 298)	(20 298)
Balance at 30 June 2011		636	1 151	41	17 557	4 861	-	24 246

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

Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011 Inflows (Outflows) $'000	2010 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash inflows:			
Receipts from customers		360 906	367 268
Interest received		1 743	2 239
GST received from ATO		5 022	5 385
Cash generated from operations		367 671	374 892
Cash outflows:			
Prizes paid		(230 559)	(239 579)
Payments to suppliers and employees		(24 217)	(28 172)
GST paid to ATO		(14 476)	(15 347)
Distribution to the Hospitals Fund and Recreation and Sport Fund:			
Gambling tax	24	(63 228)	(67 227)
Dividends	24	(20 160)	(23 977)
Unclaimed prizes	24	(2 071)	(1 804)
Distribution to the Hospitals Fund for income tax equivalent	24	(8 899)	(8 867)
Cash used in operations		(363 611)	(384 973)
Net cash provided by (used in) operating activities	23	4 060	(10 081)
Cash flows from investing activities:			
Cash inflows:			
Proceeds from sale of property, plant and equipment		1	-
Cash outflows:			
Purchase of property, plant and equipment		(1 604)	(10 644)
Net cash provided by (used in) investing activities		(1 603)	(10 644)
Net increase (decrease) in cash and cash equivalents		2 457	(20 725)
Cash and cash equivalents at 1 July		50 089	70 814
Cash and cash equivalents at 30 June	23	52 546	50 089

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Establishment and function of the Lotteries Commission of South Australia (SA Lotteries)

SA Lotteries, established under the *State Lotteries Act 1966*, commenced operations on 15 May 1967 with the primary function of promoting and conducting lotteries in South Australia.

2. Summary of significant accounting policies

(a) Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and TI and APSs promulgated under the provisions of the PFAA.

SA Lotteries has early-adopted AASB 2009-12, which mainly relates to terminology changes (refer note 3).

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying SA Lotteries' accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes

(b) Basis of preparation (continued)

- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures that have been included in this financial report:

  (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature

  (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income and note 9). (The term ‘consultant’ is defined in APF II, APS 4.6.)

  (c) employee TVSP information

  (d) employees whose normal remuneration is $130 744 or more (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly, by the entity to those employees

  (e) Commission members and remuneration information, where a Commission member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

SA Lotteries’ 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 were valued in accordance with the valuation policy applicable.

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

The financial statements have been prepared based on a 12 month period and are presented in Australian currency.

The accounting policies set out below have been applied consistently in preparing the financial statements for the year ended 30 June 2011 and the comparative information presented.

(c) Reporting entity

The reporting entity comprises SA Lotteries only.

(d) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where adjusted to reflect the early adoption of AASB 2009-12 and or where specific revised AASs and APSs have required change.

The restated comparative amounts do not replace the original financial statements for the preceding period.

(e) Rounding

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

(f) Taxation

Tax equivalent regime

In accordance with TI 22, SA Lotteries is required to pay to the State Government an income tax equivalent. The income tax liability is based on the State taxation equivalent regime which applies the accounting profits method. This requires that the corporate income tax rate be applied to profit. The current income tax equivalent liability (included in undistributed funds liability) relates to the income tax equivalent expense outstanding for the current period.

SA Lotteries is liable for payroll tax, FBT, GST, Emergency Services levy, land tax equivalent and local government rate equivalents.

GST

SA Lotteries, as a gambling operator, is required to pay GST of one eleventh of net gambling revenue (NGR), defined as gross sales less total monetary prizes, direct to the ATO. The GST on NGR is treated as a cost of sales.

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

- when the GST incurred on a purchase of goods or services is not recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable
- receivables and payables that include GST.

The net amount of GST recoverable from, or payable to, the ATO 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 is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

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

(g) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to SA Lotteries will occur and can be reliably measured.

Income has been aggregated according to its nature and has not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Note 27 discloses income where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

- Sales revenue for Saturday X Lotto, Monday/Wednesday X Lotto, Oz Lotto, Powerball, Keno, Super 66 and The Pools is recognised as at the date of the draw or competition. For these games, sales revenue as at 30 June for draws or competitions subsequent to that date is treated as sales in advance. Sales revenue for Instant Scratchies is recognised as tickets are sold.
- Interest revenue is recognised on a time proportionate basis as it accrues, taking into account the effective yield on the financial asset.
- Revenues from services, fees and charges are derived from the provision of goods and services predominantly to agents. This revenue is recognised upon delivery of the goods or services to the recipients.

(h) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from SA Lotteries will occur and can be reliably measured.

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

Note 27 discloses expenses where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

Employee benefits expenses
Employee benefits expenses include all costs related to employment, including salaries and leave entitlements. These are recognised when incurred.

Superannuation expenses charged in the Statement of Comprehensive Income represent:

- defined contributions made by SA Lotteries to the superannuation plans in respect of current services of current employees
- defined benefits accrued during the reporting period.

Note 2(o) provides further details.

Supplies and services
Supplies and services generally represent the day-to-day running costs, including maintenance and occupancy costs, incurred in the normal operations of SA Lotteries. These items are recognised as an expense in the reporting period in which they are incurred.

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

Assets' residual values, useful lives and depreciation/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, which is a change in accounting estimate.

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

Land is not depreciated.

Depreciation/Amortisation is calculated on a straight-line basis over the estimated useful life of the following classes of assets as follows:

Class of assets	*Estimated useful life (years)*
Buildings	22
Plant and equipment	3-10
Current online lotteries system	up to 7
Leasehold improvements	up to 10
Intangibles (software)	3

(i) Current and non-current classification
Assets and liabilities are characterised as either current or non-current in nature. SA Lotteries has a clearly identifiable operating cycle of 12 months. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle, even when they are not expected to be realised within 12 months after the reporting date, have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

(j) 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.

Note 27 discloses financial assets where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Cash and cash equivalents
Cash and cash equivalents in the Statement of Financial Position and the Statement of Cash Flows includes cash on hand, deposits held at call and other short-term, highly liquid investments that are readily converted to cash, are subject to insignificant risk of changes in value and are used in the cash management function on a day-to-day basis.

Short-term deposits are held with SAFA in at call deposit and Cash Management Fund accounts. Bank balances are held with Westpac Banking Corporation in at call deposit accounts.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash equivalents as defined above.

Cash is measured at nominal value.

Receivables
Receivables include amounts receivable from agents and other parties, prize settlements receivable from lottery operators in other states participating in inter-jurisdictional prize pooling arrangements and prepayments. Receivables (other than prepayments) arise in the normal course of selling goods and services to agents and other parties and through prize settlement arrangements with other Bloc members.

Agents debtors and sundry receivables
Agent debtors and sundry receivables are generally receivable within seven days and 14 days respectively and are carried at amounts due.

Collectability of agent debtors and sundry receivables are reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that SA Lotteries will not be able to collect the debt.

