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Government
of South Australia

Report

of the

Auditor-General

Annual Report

for the

year ended 30 June 2014

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Part B: Agency audit reports

Volume 3

By Authority: A. Martin, Government Printer, South Australia

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References to matters of significance

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

Health Services Charitable Gifts Board

Functional responsibility

Establishment

The Health Services Charitable Gifts Board (the Board) is established pursuant to the *Health Services Charitable Gifts Act 2011* (the HSCG Act). The HSCG Act was proclaimed on 30 June 2011 for commencement on 1 July 2011. The *Public Charities Funds Act 1935* was consequently repealed, however the operations of the Commissioners of Charitable Funds have continued in existence as the Health Services Charitable Gifts Board.

Functions

The functions of the Board are to prudently manage the charitable assets vested in the Board and apply these assets for the benefit of public health entities or otherwise in accordance with the HSCG Act. Note 1 to the financial statements provides further explanation regarding the Board's functions and responsibilities. In addition, note 19 discloses details of funds held on behalf of public health entities at 30 June 2014.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 31(1)(b) of the PFAA and section 29(2) of the HSCG Act provide for the Auditor-General to audit the accounts of the Board for each financial year.

Assessment of controls

Section 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 the 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 2013-14, specific areas of audit attention included:

- gifts vesting in the Board
- investment income
- administration expenses
- application of funds for public health entities
- investments and investment properties.

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 Health Services Charitable Gifts Board as at 30 June 2014, 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 Health Services Charitable Gifts Board 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 Health Services Charitable Gifts Board have been conducted properly and in accordance with law.

Communication of audit matters

The audit was completed at the time of preparation of this Report. Certain matters arising from the audit will be formally communicated in a management letter to the Board in October 2014 for appropriate consideration and attention.

Interpretation and analysis of the financial report

Highlights of the financial report

	2014 $'million	2013 $'million
Income		
Funds income	7.3	5.0
Investment income	5.0	6.2
Total income	12.3	11.2
Expenses		
Administration and investment property expenses	0.6	0.5
Funds for public health entities	8.7	7.6
Total expenses	9.3	8.1
Net profit	3.0	3.1
Other comprehensive income	2.6	3.2
Total comprehensive result	5.6	6.3
Net cash provided by (used in) operating activities	3.3	3.6
Assets		
Current assets	32.2	42.7
Non-current assets	72.5	56.5
Total assets	104.7	99.2
Liabilities		
Current liabilities	0.1	0.1
Total liabilities	0.1	0.1
Total equity	104.6	99.1

Statement of Comprehensive Income

The Board recorded a net profit of $3 million ($3.1 million) and a total comprehensive result of $5.6 million ($6.3 million).

In 2013-14 there was a $1.1 million increase in total income, reflecting mainly an increase in gift income of $2.4 million offset by a write-down in the value of investment property of $1.4 million as a result of a revaluation undertaken at 30 June 2014 (refer note 15 to the financial statements). There was also a $1.2 million increase in total expenses of which $1.1 million relates to an increase in funds provided to public health entities for research, equipment, patient amenities and other approved expenses.

The amounts of revenue and expenditure are expected to vary from year to year in accordance with the value of gifts received for public health entities and approved claims for application of the funds.

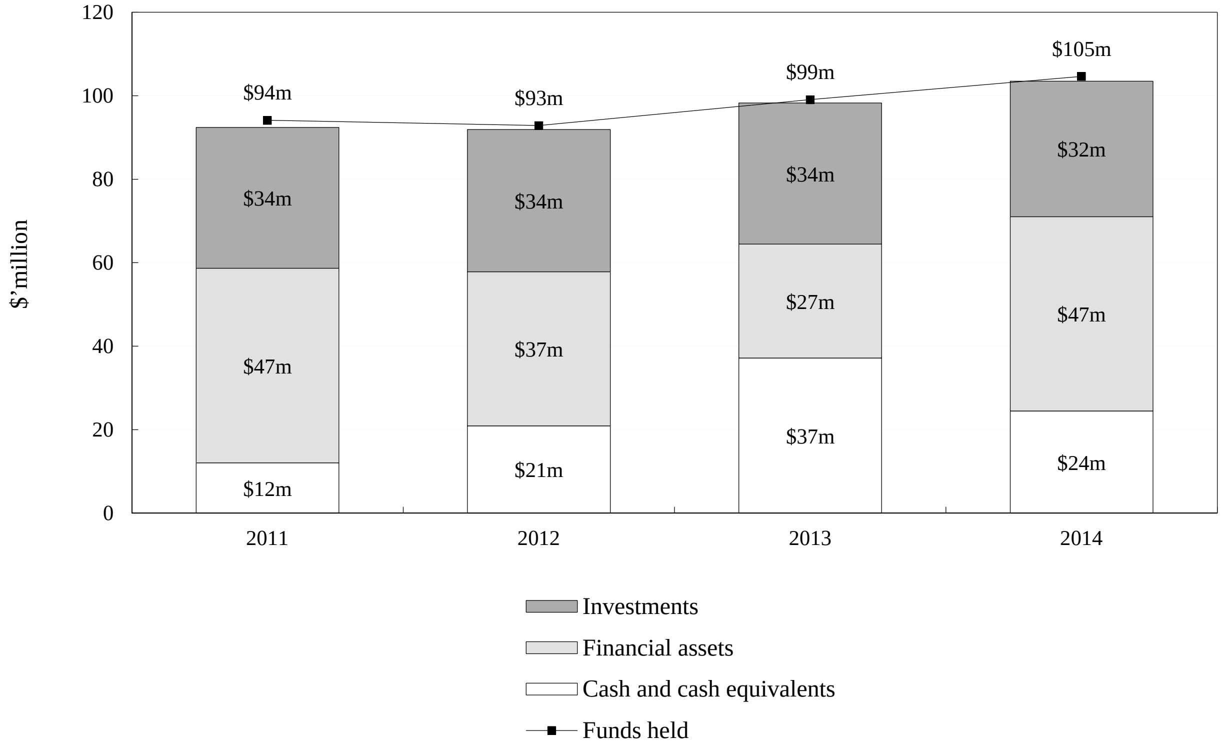
Statement of Financial Position

Assets and liabilities

The Board's main assets consist of short-term deposits of $30 million ($41 million), long-term loan of $15 million ($0), investment properties of $32 million ($34 million) and shareholdings of $25 million ($23 million). There are no material liabilities recognised by the Board.

During the year the Board provided a loan of $15 million to the South Australian Health and Medical Research Institute (SAHMRI) to establish a cyclotron facility in South Australia. The loan is for a period of 15 years (refer note 13 to the financial statements).

A structural analysis of cash, financial assets, investments and funds held for the four years to 30 June 2014 is shown in the table below.



Over the four years total assets have increased from $94 million to $104 million.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2014.

	2014 $'million	2013 $'million	2012 $'million	2011 $'million
Net cash flows				
Operating	3.3	3.6	5.2	5.9
Investing	(16.0)	12.7	3.7	(3.7)
Change in cash	(12.7)	16.3	8.9	2.2
Cash at 30 June	24.5	37.2	20.9	12.0

The analysis of cash flows shows that the decrease in cash held of $12.7 million is mainly attributable to the purchase of investments of $18.2 million which mainly reflects the loan of $15 million provided to SAHMRI during the year.

Further commentary on operations

Section 21 of the HSCG Act enables the Board to act as a trustee or co-trustee. Financial reports for the trustee arrangements are included at the end of the Board's financial report.

During the year the Board was appointed trustee of the South Australian Health and Medical Research Institute Charitable Health Trust (the Trust). The Trust was established by Ministerial direction and an initial sum of $15.8 million was provided to the Board by the Minister for Health. The funds are to be used for health and medical research and infrastructure. The balance of the trust funds at 30 June 2014 was $12.5 million. Income and capital from the Trust totalling $3.5 million was applied to SAHMRI during 2013-14.

Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Income:			
Funds received:			
Gifts to public health entities vesting in the Health Services Charitable Gifts Board		7 112	4 742
Revenue from Helpmann Family Foundation	1.3	227	227
		7 339	4 969
Investment of funds:			
Interest revenue		1 579	1 924
Dividends and trust distributions		1 177	1 008
Imputation credits	2(f)	438	397
Rental revenue	15	2 863	2 794
Net gain from the disposal of investments	5	299	73
Net gain from the disposal of investment properties	6	-	27
Property revaluation	2(n),15	(1 380)	13
Other revenue		16	16
		4 992	6 252
Total income		12 331	11 221
Expenses:			
Administration expenses:			
Accounting fees	7	22	20
Administration costs	8	182	188
Auditors remuneration	9	31	42
Commissioners remuneration	10	49	52
Consultancy fees	11	5	5
		289	307
Investment property expenses:			
Investment property expenses	15	367	231
Funds distributed:			
Research, equipment, patient amenities and other approved expenses of public health entities and prescribed research bodies		8 666	7 553
Total expenses		9 322	8 091
Net profit (loss)		3 009	3 130
Other comprehensive income:			
Financial asset revaluations taken to equity		2 921	3 217
Revaluation adjustments on financial assets disposed of during the period	5	(341)	(69)
Net gain (loss) on financial assets recognised directly in equity		2 580	3 148
Total comprehensive result		5 589	6 278

Statement of Financial Position
as at 30 June 2014

	Note	2014 $'000	2013 $'000
Current assets:			
Cash and cash equivalents	12	24 480	37 187
Other financial assets	13	5 700	3 700
Receivables	14	1 189	911
Investment properties held for sale	15	840	900
Total current assets		32 209	42 698
Non-current assets:			
Other financial assets	13	40 827	23 555
Receivables	14	90	-
Investment properties	15	31 645	32 910
Property, plant and equipment	16	3	-
Total non-current assets		72 565	56 465
Total assets		104 774	99 163
Current liabilities:			
Payables	17	103	96
Other current liabilities	18	27	12
Total current liabilities		130	108
Total liabilities		130	108
Net assets		104 644	99 055
Funds held:			
Funds		98 944	95 935
Revaluation surplus		5 700	3 120
Retained earnings		-	-
Total funds held	19	104 644	99 055
Unrecognised contractual commitments	22		
Contingent assets and liabilities	23		

Statement of Changes in Equity for the year ended 30 June 2014

	Note	Funds held $'000	Revaluation surplus $'000	Retained earnings $'000	Total funds held $'000
Balance at 30 June 2012		92 870	(28)	-	92 842
Gain on revaluation of investments	2(m)	-	3 217	-	3 217
Realised investment revaluation transferred	5	-	(69)	-	(69)
Net income recognised directly in equity for 2012-13		-	3 148	-	3 148
Net profit for 2012-13		-	-	3 130	3 130
Total comprehensive result for 2012-13		-	3 148	3 130	6 278
Net profit (loss) distributed to funds		3 065	-	(3 065)	-
Amounts transferred to:					
Metropolitan Domiciliary Care Services	1.1	-	-	(48)	(48)
Intellectual Disability Services Council Inc	1.1	-	-	(17)	(17)
		3 065	-	(3 130)	(65)
Total change for the period		3 065	3 148	-	6 213
Balance at 30 June 2013		95 935	3 120	-	99 055
Gain on revaluation of investments	2(m)	-	2 921	-	2 921
Realised investment revaluation transferred	5	-	(341)	-	(341)
Net income recognised directly in equity for 2013-14		-	2 580	-	2 580
Net profit for 2013-14		-	-	3 009	3 009
Total comprehensive result for 2013-14		-	2 580	3 009	5 589
Net profit (loss) distributed to funds		3 009	-	(3 009)	-
Total change for the period		3 009	2 580	-	5 589
Balance at 30 June 2014		98 944	5 700	-	104 644