Prize settlements receivable from Blocs
Saturday X Lotto, Monday/Wednesday X Lotto, Oz Lotto, Powerball, Super 66 and The Pools are games supported by inter-jurisdictional prize pooling arrangements. Lottery operators participating in individual games form Blocs for the relevant games. Amounts receivable from Blocs represent monies due from other jurisdictions for prizes won in South Australia. Settlement of amounts receivable from Bloc members are normally due 14 days after the date of the draw.

Inventories
Inventories are held for distribution and include Instant Scratchies tickets, game entry coupons and ticket rolls.

Inventories are measured at the lower of actual cost or their net realisable value.

Instant Scratchies ticket costs are allocated when the tickets are settled by the agent. Costs of game entry coupons and ticket rolls are allocated upon distribution to the agent.

Non-current asset acquisition and recognition
Non-current assets are initially recorded at cost, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation/amortisation.

All non-current assets with a value of $2000 or more are capitalised.

Componentisation of the online lotteries system (a complex asset) has been performed as the asset's fair value at the time of acquisition was greater than $1 million.

Revaluation of non-current assets
All non-current tangible assets are valued at written down current cost (a proxy for fair value). Revaluation of non-current assets or groups of assets is only performed when their fair value is greater than $1 million and estimated useful life is greater than three years.

SA Lotteries obtains an independent valuation of such assets at least every five years. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

SA Lotteries has taken the exemption available under APF III, APS 3.8 to take asset revaluation adjustments to the asset revaluation surplus on a class basis rather than an individual asset basis.

Any revaluation increase is credited to the asset revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in the revaluation reserve for that asset class.

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

Upon disposal or derecognition, any revaluation surplus is transferred to retained earnings.

Impairment
All non-current tangible and intangible assets are tested for indication of impairment at each reporting date. If there was an indication of impairment, the recoverable amount would be estimated. An amount by which the asset's carrying amount exceeds the recoverable amount would be recorded as an impairment loss. For revalued assets, an impairment loss would be offset against the asset revaluation surplus.

Intangible assets
An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. SA Lotteries only has intangible assets with finite lives.

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

Note 27 discloses financial liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Payables
Payables include creditors, accrued expenses, prizes payable, undistributed funds (owing to SA Government), and employment on-costs.

Creditors and accrued expenses
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 SA Lotteries.

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.

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.

Prizes payable
Prizes payable represent amounts due to be paid to customers for prizes won in South Australia and settlements due to lottery operators in other states participating in inter-jurisdictional prize pooling arrangements.

Amounts payable for prizes won in South Australia are generally available for settlement the day following the draw, or in the case of Instant Scratchies and minor Keno prizes, on the date of sale or draw. Division 1 and 2 prizes for Lotto type games are normally settled 14 days after the date of draw in accordance with the Lotteries Rules. Amounts payable to Blocs represent monies due to other lottery operators for prizes won in interstate jurisdictions. Settlement of amounts payable to Bloc members are normally due 14 days after the date of the draw.

Non-current prizes payable relate to outstanding annuity-style Instant Scratchies prizes where the total prize is payable in instalments over a number of years in accordance with the terms and conditions of each game. The liability is measured at the undiscounted amount expected to be paid.

Employment on-costs
Employment on-costs include superannuation contributions, payroll tax and workers compensation with respect to outstanding liabilities for salaries, long service leave and annual leave. Employment on-costs are settled when the respective employee benefit that they relate to is discharged.

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

Salaries, annual leave and sick leave
The liability for salaries is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. No salaries or annual leave are expected to be payable later than 12 months.

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 recognised after an employee has completed five years of service. The benchmark for measurement of the long service leave liability has been revised from 5.5 years based on an actuarial assessment performed by DTF.

An actuarial assessment of long service leave undertaken by the DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with SA Lotteries' experience of employee retention and leave taken.

The portion of the long service leave liability classified as current represents the amount that may be expected to be paid as leave taken or paid on termination of employment during SA Lotteries' normal operating cycle.

Unclaimed Prizes Reserve
Other than a prize in a Special Appeal Lottery (note 2(l)), any prize in a lottery that has not been collected or taken delivery of within 12 months of the date of the draw or relevant day is forfeited to SA Lotteries and transferred into the Unclaimed Prizes Reserve. Subsection 16C(4) of the *State Lotteries Act 1966* requires SA Lotteries to pay:

- 50 percent of the amount derived from unclaimed prizes in The Pools (and other Sports lotteries or Special lotteries) to the Recreation and Sport Fund
- 50 percent of the amount derived from unclaimed prizes in other lotteries to the Hospitals Fund.

The balance in the reserve is applied by SA Lotteries from time to time for the purposes of providing additional or increased prizes in a subsequent lottery or lotteries, providing prizes in promotional lotteries or making ex gratia payments.

The *State Lotteries Act 1966* provides for an ex gratia payment to a person who satisfies SA Lotteries that they are a winner of a prize in a lottery conducted by SA Lotteries, despite the fact that a prize has been forfeited to SA Lotteries, the winning ticket has been lost or destroyed or the period of notice of a claim for the prize has not been complied with.

Ex gratia payments are charged to the Unclaimed Prizes Reserve. The next payment to either the Hospitals Fund or Recreation and Sport Fund is then reduced by an amount equivalent to 50 percent of the ex gratia payment, depending on the game played.

Distribution of funds to government
In accordance with subsection 16(3) of the *State Lotteries Act 1966*, SA Lotteries is required to pay to the Hospitals Fund the balance of surplus funds remaining after:

- payment of gambling tax and GST on NGR
- making allowances for operating and capital expenses
- applying the net proceeds and gambling tax of The Pools to the Recreation and Sport Fund
- in respect of Special Appeal Lotteries (note 2(l)), applying the net proceeds and unclaimed prizes less the GST on NGR to the beneficiary(s) of those lotteries
- retaining funds for certain designated purposes.

Distribution of funds to government (continued)
As detailed in note 2(f), SA Lotteries is required to make TI 22 as a result of the application of the tax equivalent regime. In recognition of the provisions of the *State Lotteries Act 1966*, and in accordance with TI 22, the transfer of funds to the Hospitals Fund is reflected in the financial statements in the form of:

- a gambling tax of 41 percent on NGR in respect of all lotteries conducted by SA Lotteries except Sports lotteries, Special lotteries and Special Appeal Lotteries
- an income tax equivalent payment (calculated on the accounting profits method), recorded as an expense item in the Statement of Comprehensive Income
- a dividend, represented by net profit after income tax equivalent payment and increased decreased by funds retained for certain designated purposes
- unclaimed prizes.

The composition of all amounts due and payable to government on account of the Hospitals Fund and Recreation and Sport Fund is detailed in note 24.

(l) Special Appeal Lotteries
Section 13AB of the *State Lotteries Act 1966* enables SA Lotteries to conduct Special Appeal Lotteries.

No Special Appeal Lotteries were conducted during the financial year.

(m) Foreign currency
Exchange differences arising up to the date of purchase are included in the measurement of the purchase and are reported in the Statement of Comprehensive Income.

(n) Operating leases
SA Lotteries has an accommodation lease agreement for its Head Office premises at 24-25 Greenhill Road, Wayville and an operating lease for the remote computer site at Glenside (Kidman Park remote site lease expired 28 October 2010). In respect of these operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased assets.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight line basis is representative of the pattern of benefits derived from the leased assets.

(o) Superannuation
SA Lotteries has an established superannuation plan for its employees, being the SA Lotteries Superannuation Plan (the Plan), which is a subplan of the Mercer Super Trust. The Plan provides lump sum benefits on retirement, death, disablement and withdrawal. Some categories of members receive only defined contribution, accumulation style benefits. The defined benefit section of the Plan is closed to new members. All new members receive accumulation only benefits. The defined contribution (accumulation style) section receives fixed contributions from SA Lotteries and SA Lotteries' obligation is limited to these contributions. The withdrawal benefit for defined benefit members may be taken immediately or deferred until preservation age.

The liability for the defined benefit section of the Plan has been determined via an actuarial valuation by Stuart Mules, FIAA (Mercer Investment Nominees Limited) using the projected unit credit method. The report was dated 11 July 2011.

Actuarial gains and losses are recognised in full, directly in profit and loss in the period in which they occur, and are presented in the Statement of Comprehensive Income.

The superannuation expense of the defined benefit section of the Plan is recognised as and when the contributions become payable and consist of current service cost, interest cost, actuarial gains and losses, and past service cost.

The defined benefit superannuation plan asset/liability recognised in the Statement of Financial Position represents the surplus/deficit of the fair value of the defined benefit superannuation plan assets over the present value of the defined benefit obligation to members. The expected payment to settle the obligation has been determined using national government bond market yields with terms and conditions that match, as closely as possible, to estimated cash outflows.

(o) Superannuation (continued)

SA Lotteries also contributes to other externally managed superannuation plans. These contributions are expensed when they fall due and SA Lotteries' obligation is limited to these contributions.

(p) Funds retained for capital purposes

SA Lotteries has retained funds which represent the historical cost of the investment in land and buildings at 24-26 Payneham Road, Stepney.

(q) Asset revaluation surplus

This surplus is used to record increments and decrements in relation to the fair value of land and buildings and the online lotteries system to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is disposed or derecognised.

(r) Reserves

Building maintenance reserve
This reserve was established to meet future major building maintenance costs.

Capital asset reserve
This reserve was established to contribute to the financing of the cost of replacement of the online lotteries system hardware and software, and the purchase of other non-current assets.

Keno Prize reserve
This reserve was established to meet Keno Spot 10 prizes. The reserve has been funded from retained earnings as a proportion of all Keno Spot 10 gross sales through SA Lotteries' agents and ACTTAB Limited. To the extent possible, the value of the Keno Spot 10 prize won is transferred from the reserve to retained earnings and paid to the Hospitals Fund.

(s) Unrecognised contractual commitments

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

(t) Insurance

SA Lotteries has arranged, through SAICORP, a division the SAFA, to insure all major risks of the organisation. The excess payable under this arrangement varies depending on each class of insurance held.

(u) Sublicence to private operator

On 9 June 2011 the SA Government announced that it intended to create a sublicence to operate lotteries in South Australia. Further, it is intended that the sublicence will be available to a private sector operator. The licensing details, including the term and when the arrangement will take effect are still being determined. As at the reporting date, SA Lotteries is unable to make an assessment of the impact on the reported values of assets and liabilities contained within this financial report. All assets and obligations are reported in accordance with the information disclosed in notes 2(j) and (k), 21 and 22.

3. New and revised accounting standards and policies

In accordance with amendments to APS 4.8 within APF II, effective 1 July 2010, SA Lotteries has disclosed all employees whose normal remuneration is equal to or greater than the base executive level remuneration. Previously APS 4.8 within APF II required the disclosure of all employees whose normal remuneration was equal to or greater than $100 000.

SA Lotteries did not voluntarily change any of its accounting policies in 2010-11.

Except for early adoption of AASB 2009-12 which mainly relates to terminology changes, the AASs and interpretations that have recently been issued or amended, but are not yet effective, have not been adopted for the reporting period ended 30 June 2011. SA Lotteries has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of SA Lotteries.

4. Related party

SA Lotteries is controlled by the SA Government. Transactions and balances between SA Lotteries and related parties (ie other SA Government controlled entities) are disclosed in note 27.

5. Sales revenue

	Note	2011 $'000	2010 $'000
Saturday X Lotto		137 897	125 764
Monday/Wednesday X Lotto		34 684	37 133
Oz Lotto		36 871	44 530
Powerball		42 740	48 673
Keno		95 866	92 566
Instant Scratchies		39 113	40 189
Super 66		1 138	1 184
The Pools		631	665
Total sales revenue		388 940	390 704

Sales revenue includes agents' commission.

6. Cost of sales

Prizes		235 412	233 407
Gambling tax on net gambling revenue		62 946	64 492
Agents' commission		29 010	29 179
GST on net gambling revenue paid to ATO		13 957	14 300
Total cost of sales		341 325	341 378

7. Other revenues

Agents' fees and charges		3 649	3 577
Easiplay Club service fees		442	374
Sundry		585	628
Total other revenues		4 676	4 579

8. Employee benefits expenses

Salaries (including annual leave)		5 997	6 419
Long service leave		137	204
Employment on-costs - superannuation contributions	26(j)	641	677
Decrease in carrying value of defined benefit superannuation plan net asset/liability	26(e)	(7)	102
Employment on-costs - other		426	490
Commission members' fees		121	137
Total employee benefits expenses		7 315	8 029

Remuneration of employees

The table covers all employees who received remuneration of $130 700 or more during the year. Remuneration reflects all costs of employment including salaries, superannuation contributions, FBT, any other salary sacrifice benefits, and payment of leave entitlements on ceasing employment. Employer contributions for employees who are members of the defined benefit section of the SA Lotteries Superannuation Plan were reduced from 1 July 2007 and subsequently increased from 5 January 2009 in accordance with actuarial advice and Commission endorsement.

The number of employees whose remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
$140 700 - $150 699	-	1
$150 700 - $160 699	1	1
$160 700 - $170 699	1	1
$170 700 - $180 699	1	1
$320 700 - $330 699	1	1
Total	4	5

In accordance with the revised APF II, SA Lotteries has changed its accounting policy and now discloses all employees who receive remuneration equal to or lesser than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than $100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by 10 for 2011 and 7 for 2010.

	2011 $'000	2010 $'000
Total remuneration received or receivable by employees whose remuneration was $130 700 or more	822	948

Key management personnel compensation

The key management personnel are the Commission members and the senior management team (including the Chief Executive) who have responsibility for the strategic direction and management of SA Lotteries.