Statement of Cash Flows
for the year ended 30 June 2014

		2014	2013
		Inflows	Inflows
		(Outflows)	(Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Cash inflows:			
Rent		3 175	3 361
Dividends and trust distributions		1 160	1 008
Imputation credits		397	332
Interest		1 450	2 545
Other income		16	26
Helpmann Family Foundation		227	227
Donations to public health entities vesting in the Board		6 631	4 565
Cash generated from operations		13 056	12 064
Cash outflows:			
Supplies and services		(840)	(562)
Research, equipment, patient amenities and other approved expenses of public health entities		(8 728)	(7 666)
GST paid to the ATO		(219)	(279)
Cash used in operations		(9 787)	(8 507)
Net cash provided by (used in) operating activities	20	3 269	3 557
Cash flows from investing activities:			
Cash inflows:			
Proceeds from the sale of investment property		-	306
Proceeds from the sale/maturity of investments		2 261	17 015
Cash generated from investing activities		2 261	17 321
Cash outflows:			
Purchase of improvements to investment properties		(61)	(7)
Purchase of property, plant and equipment		(4)	-
Purchase of investments		(18 172)	(3 989)
Payments to Intellectual Disability Services Council Inc	1.1	-	(79)
Payments to Metropolitan Domiciliary Care Services	1.1	-	(545)
Cash used in investing activities		(18 237)	(4 620)
Net cash provided by (used in) investing activities		(15 976)	12 701
Net increase (decrease) in cash and cash equivalents		(12 707)	16 258
Cash and cash equivalents at 1 July		37 187	20 929
Cash and cash equivalents at 30 June	12	24 480	37 187

Notes to and forming part of the financial statements

1. Objectives of the Health Services Charitable Gifts Board (the Board)

The *Health Services Charitable Gifts Act 2011* (the Act) was proclaimed on 30 June 2011 for commencement on 1 July 2011. The *Public Charities Funds Act 1935* (the old Act) was consequentially repealed, however the operations of the Commissioners of Charitable Funds continued in existence as the Health Services Charitable Gifts Board.

Pursuant to the Act, prescribed gifts made to or received by public health entities (as defined in the Act and Regulations) vest in the Board. A prescribed gift means property given to a public health entity. Such gifts form part of the charitable asset which the Board prudentially manages and applies for the benefit of public health entities.

1. Objectives of the Health Services Charitable Gifts Board (the Board) (continued)

These financial statements have been prepared in accordance with the requirements of the Act. Comparative figures, unless otherwise indicated, have not been adjusted.

1.1 Vesting of gifts

On the commencement of the Act all property previously vested in the Commissioners of Charitable Funds formed part of the charitable assets of the Board.

The transitional provisions of the Act require the Board to transfer funds held for the Intellectual Disability Services Council Inc and Metropolitan Domiciliary Care Services to the responsible Minister on request. Such a request was received during the previous year and payment in full was made during May 2013 of all amounts held on behalf of the above bodies. Up until the time of payment the funds held were administered as if they were vested funds.

The Act enables the Board to act as trustee or co-trustee of a trust where the Board is named or otherwise asked to act in those roles.

The Board was appointed as trustee of the Ray & Shirl Norman Cancer Research Trust on 21 September 2011 (refer note 1.4).

During the current financial year the Board was appointed as trustee of the South Australian Health and Medical Research Institute Charitable Health Trust (SAHMRICHT). This trust was established by Ministerial direction in accordance with the Act and formalised by deed dated 25 September 2013 (refer note 1.5).

As the assets have not vested in the Board the operations of each of these trusts are reported separately from those of the Board.

1.2 Investment of funds

Under the Act the Board has all the powers of a natural person that are capable of being exercised by a body corporate. It is able to determine appropriate investment strategies to apply.

Pursuant to section 23 of the Act, the Board meets regularly with the public sector employee who has been nominated by the Minister. Acting on a suggestion arising from an earlier meeting the Board continues to work with a consultant with expertise to assist the Board in strengthening and improving the Board's investment policies.

1.3 Helpmann Family Foundation

The income received from the Helpmann Family Foundation has been recorded separately in the Statement of Comprehensive Income as none of the assets contained in the S M & M G Helpmann Estates have been received by the Board but remain assets of the Helpmann Family Foundation.

When the current Act commenced the Board formally assumed its role as co-trustee of the S M Helpmann Estate. Subsequent advice obtained from the Crown Solicitor was that the Board should not act in this role. The Board has accepted that advice and has withdrawn as co-trustee in the previous year.

1.4 Ray & Shirl Norman Cancer Research Trust (the Norman Trust)

The Board was appointed as sole trustee of the Norman Trust on 21 September 2011 by way of orders from the Supreme Court of South Australia.

The assets have not vested in the Board but are administered by them as trustee in accordance with the terms of the document establishing the Norman Trust.

Included in these financial statements are special purpose financial reports for the Norman Trust for the year ended 30 June 2014.

1.5 SAHMRICHT

The Board was appointed as trustee of SAHMRICHT on 23 September 2013 pursuant to a Ministerial direction and the Trust Deed.

The assets have not vested in the Board but are administered by them as trustee in accordance with the terms of the deed establishing SAHMRICHT.

Included in these financial statements are special purpose financial reports for SAHMRICHT for the year ended 30 June 2014.

2. Summary of significant accounting policies

(a) Statement of compliance

The Board has prepared these financial statements in compliance with section 23 of the PFAA.

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

The Board has applied AASs that are applicable.

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 2014. These are outlined in note 4.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Board's accounting policies. The areas involving a higher degree of judgement 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 APSs require the following note disclosures, which have been included in this financial report:

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

  (b) 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.

The Board's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accruals 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 on a 12 month period and presented in Australian currency.

The Board has been granted exemption from APS 2.1 contained within the APF IV which requires that financial assets be reported at cost. As a result the Board continues to report its financial assets at market value as this is considered to be appropriate given the nature of the activities of the Board and the users of the financial statements.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014 and the comparative information presented.

(c) Reporting entity

The financial report covers the Health Services Charitable Gifts Board as an individual reporting entity. The Board was established pursuant to the Act.

(d) Comparative information

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

Where the 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 statement 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 and imputation credits

The Board is exempt from income tax and has been issued with deductible gift recipient status by the ATO. As a result, a donation received by the Board may be an allowable deduction to the donor.

Notwithstanding the income tax exempt status, the Board is entitled to a refund of excess imputation credits. The Board recognises the entitlement to this refund as revenue at the time of receipt of the franked dividend or distribution.

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

The net amount of GST payable to the ATO is included as part of 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 activities, which is 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) Events after the reporting period

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 are material and 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.

(h) 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 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.

Revenues

Revenues are measured at fair value of consideration received or receivable. Revenue is recognised for major activities as follows:

- rental income arising on investment properties is accounted for on a straight-line basis over the lease term
- income from the disposal of non-current assets is recognised when control of the asset has passed to the buyer and is determined by comparing proceeds to the carrying amount. When revalued assets are sold the revaluation increments are transferred to retained earnings
- assets other than cash vesting in the Board are recognised at fair value as an asset and income of the Board when control of the asset passes.