Commission members

The following persons held the position of Member of the SA Lotteries for the full financial year unless otherwise stated:

H J Ohff, PhD, BA(Hons), BCom, FIEAust, CPEng - Presiding Member
S J Mackenzie, BComm(Acc), LLB (Hons)
W R Jackson, BEc, FASA
A E Lindsay, BA(Hons), LLB(Hons)
A E Heyworth, BA(Acc), MBA(AGSM), SF Fin, FAICD**

Commission members' remuneration

The total remuneration received and receivable by Commission members includes fees, superannuation contributions, FBT and professional indemnity insurance paid on behalf of commission members.

The number of Commission members whose remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
$0 to $9 999	1	1
$20 000 to $29 999	-	1
$30 000 to $39 999	3	3
$40 000 to $49 999	1	1
Total	5	6

	2011 $'000	2010 $'000
Total remuneration received or receivable by Commission members	148	165

** In accordance with DPC Circular 16, government employees did not receive any remuneration for Commission duties during the financial year.

No Commission member has entered into a contract with SA Lotteries since the end of the previous financial year and there were no material contracts with Commission members' interests at the end of the financial year.

Senior management team

The senior management team comprised the following persons for the full financial year, unless otherwise stated:

J R Roache, BAcc, CPA, Grad Cert Mgt (Monash), FAICD, FAIM - Chief Executive
I D Clayfield, BEc, FCA - General Manager Financial and Corporate Services (1 July 2010 to 12 November 2010)
C J Yeeles, BComm, CPA - Acting General Manager Financial and Corporate Services (15 November 2010 to 7 December 2010)
C I McSporran, BEc - Chief Financial Officer (8 December 2010 to 30 June 2011)
J F Favretto, BA - General Manager Information and Communications Technology
D G Hardy, LLB, BA GDLP, MBA - General Manager Legal and Risk Management/Company Secretary
C M Mulvihill, BComm, CPA, MBA - General Manager Marketing and Sales

The compensation of key management personnel included in employee benefits expenses is as follows:	2011 $'000	2010 $'000
Short-term employee benefits	865	951
Post-employment benefits*	181	191
Long-term employee benefits	18	18
Total key management personnel compensation	1 064	1 160

* Post-employment benefits include an allocation of the change in the defined benefit superannuation plan liability to key management personnel based on the share of the defined benefit obligation.

TVSPs

No employees were paid TVSPs during the reporting period.

9. Supplies and services

	Note	2011 $'000	2010 $'000
Marketing and promotions		6 471	6 176
Computer operations		2 998	3 235
Tickets, coupons, terminal rolls and ribbons		1 787	1 937
Operating leases		933	835
Other occupancy costs		635	626
Temporary staff and contractors		212	483
Agent distribution costs		242	271
Consultancies		19	8
Motor vehicle fleet costs		224	243
Insurance		132	124
External audit fees	12	151	129
Internal audit fees		171	223
Training costs		141	670
Gambling tax - other		72	79
Other		1 458	1 503
Total supplies and services		15 646	16 542

Consultancies

	2011		2010	
The number and dollar amount of consultancies paid/payable (included in supplies and services) that fell within the following bands:	Number	$'000	Number	$'000
Below $10 000	2	5	2	8
Between $10 000 and $50 000	1	14	-	-
Above $50 000	-	-	-	-
Total paid/payable to consultants engaged	3	19	2	8

10. Depreciation and amortisation expense

	2011	2010
Depreciation:	$'000	$'000
Buildings	38	38
Plant and equipment	174	155
Online lotteries system	1 855	1 681
Total depreciation	2 067	1 874
Amortisation:		
Leasehold improvements	245	248
Intangible assets - software	3	41
Total amortisation	248	289
Total depreciation and amortisation	2 315	2 163

11. Net loss on derecognition of non-current assets

Proceeds from disposal	1	-
Net book value of assets derecognised	(19)	-
Net loss on derecognition of non-current assets	(18)	-

Assets are derecognised on disposal or when no future economic benefits are expected from the asset's use or disposal.

12. Auditor's remuneration

Audit services

Audit fees payable for the financial year	151	153
Under (Over) accrual	-	(24)
External audit fees expense	151	129

The Auditor-General is the auditor of SA Lotteries.

Other services

No other services were provided by the Auditor-General's Department.

13. Cash and cash equivalents

	2011	2010
	$'000	$'000
Bank balances and cash on hand	10 546	8 089
Short-term deposits	42 000	42 000
Total cash and cash equivalents	52 546	50 089

Bank balances comprise unpresented cheques net of outstanding deposits and cash on hand.

Short-term deposits are with the SAFA.

Interest rate risk
Cash on hand is non-interest bearing. Bank balances and short-term deposits earn a floating interest rate based on daily bank deposit rates. The weighted average interest rate earned was 4.93 percent (3.75 percent).

Net fair values
The carrying amount of cash and cash equivalents represents fair value.

14. Receivables

	2011	2010
Current:	$'000	$'000
Agent debtors	1 489	2 251
Prize settlements receivable from Blocs	611	16 622
Sundry receivables	339	363
Prepayments	344	331
Total current receivables	2 783	19 567
Non-current:		
Prepayments	133	186
Total non-current receivables	133	186
Total receivables	2 916	19 753

Interest rate risk
All receivables are non-interest bearing.

Credit risk
Credit risk represents the loss that would be recognised if parties owing monies to SA Lotteries at the reporting date fail to honour their obligations. SA Lotteries minimises its credit risk in relation to agents by undertaking its sales transactions with a large number of agents and, in accordance with policy, requiring those agents to remit outstandings on a twice weekly basis. It is not anticipated that counterparties will fail to discharge their obligations. In addition, there is no concentration of credit risk.

Net fair values
The carrying amount of receivables approximates net fair value due to being receivable on demand.

15. Property, plant and equipment

	2011	2010
Land and buildings:	$'000	$'000
Land at fair value	920	700
Buildings at fair value	580	650
Accumulated depreciation	-	(114)
Total land and buildings	1 500	1 236
Plant and equipment:		
Plant and equipment at cost (deemed fair value)	2 101	2 111
Accumulated depreciation	(1 596)	(1 661)
Total plant and equipment	505	450
Online lotteries system:		
Online lotteries system at cost (deemed fair value)	13 038	12 981
Accumulated depreciation	(2 164)	(310)
Total online lotteries system	10 874	12 671
Leasehold improvements:		
Leasehold improvements at cost (deemed fair value)	2 532	2 476
Accumulated amortisation	(1 523)	(1 281)
Total leasehold improvements	1 009	1 195
Total property, plant and equipment	13 888	15 552

Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment during 2010-11 and 2009-10.

2011	Carrying amount 01.07.10 $'000	Additions $'000	Assets derecognised (incl disposals) $'000	Revaluation increment $'000	Depreciation and amortisation $'000	Carrying amount 30.06.11 $'000
Land	700	-	-	220	-	920
Buildings	536	-	-	82	(38)	580
Plant and equipment	450	246	(17)	-	(174)	505
Online lotteries system	12 671	58	-	-	(1 855)	10 874
Leasehold improvements	1 195	61	(2)	-	(245)	1 009
Total	15 552	365	(19)	302	(2 312)	13 888

2010	Carrying amount 01.07.09 $'000	Additions $'000	Assets derecognised (incl disposals) $'000	Depreciation and amortisation $'000	Carrying amount 30.06.10 $'000
Land	700	-	-	-	700
Buildings	574	-	-	(38)	536
Plant and equipment	368	237	-	(155)	450
Online lotteries system	2 750	11 602	-	(1 681)	12 671
Leasehold improvements	1 436	7	-	(248)	1 195
Total	5 828	11 846	-	(2 122)	15 552

Valuation of property, plant and equipment

The valuation of the 24-26 Payneham Road, Stepney property was performed by Simon Hickin AAPI, Certified Practicing Valuer, an independent valuer from Jones Lang LaSalle, as at 30 June 2011. The valuer arrived at fair value based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use and was determined on an in-use value, assuming a fully tenanted (subject to a notional five plus five year lease back) basis.

The carrying amount of property, plant and equipment that would have been recognised if these assets were stated at cost is:	2011 $'000	2010 $'000
Land and buildings	335	346
Plant and equipment	505	450
Online lotteries system	10 818	12 671
Leasehold improvements	1 009	1 195
Total carrying amount of property, plant and equipment that would have been recognised if these assets were stated at cost	12 667	14 662

Impairment

There were no indications of impairment of property, plant and equipment assets at 30 June 2011.

16. Intangible assets

Software:		
Software at cost	182	182
Accumulated amortisation	(182)	(179)
Total intangible assets	-	3

Reconciliation of intangible assets

The following table shows the movement of intangible assets during 2010-11 and 2009-10:		
Carrying amount at 1 July	3	44
Additions	-	-
Amortisation	(3)	(41)
Carrying amount at 30 June	-	3

Impairment

There were no indications of impairment of intangible assets at 30 June 2011.

17. Payables

Current:	Note	2011 $'000	2010 $'000
Creditors and accrued expenses		2 539	3 241
Prizes payable		13 427	29 623
GST payable		790	455
Undistributed funds	24	8 090	8 253
Employment on-costs		102	121
Total current payables		24 948	41 693
Non-current:			
Prizes payable		1 356	960
Employment on-costs		92	108
Total non-current payables		1 448	1 068
Total payables		26 396	42 761

Based on an actuarial assessment performed by DTF, the percentage of long service leave expected to be taken as leave is 35 percent (45 percent). This rate is used in the calculation of employment on-costs. The net financial effect of the change on employment on-costs in the current financial year is a decrease of $4000.

Interest rate risk
All payables are non-interest bearing.

Net fair values
The carrying amount of payables represents fair value due to the amounts being payable on demand.

18. Employee benefits

Current:	Note	2011 $'000	2010 $'000
Annual leave		542	666
Long service leave		124	95
Accrued salaries		-	108
Total current employee benefits		666	869
Non-current:			
Long service leave		920	935
Defined benefit superannuation plan liability	26(d)	421	428
Total non-current employee benefits		1 341	1 363
Total employee benefits		2 007	2 232
Total current and non-current employee liability (ie aggregate employee benefit (above) plus related employment on-costs (note 17)) is:		2 201	2 461

Based on an actuarial assessment by DTF the benchmark for measurement of the long service leave liability has changed from the 2010 benchmark of 5.5 years to five years in 2011. The net financial effect of the change in the current financial year is an increase in employee benefits plus related employment on-costs liability and employee benefits expenses of $14 000.

One day of salaries for the pay period ended 1 July 2011 is prepaid and is included in note 14.

19. Other liabilities

Current:	2011 $'000	2010 $'000
Prize Reserve Fund[(a)]	8 349	7 434
Unearned revenue - sales in advance	2 048	1 464
Total current other liabilities	10 397	8 898
Non-current:		
Unclaimed Prizes Reserve[(b)]	6 939	8 586
Total non-current other liabilities	6 939	8 586
Total other liabilities	17 336	17 484
(a) Prize Reserve Fund:		
Balance at 1 July	7 434	8 700
Allocated to Prize Reserve Fund	10 675	11 021
Applied to additional or increased prizes	(9 760)	(12 287)
Balance at 30 June	8 349	7 434

19. Other liabilities (continued)

SA Lotteries sets aside a proportion of the total amount of net sales (gross sales revenue less agents' commission) for X Lotto, Oz Lotto, Powerball, Super 66 and The Pools in the prize reserve fund in accordance with the rules of each game. These funds are available for distribution at any time as additional or increased prizes in subsequent lottery draws in the respective games or as prizes in respect of missed prize entries for previous lottery draws.

(b) Unclaimed Prizes Reserve:	2011 $'000	2010 $'000
Balance at 1 July	8 586	8 020
Unclaimed monies forfeited	4 102	3 220
	12 688	11 240
Monies provided for distribution to the Hospitals Fund	(2 040)	(1 608)
Monies provided for distribution to the Recreation and Sport Fund	(1)	(2)
Applied to additional or increased prizes in subsequent lottery draws, prizes in promotional lotteries or ex gratia payments	(3 708)	(1 044)
Balance at 30 June	6 939	8 586

20. Capital asset reserve

Capital asset reserve comprises:		
Capital fund account	4 396	2 761
Capital fund assets (at written down value)	13 161	15 073
	17 557	17 834
Capital Fund account:		
Balance at 1 July	2 761	12 607
Transfer from retained earnings	2 000	2 000
Assets financed	(365)	(11 846)
Balance at 30 June	4 396	2 761
Capital Fund assets:		
Written down value at 1 July	15 073	4 730
Assets financed	365	11 846
Depreciation	(2 258)	(1 503)
Written down value of assets disposed of	(19)	-
Written down value at 30 June	13 161	15 073

21. Unrecognised contractual commitments

Capital commitments

Capital commitments contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	-	2 557
Later than one year but not longer than five years	-	-
Total capital commitments	-	2 557

Operating lease commitments

Commitments in relation to operating leases contracted at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	793	758
Later than one year but not longer than five years	1 528	2 148
Later than five years	-	-
Total operating lease commitments	2 321	2 906
Representing:		
Non-cancellable operating leases	2 321	2 906

The 10 year accommodation operating lease at 24-25 Greenhill Road (Head Office) is non-cancellable with rent payable monthly in advance. Rental provisions within the lease agreement require future lease payments to be increased by 3 percent per annum. The lease term expires 3 May 2014.

A memorandum of administrative arrangement with the Department for Transport, Energy and Infrastructure for the remote computer site at Glenside is non-cancellable with rent payable monthly in advance. Rent per rack payable is fixed for the term of the lease agreement. The five year term expires 30 June 2014.