(i) Allocation of net profit to funds

The Board maintains sufficient information for each individual fund to be able to determine each fund's corpus and accumulation amount.

(i) Allocation of net profit to funds (continued)

The net profit is allocated to each individual fund recognising the corpus and accumulation components of the fund and the underlying nature of the assets comprising the pool assets. Interest, rent and dividend type income from pooled assets are treated as accumulation income. Other transactions related to the holding of pooled shares and pooled investment properties are treated as corpus income (ie realised and unrealised gains).

Accumulation income is allocated to each fund based on the average balance of pooled funds invested by each individual fund after allowing for administration expenses.

In allocating the corpus income, first the proportion of pool assets sourced from corpus balances compared to the total pool is determined and applied to corpus income. This proportion of the corpus income is allocated proportionately to each fund with a corpus amount invested in the pool. The remainder of corpus income is allocated to each fund based on the average balance of pooled funds invested by each individual fund.

(j) 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. 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.

(k) Cash and cash equivalents

Cash and cash equivalents recorded 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.

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.

(l) Receivables

Receivables include amounts receivable from goods and services and imputation credits refundable.

Receivables are generally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Collectability of receivables is reviewed on an ongoing basis. No allowance has been raised for bad or doubtful debts as there is no evidence that the Board will not be able to collect any debts due.

(m) Other financial assets

The Board classifies its investments into the following categories: held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and at each reporting date.

Held-to-maturity investments – these are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Board’s management have the ability and the positive intention to hold to maturity.

Available-for-sale financial assets – these assets include marketable equity securities. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. They are measured at fair value with changes to fair value taken to the investment reserve established for that purpose.

Purchase and sale of investments are recognised on trade date - the date on which the Board commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred.

Shares and other financial assets have been recorded at fair value at 30 June 2014.

(n) Investment properties

Investment properties, comprising freehold land and office buildings, are held for long-term rental yields and, apart from a minor area of one property, are not occupied by the Board. The Board has determined that it is appropriate to treat all properties as investment properties.

Investment properties are initially measured at cost, including transaction costs, and are subsequently measured at fair value. Any gains or losses arising from changes in fair value are recognised in the Statement of Comprehensive Income in the periods in which they arise.

The property previously occupied by the Board in Halifax Street, Adelaide was sold during the previous financial year. The Board's office was moved to a portion of the property situated in Waymouth Street, Adelaide.

The Board's interest in Town Acre 86 has been revalued as at 30 June 2014 in line with the Valuer-General's assessment as to the value at that date. The last independently obtained value of the property for rental determination purposes pursuant to the head lease agreement was finalised during the previous year but implemented as at 30 June 2012.

The Clare property was valued at 10 June 2014 by Lindsay Wapper & Associates Valuation Services. As at 30 June 2014 this property was held for sale.

The other investment properties were valued at 30 June 2014 by Jones Lang LaSalle Advisory Services Pty Ltd.

These independently determined values were adopted by the Board.

As noted in the previous year, there are continuing structural concerns at the Board's Greenhill Road, Wayville property. The issues continue to be monitored by engineers engaged by the Board and the building's insurers.

(o) 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.

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

Impairment is generally limited to where an asset's replacement cost is falling.

(p) 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.

Payables

Payables include accrued expenses and net GST payable on taxable supplies less anticipated input credits.

Accrued expenses represents goods and services provided by other parties during the period that are unpaid at the year 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.

(q) 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 payable to, or recoverable from, the ATO the commitments and contingencies are disclosed on a gross basis.

3. Financial risk management

The Board is exposed to a variety of financial risks, market risk, credit risk and liquidity risk. Risk management policies and practices are in accordance with internal written policies and approved by the Board.

The Board has non-interest bearing assets (cash on hand and on call and receivables), liabilities (payables) and interest bearing assets (held to maturity investments).

The Board's exposure to cash flow interest risk is minimal. The Board is exposed to price risk for changes in interest rates that relate to investments at fair value.

The Board has exposure to market risk in relation to its equity investment portfolio. The portfolio is diversified, regularly reviewed and invested pursuant to external investment advice.

The Board has no significant concentration of credit risk. The Board has policies and procedures in place to ensure that transactions occur with entities with appropriate credit ratings.

4. New and revised accounting standards and policies

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.

Other than as disclosed above the Commissioners did not voluntarily change any of its accounting policies during 2013-2014.

	2014	2013
5. Gain (Loss) from disposal of investments		
Shares in listed companies:	$'000	$'000
Proceeds from disposal	2 271	1 449
Costs of disposal	(9)	(6)
	2 262	1 443
Net carrying value at time of disposal	(2 304)	(1 439)
	(42)	4
Amounts already recognised in equity:		
Current year gain (loss)	220	76
Cumulative gains (losses) from previous years	121	(7)
	341	69
Net gain (loss) on disposal	299	73
6. Gain (Loss) from disposal of investment properties		
Proceeds from disposal	-	317
Costs of disposal	-	(10)
	-	307
Carrying value at time of disposal:		
Original cost of investment property	-	319
Revaluation adjustments previously recognised in income	-	(39)
	-	280
Net gain (loss) on disposal	-	27
7. Accounting fees		
During the year the Board engaged the following professional service provider:		
Thompson & Cooper Partners	22	-
John Yeatman - Chartered Accountant	-	20
	22	20
8. Administration costs		
Included in administration costs are employment benefits expenses paid, accrued or adjusted during the year:		
Salaries and wages	134	116
Employment on-costs - superannuation	12	10
Other employee related expenses	-	8
Total employee benefits expense	146	134
General administration expenses	36	54
Total administration costs	182	188

No employees earned or were remunerated at a level equal to or in excess of the base executive remuneration level.

Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, and any other salary sacrifice benefits.

9. Auditor’s remuneration

	2014 $’000	2013 $’000
Audit fees payable to the Auditor-General relating to the audit of the financial statements	31	42

No other services were provided by the Auditor-General.

10. Commissioners’ remuneration

Total remuneration of Commissioners	49	52

The number of Commissioners whose remuneration received or receivable falls within the following bands:	2014 Number	2013 Number
$10 000 - $19 999	2	2
$20 000 - $29 999	1	1

Commissioners’ remuneration reflects all costs of performing Commissioners’ duties including sitting fees, superannuation contributions and any other salary sacrifice arrangements. Total remuneration received by Commissioners was $49 000 ($52 000).