Other commitments	2011	2010
Other expenditure contracted for at the reporting date but not recognised as liabilities are payable as follows:	$'000	$'000
Within one year	2 323	2 480
Later than one year but not longer than five years	4 980	6 428
Later than five years	517	1 125
Total other commitments	7 820	10 033

SA Lotteries' other commitments are for existing and new agreements relating to online lotteries system software, hardware, communications and associated services and other fixed services.

22. Contingent assets and liabilities

SA Lotteries is not aware of any contingent assets.

A claim for damages was received by SA Lotteries on 15 July 2008 for alleged loss of potential winnings. Proceedings were served on SA Lotteries in October 2010. The claim is for unspecified damages, interest and costs. At this time it is not possible to estimate the dollar effect of this claim or whether the claim will be successful.

Other than this claim, SA Lotteries is not aware of any contingent liabilities.

SA Lotteries has made no guarantees.

23. Cash flow reconciliation

	2011	2010
Reconciliation of cash and cash equivalents:	$'000	$'000
Statement of Financial Position	52 546	50 089
Statement of Cash Flows	52 546	50 089

Reconciliation of net profit after income tax equivalent to net cash provided by (used in) operating activities		
Profit after income tax equivalent	20 623	20 589
Dividend contribution provided	(20 298)	(21 968)
Unclaimed prizes distribution provided	(2 041)	(1 610)
Non-cash items:		
Depreciation and amortisation expense	2 315	2 163
Net loss on derecognition of non-current assets	18	-
Increase (Decrease) in carrying value of defined benefit superannuation plan net liability	(7)	102
Changes in assets/liabilities:		
Decrease (Increase) in receivables	16 837	42 092
Decrease (Increase) in inventories	63	(217)
Increase (Decrease) in payables (including undistributed funds)	(15 125)	(52 340)
Increase (Decrease) in employee benefits	(218)	137
Increase (Decrease) in other liabilities	1 893	971
Net cash provided by (used in) operating activities	4 060	(10 081)

Financing facility	2011	2010
SA Lotteries has the following arrangements within SAFA:	$'000	$'000
Working capital facility	8 000	8 000
Amount used	-	-
Unused working capital facility	8 000	8 000

The working capital facility was established on 22 June 2010 as a general operations contingency measure only.

24. Distribution of funds to SA Government

	Note	Balance 01.07.10 $'000	Distribution provided $'000	Distribution (paid) $'000	Balance 30.06.11 $'000
Gambling tax	6,9	5 910	63 018	(63 228)	5 700
Income tax equivalent		773	8 839	(8 899)	713
Dividend		1 425	20 298	(20 160)	1 563
Unclaimed prizes		145	2 041	(2 072)	114
Totals 2010-11		8 253	94 196	(94 359)	8 090
Totals 2009-10		13 155	96 973	(101 875)	8 253

24. Distribution of funds to SA Government (continued)

Comprising:	Balance 01.07.10 $'000	Distribution provided $'000	Distribution (paid) $'000	Balance 30.06.11 $'000
Distribution to Hospitals Fund:				
Gambling tax	5 902	62 879	(63 104)	5 677
Income tax equivalent	773	8 839	(8 899)	713
Dividend	1 336	20 204	(20 076)	1 464
Unclaimed prizes	145	2 040	(2 071)	114
Totals	8 156	93 962	(94 150)	7 968
Distribution to Recreation and Sport Fund:				
Gambling tax	8	139	(124)	23
Income tax equivalent				
Dividend	89	94	(84)	99
Unclaimed prizes	-	1	(1)	-
Totals	97	234	(209)	122

25. Financial risk management

SA Lotteries is exposed to a variety of financial risks, including market risk, credit risk and liquidity risk.

Risk management is carried out by all areas of the organisation and risk management policies and practices are in accordance with the Australian Risk Management Standards and an internal written policy approved by the Commission.

SA Lotteries has non-interest bearing assets (cash on hand, receivables and inventories) and liabilities (payables and other liabilities) and interest bearing assets (bank balances and short-term deposits). The maturity of financial assets and liabilities is disclosed separately in the relevant notes: current items mature in less than 12 months; non-current items mature between one and five years.

SA Lotteries' exposure to cash flow interest risk is minimal. SA Lotteries is exposed to price risk for changes in interest rates that relate to investments at fair value.

SA Lotteries' exposure to credit risk is minimal. SA Lotteries has policies and procedures in place to ensure that transactions occur with agents with appropriate credit history. SA Lotteries has no significant concentration of credit risk.

Liquidity risk arises where an organisation is unable to meet its financial obligations as and when they fall due. SA Lotteries has consistent and stable cash flows from operations, which means its exposure to liquidity risk is minimal. SA Lotteries' exposure to liquidity risk is insignificant based on past experience and current expectations regarding risk.

26. Superannuation

(a) Expense (Income) recognised in the Statement of Comprehensive Income	Note	2011 $'000	2010 $'000
Amounts recognised as expense (income) in respect of the defined benefit superannuation plan as follows:			
Current service cost		300	308
Interest cost		286	283
Expected return on plan assets		(390)	(357)
Actuarial loss (gain)		95	179
Superannuation expense (income)		291	413
The expense (income) is recognised in the following item in the Statement of Comprehensive Income:			
Employee benefits expenses	26(e)	291	413

(b) Reconciliation of the present value of the defined benefit obligation

	2011 $'000	2010 $'000
Present value of defined benefit obligation at 1 July	6 588	5 717
Current service cost	300	308
Interest cost	286	283
Contributions by plan participants	200	244
Actuarial losses (gains)	153	254
Benefits paid	(777)	(107)
Taxes, premiums and expenses paid	(109)	(111)
Transfers in	-	-
Present value of defined benefit obligation at 30 June	6 641	6 588

(c)	***Reconciliation of the fair value of defined benefit plan assets***	2011 $'000	2010 $'000
	Fair value of plan assets at 1 July	6 160	5 391
	Expected return on Plan assets	390	357
	Actuarial gains (losses)	58	75
	Employer contributions	298	311
	Contributions by plan participants	200	244
	Benefits paid	(777)	(107)
	Taxes, premiums and expenses paid	(109)	(111)
	Transfers in	-	-
	Fair value of plan assets at 30 June	6 220	6 610

The fair value of Plan assets includes no investments over which SA Lotteries retains ownership control relating to:

- any of SA Lotteries' own financial instruments; or
- any property occupied by, or other assets used by, SA Lotteries.

(d)	***Reconciliation of the asset recognised in the Statement of Financial Position***	2011 $'000	2010 $'000
	Defined benefit obligation	6 641	6 588
	Fair value of Plan assets	6 220	6 160
	Surplus (Deficit)	(421)	(428)
	Net superannuation liability	(421)	(428)

The amount included in the Statement of Financial Position arising from SA Lotteries' net superannuation asset/liability in respect of its defined benefit plan is shown in note 18:

	Employee benefits (non-current):		
	Defined benefit superannuation plan liability	421	428

(e)	***Movement in asset recognised in the Statement of Financial Position***		
	Net superannuation asset (liability) at 1 July	(428)	(326)
	Expense recognised in Statement of Comprehensive Income	(291)	(413)
	Employer contributions	298	311
	Net movement	7	(102)
	Net superannuation liability at 30 June	(421)	(428)

(f)	***Plan assets***	Percentage invested*		Plan assets	
	The percentage invested in each asset class at the reporting date:	2011 Percent	2010 Percent	2011 $'000	2010 $'000
	Australian equity	27	29	1 679	1 786
	Overseas equity	27	32	1 679	1 971
	Fixed interest and bonds	14	12	871	739
	Property	10	10	622	616
	Alternative assets**	11	10	684	616
	Cash	11	7	685	432
	Total plan assets	100	100	6 220	6 160

* Asset allocation as at 30 June 2011 was not available. The asset allocation at 31 December 2010 has been used as an approximation of the allocation as at the reporting date.

** Alternative assets generally comprise those investments which do not fit within the traditional broad asset classes (such as shares, property, fixed interest and cash).

(g) ***Expected rate of return on plan assets***

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets in each class and allowing for the correlations of the investment returns between asset classes. The returns used for each asset class are net of investment tax, investment fees, and asset-based administration fees.

(g) Expected rate of return on plan assets (continued)

The expected rate of return for each asset class at 30 June is as follows:	Expected rate of return 2011 Percent	2010 Percent
Australian equity	7.5	7.5
Overseas equity	6.7	6.7
Fixed interest and bonds	4.7	4.7
Property	6.1	6.1
Alternative assets	5.7	5.7
Cash	3.8	3.8
Weighted average expected return	6.75	6.75

(h) Actual return on plan assets

	2011 $'000	2010 $'000
Actual return on plan assets	448	432

(i) Principal actuarial assumptions

The principal actuarial assumptions at the reporting date (expressed as weighted averages):	2011 Percent p.a.	2010 Percent p.a.
Discount rate (active members)	4.6	4.5
Expected rate of return on plan assets (active members)	6.75	6.75
Expected salary increase rate	2.5 for 1 year 3.5 thereafter	2.5 for 2 years 3.5 thereafter

(j) Contributions

Contributions paid/payable by SA Lotteries to superannuation plans:	2011 $'000	2010 $'000
Defined benefit members	262	294
Defined contribution (accumulation) members	392	378
Private funds	3	5
Total contributions	641	677

(k) Expected employer contributions

The estimated employer contributions expected to be paid to the Plan during the year beginning after the reporting date	272	289

The estimated employer contributions are based on a contribution rate of 14.4 percent of defined benefit members' salaries (refer note 26(m)(ii)).

(l) Historical information

	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Present value of defined benefit obligation	6 641	6 588	5 717	5 385	6 323
Fair value of Plan assets	6 220	6 160	5 391	5 927	7 405
Surplus (Deficit) in Plan	(421)	(428)	(326)	542	1 082
Experience adjustments gain (loss):					
Plan assets	58	75	(1 220)	(1 110)	655
Plan liabilities	(188)	(86)	379	540	(561)

(m) Funding arrangements for employer contributions

(i) Surplus (Deficit)

The following is a summary of the most recent financial position of the SA Lotteries Superannuation Plan calculated in accordance with AAS 25.

	As at 30.06.09 $'000
Defined benefit members:	
Accrued benefits	4 807
Net market value of plan assets	4 653
Net surplus (deficit)	(154)
Accumulation members and additional accumulation accounts for defined benefit members:	
Assets and benefits	2 402

(i) *Surplus (Deficit) (continued)*

(The Plan is subject to a triennial review and is externally managed. The last full actuarial investigation was conducted as at 30 June 2009 by Stuart Mules, FIAA, of Mercer (Australia) Pty Limited. The report was dated 31 May 2010.)

(ii) *Current contribution rates*

As at 30 June 2011, the current contribution rates, in accordance with actuarial advice and Commission endorsement, are:

- 14.4 percent of defined benefit members' salaries effective from 6 July 2009
- at the Superannuation Guarantee rate for accumulation members.

(iii) *Funding method*

The method used to determine the employer contribution recommendations at the last actuarial review was the 'target' funding method. The method adopted affects the timing of the cost to SA Lotteries.

Under the 'target' funding method, the employer contribution rate is determined with the aim of maintaining the assets at or close to the value of accrued benefits and above the total of the vested benefits (leaving service benefits) by a margin sufficient to give security against adverse circumstances.

(iv) *Economic assumptions*

The long-term economic assumptions adopted for the last triennial actuarial review of the Plan as at 30 June 2009 were:

	Weighted average assumptions
	Percent p.a.
Expected rate of return on assets (discount rate)	6.75
Expected salary increase rate	2.5 for 3 years to 2011-12
	3.5 thereafter

(n) ***Nature of asset/liability***

SA Lotteries has recognised a liability in the Statement of Financial Position in respect of its defined benefit superannuation arrangements. If a surplus exists in the Plan, SA Lotteries is able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Plan's actuary.

27. Transactions with SA Government

As required by APS 4.1 of APF II, the following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

		SA Government		Non-SA Government		Total	
		2011	2010	2011	2010	2011	2010
	Note	$'000	$'000	$'000	$'000	$'000	$'000
Income:							
Sales revenue	5	-	-	388 940	390 704	388 940	390 704
Cost of sales:	6						
Prizes		-	-	(235 412)	(233 407)	(235 412)	(233 407)
Gambling tax on NGR		(62 946)	(64 492)	-	-	(62 946)	(64 492)
Agents' commission		-	-	(29 010)	(29 179)	(29 010)	(29 179)
GST on NGR paid to ATO		-	-	(13 957)	(14 300)	(13 957)	(14 300)
Total cost of sales		(62 946)	(64 492)	(278 379)	(276 886)	(341 325)	(341 378)
Interest revenue		2 100	1 835	365	407	2 465	2 242
Other revenues	7	18	30	4 658	4 549	4 676	4 579
Total income		(60 828)	(62 627)	115 584	118 774	54 756	56 147
Expenses:							
Employee benefits expenses	8	365	430	6 950	7 599	7 315	8 029
Supplies and services:	9						
Marketing and promotions		-	-	6 471	6 176	6 471	6 176
Computer operations		52	-	2 946	3 235	2 998	3 235
Tickets, coupons, terminal rolls and ribbons		-	-	1 787	1 937	1 787	1 937
Operating leases		131	132	802	703	933	835
Other occupancy costs		22	16	613	610	635	626
Temporary staff and contractors		-	-	212	483	212	483
Agent distribution costs		-	-	242	271	242	271