Amounts paid to a superannuation plan for the Commissioners were $4000 ($4000).

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

The Commissioners holding office during the year were:

Robyn Pak-Poy (Chair)
Geoff Loveday
Villis Marshall

11. Consultancy fees

	2014 $’000	2013 $’000
Trevor Kennett	3	5
Mark Coleman	2	-
	5	5

These consultants have been engaged to assist with a review of the investment policies and strategy of the Board.

12. Cash and cash equivalents

Cash at bank - at call	3 730	13 187
Short-term deposits - less than three months to maturity	20 750	24 000
	24 480	37 187

13. Financial assets

Current:		
Short-term deposits - more than three but less than 12 months to maturity	5 700	3 700
	5 700	3 700
Non-current:		
Secured investment at cost	445	445
Long-term loan at cost	15 000	-
	15 445	445
Shares and other listed securities at fair value (refer note 13(a))	25 382	23 110
	40 827	23 555

The secured investment is an advance to the Port Pirie Regional Health Service Inc in the form of a first mortgage over land and buildings held by the health service. Since commencement this investment has been interest free. Under the terms of the agreement the health service has foregone income allocations on an equivalent amount. The Board has no intention of varying the original arrangement.

13. Financial assets (continued)

During the year the Board provided a loan of $15 million to the South Australian Health and Medical Research Institute (SAHMRI) for a total period of 15 years. This is secured against other funds held and invested by SAHMRI Investments Pty Ltd. The loan is for a total period of 15 years at an interest rate based on the Reserve Bank of Australia cash rate plus a margin of 0.75%. Only interest is payable during the first five years with quarterly principal and interest repayments required thereafter.

The funds have been used by SAHMRI to acquire, establish and commission a cyclotron facility in South Australia to produce isotopes for use by South Australian organisations.

(a) Fair value measurements

Accounting standards require the disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(ii) inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices) (level 2)

(iii) inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (level 3).

The fair value of shares and other listed securities traded in active markets are based on quoted market prices at the end of the reporting period. The fair value of all of these instruments have been categorised as level 1.

14. Receivables

	2014	2013
Current:	$'000	$'000
Interest income accrued	359	231
Rental income accrued	172	175
Dividend income accrued	19	-
Prepayments - legal fees	165	104
Prepayments - other	34	4
GST receivable on accrued income	2	-
Imputation credits receivable	438	397
	1 189	911
Non-current:		
Prepayments - other	90	-
	90	-

As at 30 June 2014 $165 000 ($104 000) in fees paid to the Crown Solicitor's Office in relation to disputes and other issues associated with various deceased estates in which the Board has an interest were recognised as receivables. On finalisation of these matters, the costs will be recovered/offset against the funds received from the respective estates.

Included in prepayments - other are amounts of $30 000 (current) and $90 000 (non-current) relating to the unexpired portion of lease incentive paid to secure a long-term lease over the Torrens Road investment property. The total amount paid was $150 000 and it is being expensed in a straight-line over the five year period of the lease commencing 1 July 2013.

Interest rate and credit risk

The above receivables are non-interest bearing. The carrying amount approximates net fair value due to being receivable on demand. Rental income accrued includes $155 000 ($175 000) outstanding from the head lessee of Town Acre 86. Apart from this amount there is no significant concentration of credit risk.

15. Investment properties

	2014	2013
At fair value:	$'000	$'000
Balance at 1 July	33 810	34 070
Disposals at carrying value	-	(280)
Capitalised subsequent expenditure	55	7
Net revaluation increment (decrement)	(1 380)	13
Balance at 30 June	32 485	33 810
Current:		
Investment properties held for sale	840	900
Non-current:		
Investment properties held for long-term rental	31 645	32 910
	32 485	33 810

15. Investment properties (continued)

	2014	2013
Amounts recognised in the Statement of Comprehensive Income for investment properties:	$'000	$'000
Rental income	2 863	2 794
Direct operating expenses	(367)	(231)
Total amount recognised	2 496	2 563

(a) Fair value measurements

Accounting standards require the disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(ii) inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices) (level 2)

(iii) inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (level 3).

Fair value measurements for investment properties recognised as at 30 June 2014 are the amounts for which the properties could be exchanged between willing parties and an arm's length transaction, based on current prices in an active market for similar properties. The fair values have been determined by external, independent property valuers, having appropriate, recognised professional qualifications and recent experience in the location and category of property being valued.

The fair value of all investment properties have been categorised as level 2.

16. Property, plant and equipment

	2014	2013
	$'000	$'000
Office equipment at cost	3	-

17. Payables

Accrued expenses	49	50
GST payable	54	46
	103	96

18. Other liabilities

Rent received in advance	27	12

19. Funds held

Funds held on behalf of the following public health entities or their successor bodies:		
Royal Adelaide Hospital (RAH) - General	85 080	82 221
RAH - Glenside campus	691	692
RAH - Private Practice Fund*	4 726	4 437
Hillcrest Hospital	100	94
Port Augusta Hospital and Regional Health Service Inc	22	21
Port Lincoln Health and Hospital Services Inc	368	348
Port Pirie Regional Health Service Inc	530	526
The Queen Elizabeth Hospital	1 073	935
SA Dental Service	8	7
Whyalla Hospital and Health Services Inc	292	269
Mount Gambier and Districts Health Service Inc	690	649
Northern Yorke Peninsula Health Service	28	26
SA Pathology	8 422	8120
Women's and Children's Hospital	1 954	526
Lyell McEwin Hospital	369	184
Repatriation General Hospital	132	-
Flinders Medical Centre	88	-
Noarlunga Hospital	3	-
SA Ambulance Service	68	-
	104 644	99 055

* The Board holds $4.726 million ($4.437 million) from the RAH doctors' right to private practice at the hospital. During the current financial year the treatment of these funds was clarified by the Minister, SA Health and the RAH and, as a result, these funds form part of the charitable asset.