27. Transactions with SA Government (continued)

		SA Government		Non-SA Government		Total	
		2011	2010	2011	2010	2011	2010
Supplies and services: (continued)	Note	$'000	$'000	$'000	$'000	$'000	$'000
Consultancies		-	-	19	8	19	8
Motor vehicle fleet costs		223	234	1	9	224	243
Insurance		72	124	60	-	132	124
External audit fees		151	129	-	-	151	129
Internal audit fees		-	-	171	223	171	223
Training costs		-	-	141	670	141	670
Gambling tax - other		72	79	-	-	72	79
Other		22	19	1 436	1 484	1 458	1 503
Total supplies and services		745	733	14 902	15 809	15 646	16 542
Total expenses (excluding depreciation and amortisation)		1 110	1 163	21 852	23 408	22 961	24 571
Financial assets:							
Receivables:	14						
Current:							
Agent debtors		-	-	1 489	2 251	1 489	2 251
Prize settlements receivable from Blocs		-	-	611	16 622	611	16 622
Sundry receivables		175	171	164	192	339	363
Prepayments		-	-	344	331	344	331
Total current receivables		175	171	2 608	19 396	2 783	19 567
Non-current:							
Prepayments		-	-	133	186	133	186
Total current receivables		-	-	133	186	133	186
Total receivables		175	171	2 741	19 582	2 916	19 753
Financial liabilities:							
Payables:	17						
Current:							
Creditors and accrued expenses		242	282	2 297	2 959	2 539	3 241
Prizes payable		-	-	13 427	29 623	13 427	29 623
GST payable		-	-	790	455	790	455
Undistributed funds		8 090	8 253	-	-	8 090	8 253
Employment on-costs		42	49	60	72	102	121
Total current payables		8 374	8 584	16 574	33 109	24 948	41 693
Non-current:							
Prizes payable		-	-	1 356	960	1 356	960
Employment on-costs		51	54	41	54	92	108
Total non-current payables		51	54	1 397	1 014	1 448	1 068
Total payables		8 425	8 638	17 971	34 123	26 396	42 761

Part B

Glossary of terms

Australian Accounting Standards - AASB

Reference	Title
AASB 1	First-time Adoption of Australian Accounting Standards
AASB 2	Share-based Payment
AASB 3	Business Combinations
AASB 4	Insurance Contracts
AASB 5	Non-current Assets Held for Sale and Discontinued Operations
AASB 7	Financial Instruments: Disclosures
AASB 8	Operating Segments
AASB 101	Presentation of Financial Statements
AASB 102	Inventories
AASB 107	Statement of Cash Flows
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110	Events after the Reporting Period
AASB 111	Construction Contracts
AASB 112	Income Taxes
AASB 116	Property, Plant and Equipment
AASB 117	Leases
AASB 118	Revenue
AASB 119	Employee Benefits
AASB 120	Accounting for Government Grants and Disclosure of Government Assistance
AASB 121	The Effects of Changes in Foreign Exchange Rates
AASB 123	Borrowing Costs
AASB 124	Related Party Disclosures
AASB 127	Consolidated and Separate Financial Statements
AASB 128	Investments in Associates
AASB 131	Interests in Joint Ventures
AASB 132	Financial Instruments: Presentation
AASB 133	Earnings per Share
AASB 136	Impairment of Assets
AASB 137	Provisions, Contingent Liabilities and Contingent Assets
AASB 138	Intangible Assets
AASB 139	Financial Instruments: Recognition and Measurement
AASB 140	Investment Property
AASB 141	Agriculture
AASB 1004	Contributions
AASB 1023	General Insurance Contracts
AASB 1031	Materiality
AASB 1038	Life Insurance Contracts
AASB 1048	Interpretation of Standards
AASB 1049	Whole of Government and General Government Sector Financial Reporting
AASB 1050	Administered Items
AASB 1051	Land Under Roads
AASB 1052	Disaggregated Disclosures
AASB 2009-12	Amendments to Australian Accounting Standards

Australian Interpretations

Reference	Title
Interpretation 4	Determining whether an Arrangement contains a Lease
Interpretation 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
Interpretation 115	Operating Leases - Incentives
Interpretation 121	Income Taxes – Recovery of Revalued Non-Depreciable Assets
Interpretation 125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
Interpretation 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
Interpretation 132	Intangible Assets – Web Site Costs
Interpretation 1030	Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods
Interpretation 1031	Accounting for the Goods and Services Tax (GST)
Interpretation 1038	Contributions by Owners Made to Wholly-Owned Public Sector Entities
Interpretation 1055	Accounting for Road Earthworks

Australian Accounting Standards - AAS

Reference	Title
AAS 25	Financial Reporting by Superannuation Plans

Treasurer’s Instructions – TIs

Reference	Title
TI 1	Interpretation and Application
TI 2	Financial Management
TI 3	Appropriation
TI 4	Establishment of Merchant Facilities for Acceptance of Payments
TI 5	Debt Recovery and Write Offs
TI 6	Deposit Accounts and Banking
TI 8	Financial Authorisations
TI 9	Payroll Deductions
TI 10	Engagement of Legal Practitioners
TI 11	Payment of Creditors’ Accounts
TI 12	Government Purchase Cards and Stored Value Cards
TI 13	Expenditure Incurred by Ministers and Ministerial Staff
TI 14	Ex Gratia Payments
TI 15	Grant Funding
TI 17	Evaluation of and Approvals to Proceed with Public Sector Initiatives
TI 19	Financial Reporting
TI 20	Guarantees and Indemnities
TI 22	Tax Equivalent Payments
TI 23	Management of Foreign Currency Exposures
TI 25	Taxation Policies
TI 28	Financial Management Compliance Program

Accounting Policy Framework - APF

Reference	Title
APF I	Purpose and Scope
APF II	General Purpose Financial Statements Framework
APF III	Asset Accounting Framework
APF IV	Financial Asset and Liability Framework
APF V	Income Framework
APF VI	Definitions

Legislation

Reference	Title
ITAA	*Income Tax Assessment Act 1936 and/or Income Tax Assessment Act 1997*
NRMA	*Natural Resources Management Act 2004*
PCA	*Public Corporations Act 1993*
PFAA	*Public Finance and Audit Act 1987*
PSA	*Public Sector Act 2009*
WRCA	*Workers Rehabilitation and Compensation Act 1986*

Acronyms

Reference	Title
AASs	Australian Accounting Standards[1]
APF	Accounting Policy Framework
APS	Accounting Policy Statement
ATO	Australian Taxation Office
CHRIS	Complete Human Resource Information System
CPE	Computer processing environment
CPI	Consumer Price Index
DPC	Department of the Premier and Cabinet
DTF	Department of Treasury and Finance
EFT	Electronic funds transfer
FBT	Fringe benefits tax
GST	Goods and services tax
ICT	Information and communications technology
SAFA	South Australian Government Financing Authority
TI	Treasurer’s Instruction
TVSP	Targeted voluntary separation package

[1] ‘Australian Accounting Standards’ means accounting standards issued by the Australian Accounting Standards Board which are in force in relation to the reporting period to which the financial report relates.

Part B

General index

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