20. Reconciliation of net cash provided by (used in) operating activities to net profit

	2014 $'000	2013 $'000
Net profit	3 009	3 130
Adjustments for non-cash items:		
Profit (Loss) on disposal of listed securities	(299)	(73)
Profit (Loss) on disposal of investment property	-	(27)
Profit (Loss) on revaluation of investment property	1 380	(13)
Non-cash transactions for public charitable institutions	(481)	(113)
Income allocations to Intellectual Disability Services Council Inc and Metropolitan Domiciliary Care Services	-	(65)
Movements in assets/liabilities:		
Receivables	(264)	887
Imputation credits receivable	(40)	(64)
Prepayments	(60)	(104)
Payables	2	(3)
Unearned revenue	14	12
GST payable	8	(10)
	260	427
Net cash provided by (used in) operating activities	3 269	3 557

21. Financial instruments/Financial risk management

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 and financial liability are disclosed in note 2.

		2014		2013	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash and cash equivalents	12	24 480	24 480	37 187	37 187
Other financial assets	13	46 527	46 527	27 255	27 255
Receivables*	14	839	839	514	514
Total financial assets		71 846	71 846	64 956	64 956
Financial liabilities					
Payables*	17	49	49	50	50
Other financial liabilities	18	27	27	12	12
Total financial liabilities		76	76	62	62

* Receivable and payable amounts disclosed here exclude amounts relating to imputation credits refundable and GST payable, as these obligations are sourced in legislation.

(a) 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 monitor the risk on a regular basis.

The Board has policies and procedures in place to manage credit risk and to ensure that transactions occur with customers with appropriate credit history. The Board does not hedge its financial assets.

As referred to at note 13 the Board holds a first mortgage charge over advances made to the Port Pirie Regional Health Service Inc.

Note 13 also refers to the long-term secured loan made to SAHMRI to establish a cyclotron facility. The loan is supported by a charge over the assets of SAHMRI Investments Pty Ltd which holds liquid assets in excess of the value of the funds advanced.

There is no evidence to indicate that any of the financial assets are impaired.

(a) Credit risk (continued)

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

			Contractual maturities		
		Carrying	Less than		More than
2014		amount	1 year	1-5 years	5 years
Financial assets:	Note	$'000	$'000	$'000	$'000
Cash and cash equivalents	12	24 480	24 480	-	-
Other financial assets	13	46 527	5 700	-	40 827
Receivables	14	839	749	90	-
Total financial assets		71 846	30 929	90	40 827
Financial liabilities:					
Payables	17	49	49	-	-
Other financial liabilities	18	27	27	-	-
Total financial liabilities		76	76	-	-
2013					
Financial assets:					
Cash and cash equivalents	12	37 187	37 187	-	-
Other financial assets	13	27 255	3 700	-	23 555
Receivables	14	514	514	-	-
Total financial assets		64 956	41 401	-	23 555
Financial liabilities:					
Payables	17	50	50	-	-
Other financial liabilities	18	12	12	-	-
Total financial liabilities		62	62	-	-

(b) Liquidity risk

Liquidity risk arises where the Board is unable to meet its financial obligations as they fall due.

During the year the Board advanced an amount of $15 million by way of long-term loan with SAHMRI. This loan is for a period of 15 years and is secured over liquid assets held by SAHMRI Investments Pty Ltd. Apart from this loan the Board's exposure to liquidity risk is insignificant.

The carrying amount of financial liabilities recorded above represent the Board's maximum exposure to financial liabilities.

(c) Market risk

Market risk is the risk that changes in market prices will affect the fair value of financial instruments.

By virtue of gifts and bequests the Board holds tradeable securities and will always be subject to market risks as capital securities have fluctuating market prices.

The Board seeks to reduce market risk of the investment portfolio by ensuring that it is not, in the opinion of the Board, overly exposed to one company or one particular sector of the market. The relative weightings of the individual securities and market sectors are reviewed and the risk appropriately managed.

The Board has formulated investment policies that set guidelines as to the maximum amount of the investment portfolio that can be invested in any one company or group of companies of an index.

(d) Sensitivity analysis

A general fall in the fair value of long-term investments of 5% and 10%, if equally spread over all assets in the portfolio, would lead to a reduction of in value of $1.269 million ($1.155 million) and $2.538 million ($2.31 million) respectively. The revaluation surplus at 30 June 2014 had a balance of $5.7 million ($3.12 million).

The Board believes the underlying quality of the assets support the conclusion that the value of financial assets are not overstated.

22. Unrecognised contractual commitments

Operating lease arrangements

Unrecognised amounts due under operating leases over investment properties owned by the Board. No amount has been recognised in the financial statements to 30 June 2014.

The properties owned by the Board are leased to third parties for commercial use. Lease terms vary between lessees with most requiring the payment of outgoings by the lessee.

Future minimum rentals revenues under non-cancellable operating commercial property leases (exclusive of GST):	2014 $'000	2013 $'000
Due within one year	2 685	2 718
Due between one and five years	8 269	9 026
Due after five years	231	1 983
	11 185	13 727

The lease over the Citi Centre property is for ground rent only and comprises base annual rental (paid monthly) of 8% of the value of the land. This value is determined every five years the most recent being done as at August 2011.

This base rent is supplemented each year by the payment of 4% of the net rental for the entire property. This at risk component has not been included in the above calculation.

23. Contingent assets and liabilities

At balance date the Board is not aware of any contingent assets.

The Board has a contingent liability in relation to structural issues at the Board's investment property at Greenhill Road, Wayville as follows:

Prior to the end of the previous financial year the Board was made aware of potential structural issues at its investment property at Greenhill Road, Wayville. Engineering firm John Bay and Associates were engaged to investigate this matter. Their initial report indicated that the property remains acceptable to use in its current configuration as an office building and that further investigation and ongoing monitoring is required.

Since the end of the current financial year the engineers have continued their work and preliminary indications are that the building will need major work in order to rectify the issues identified. The property continues to remain acceptable to use in its current configuration as an office building while investigations and monitoring continue. The cost of any such remedial work has not been provided for as the extent of work required is not known or quantified at the date of this report.

The property was independently valued by Jones Lang LaSalle Advisory Pty Ltd as at 30 June 2014 at $4.975 million ($6.385 million). This reduced valuation reflects all information available for this building at that date. The Board is assessing its options against the value of the property.

24. Post balance date event

Since the end of the financial year the Board has made the in principle decision to transfer the listed equity and cash portfolios to the Superannuation Funds Management Corporation of South Australia for them to manage on behalf of the Board. The implementation of this decision is expected to be completed during the first half of the 2014-15 financial year once the necessary regulatory and other approvals have been finalised.

Health Services Charitable Gifts Board as trustee
Ray & Shirl Norman Cancer Research Trust
Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	2014	2013
Income:			
Investment of funds:		$	$
Interest revenue		30 783	32 804
Dividends and trust distributions		250 732	230 978
Imputation credits		88 526	83 637
Net gain from disposal of financial assets	3	39 232	21 012
Total income		409 273	368 431
Expenses:			
Administration expenses:			
Administration costs	4	20 501	18 099
Research funding	5	209 091	172 727
Total expenses		229 592	190 826
Net profit (loss)		179 681	177 605
Other comprehensive income:			
Financial asset revaluations taken to equity		503 525	652 304
Revaluation adjustments on financial assets disposed of during the period	3	(43 370)	(21 272)
Net gain on financial assets taken to equity		460 155	631 032
Total comprehensive result		639 836	808 637

Health Services Charitable Gifts Board as trustee
Ray & Shirl Norman Cancer Research Trust
Statement of Financial Position
as at 30 June 2014

	Note	2014 $	2013 $
Current assets:			
Cash at bank		356 989	398 178
Short-term deposits - less than three months to maturity		700 000	400 000
Accrued revenue		3 084	2 319
GST receivable		4 546	17 273
Imputation credits receivable		88 526	83 637
Total current assets		1 153 145	901 407
Non-current assets:			
Listed securities at fair value	2.3	5 091 369	4 703 341
Total non-current assets		5 091 369	4 703 341
Total assets		6 244 514	5 604 748
Current liabilities:			
Accrued expenses		1 466	1 536
Total current liabilities		1 466	1 536
Total liabilities		1 466	1 536
Net assets		6 243 048	5 603 212
Trust funds:			
Trust funds		4 403 529	4 403 529
Revaluation surplus		644 786	184 631
Retained earnings		1 194 733	1 015 052
Total trust funds		6 243 048	5 603 212

Health Services Charitable Gifts Board as trustee
Ray & Shirl Norman Cancer Research Trust
Statement of Changes in Equity
for the year ended 30 June 2014

	Note	Trust funds $	Revaluation surplus $	Retained earnings $	Total trust funds $
Balance at 30 June 2012		4 403 529	(446 401)	837 447	4 794 575
Gain on revaluation of investments		-	652 304	-	652 304
Realised investment revaluation transferred	3	-	(21 272)	-	(21 272)
Net income recognised directly in equity for 2012-13		-	631 032	-	631 032
Net profit for 2012-13		-	-	177 605	177 605
Total comprehensive result for 2012-13		-	631 032	177 605	808 637
Total change for the period		-	631 032	177 605	808 637
Balance at 30 June 2013		4 403 529	184 631	1 015 052	5 603 212
Gain on revaluation of investments		-	503 525	-	503 525
Realised investment revaluation transferred	3	-	(43 370)	-	(43 370)
Net income recognised directly in equity for 2013-14		-	460 155	-	460 155
Net profit for 2013-14		-	-	179 681	179 681
Total comprehensive result for 2013-14		-	460 155	179 681	639 836
Total change for the period		-	460 155	179 681	639 836
Balance at 30 June 2014		4 403 529	644 786	1 194 733	6 243 048

Notes to and forming part of the financial statements

1. Objectives of the Ray & Shirl Norman Cancer Research Trust (the Trust or Fund)

The Trust was created under the will of Mr Raymond Norman who passed away on 23 March 2006. All income derived by the Trust is to be 'used for the purpose of the prevention and cure of cancer and anything incidental or conducive to those purposes'.

Under the terms of the will the Royal Adelaide Hospital (RAH) was appointed as trustee of the Fund and was required to administer the Fund for the designated purpose. Following legal advice that the RAH was not able to act as trustee application was made to the Supreme Court and the Health Services Charitable Gifts Board (HSCGB) assumed the role as sole trustee from 21 September 2011.

2. Summary of principal accounting policies

2.1 Format of the accounts

The attached financial reports and related notes are special purpose financial statements that provide information on the value and operations of the Trust being administered.

The Statements 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.

All amounts are rounded to the nearest dollar.

Dividend and distribution income is recognised on receipt.

2.2 Taxation and imputation credits

The Trust is exempt from income tax and has been granted status as a charitable fund.

As a charitable fund the Trust is entitled to a refund of imputation credits. Entitlement to this refund is recognised as revenue at the time of receipt of the franked dividend or distribution.

2.2 Taxation and imputation credits (continued)

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

- when 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 the receivables or payables in the Statement of Financial Position.

2.3 Basis of valuation of assets and liabilities

Cash and cash equivalents are carried at nominal amounts. Cash and cash equivalents recorded in the Statement of Financial Position 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 converted to cash and which are subject to insignificant risk of changes in value.

Shares and other financial assets have been recorded at fair value at 30 June 2014.

Accrued revenue and accrued expenses are carried at their nominal amounts.

3. Gain from disposal of financial assets

	2014	2013
Shares in listed companies:	$	$
Proceeds from disposal	370 388	719 611
Costs of disposal	(681)	(3 255)
	369 707	716 356
Net carrying value at time of disposal	(373 845)	(716 616)
	(4 138)	(260)
Amounts already recognised in equity:		
Current year	46 986	56 489
Cumulative gains (losses) from previous years	(3 616)	(35 217)
	43 370	21 272
Net gain on disposal	39 232	21 012

4. Administration costs

	2014	2013
Bank fees	70	70
Accounting services	2 376	-
General administration expenses*	17 600	18 029
Legal fees	455	-
	20 501	18 099

* This represents a recovery by the HSCGB to cover various administrative tasks undertaken and costs incurred in its capacity as trustee of the Trust.

5. Research funding

	2014	2013
Research funding	209 091	172 727

The will establishing the Trust required the income of the Fund to be used '... for the prevention and cure of cancer ...' and during the year funds were provided in support of cancer research projects.

Following a competitive scientific review process, projects were selected for funding during the 2013 to 2015 calendar years. At 30 June 2014 research funding amounts agreed to, but not yet due, totalled $200 000 ($300 000) (net of GST).

As these amounts are not yet due they have not been recognised in these financial statements.

The next call for applications for the funding of research projects will be in the second half of the 2014 calendar year.

6. Post balance date event

Since the end of the financial year the Board has made the in principle decision to transfer the listed equity and cash portfolios to Funds SA for them to manage on behalf of the Board. The implementation of this decision is expected to be completed during the first half of the 2014-15 financial year once the necessary regulatory and other approvals have been finalised.

Health Services Charitable Gifts Board as trustee
South Australian Health and Medical Research Institute Charitable Health Trust
Statement of Comprehensive Income
for the period 5 September 2013 to 30 June 2014

	Note	05.09.13 to 30.06.14 $
Income:		
Investment of funds:		
Interest revenue		209 115
Total income		209 115
Expenses:		
Administration expenses:		
Administration costs	3	1 811
Research funding	4	207 304
Total expenses		209 115
Net profit (loss)		-
Other comprehensive income		
Research funding recognised directly in equity		3 288 944
Total comprehensive result after application of capital		(3 288 944)

Health Services Charitable Gifts Board as trustee
South Australian Health and Medical Research Institute Charitable Health Trust
Statement of Financial Position
as at 30 June 2014

	05.09.13 to 30.06.14 $
Current assets:	
Westpac business account	715 003
SAFA cash management account	11 771 884
Accrued revenue	27 186
Total current assets	12 514 073
Non-current assets:	
Other financial assets	-
Total non-current assets	-
Total assets	12 514 073
Current liabilities:	
Accrued expenses	1 782
Total current liabilities	1 782
Total liabilities	1 782
Net assets	12 512 291
Trust funds:	
Trust funds	12 512 291
Retained earnings	-
Total trust funds	12 512 291

Health Services Charitable Gifts Board as trustee
South Australian Health and Medical Research Institute Charitable Health Trust
Statement of Changes in Equity
for the period 5 September 2013 to 30 June 2014

	Note	Trust funds $	Retained earnings $	Total trust funds $
Trust settlement		15 801 235	-	15 801 235
Total comprehensive result for 2013-14	4	(3 288 944)	-	(3 288 944)
Total change for the period		(3 288 944)	-	(3 288 944)
Balance at 30 June 2014		12 512 291	-	12 512 291

Notes to and forming part of the financial statements

1. Objectives of the South Australian Health and Medical Research Institute Charitable Health Trust (the Trust or Fund)

The Trust was established by Ministerial direction dated 5 September 2013 pursuant to section 20 of the *Health Services Charitable Gifts Act 2011.*

Under the terms of the deed establishing the Trust the Health Services Charitable Gifts Board (HSCGB) was appointed as trustee and an initial sum of $15 801 235 was provided by the Minister to be administered by the HSCGB.

The income of the Trust is to be applied solely for the benefit of the South Australian Health and Medical Research Institute (SAHMRI) in support of its health and medical research, or health and medical research infrastructure. Subject to Ministerial consent, the capital of the Trust may also be released for these purposes.

2. Summary of principal accounting policies

2.1 Format of the accounts

The attached financial reports and related notes are special purpose financial statements that provide information on the value and operations of the trust being administered.

The Statements have been prepared using the accrual basis of accounting and are in accordance with the historical cost convention.

All amounts are rounded to the nearest dollar.

As this is the first year of operation there are no comparative amounts.

2.2 Taxation and imputation credits

The Trust is exempt from income tax and has been granted status as a charitable fund.

2.3 Basis of valuation of assets and liabilities

Cash and cash equivalents are carried at nominal amounts. Cash and cash equivalents recorded 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.

Accrued revenue and accrued expenses are carried at their nominal amounts.

3. Administration costs

	05.09.13 to 30.06.14 $
Accounting services	1 782
Bank fees	29
	1 811

4. Research funding

During the year approval was obtained from the Minister to apply a portion of the capital of the Fund for health and medical research, or health and medical research infrastructure at SAHMRI. The HSCGB has determined that the amount of the capital return should be that amount that exceeds the net income of the Trust for the year as follows:

	05.09.13 to 30.06.14 $
Net income of the Trust	207 304
Application of capital	3 288 944
Total research funding paid to SAHMRI	3 496 248

5. Investment of funds

The deed prescribes the investment of funds only through the Superannuation Funds Management Corporation of South Australia or SAFA. In order to invest with the Superannuation Funds Management Corporation of South Australia, the Trust is required to be registered as a prescribed public authority.

At the end of the financial year an application to become a prescribed public authority is currently in progress. Until such time as this requirement is met the funds are currently invested in a SAFA cash management account.

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 Urban Development 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 for 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(4) of the *Housing and Urban Development (Administrative Arrangements) Act 1995* and section 31(1)(b) of the PFAA provide for the Auditor-General to audit the accounts of HomeStart for each financial year.

Assessment of controls

Section 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 2013-14, 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
- creditor account payment performance.

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 2014, 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

Matters noted during the course of the audit were outlined in a management letter to the officers responsible for the governance of HomeStart. The matters related to opportunities for improvement in the general control environment and were responded to by HomeStart.

The matters raised were:

- the new Front End Loans System (FELS) password configuration did not comply with HomeStart's password policy and there were some instances where staff were able to log into FELS using another staff member's login details
- the compliance of certain systems' password settings with HomeStart's password policy and the documentation of certain necessary system exceptions to that policy
- the lack of data restoration testing conducted during the financial year.

In response, HomeStart advised that single user access for FELS will be trialled, necessary system password policy exceptions will be recorded in the risk management system and HomeStart will look to resume data restoration testing from June 2014.

Interpretation and analysis of the financial report

Highlights of the financial report	2014 $'million	2013 $'million
Interest income	113	126
Interest expense	54	66
Net interest income	59	60
Other income	15	13
Other expenses	(29)	(30)
Government guarantee fee	(28)	(27)
Profit (Loss) before income tax equivalents	17	16
Income tax equivalents expense	(5)	(5)
Profit (Loss) after income tax equivalents expense	12	11
Change in fair value of derivatives and available-for-sale assets	-	5
Total comprehensive result	12	16
Assets		
Loans and advances	1 798	1 853
Other assets	130	133
Total assets	1 928	1 986
Liabilities		
Borrowings	1 737	1 800
Other liabilities	22	22
Total liabilities	1 759	1 822
Total equity	169	164

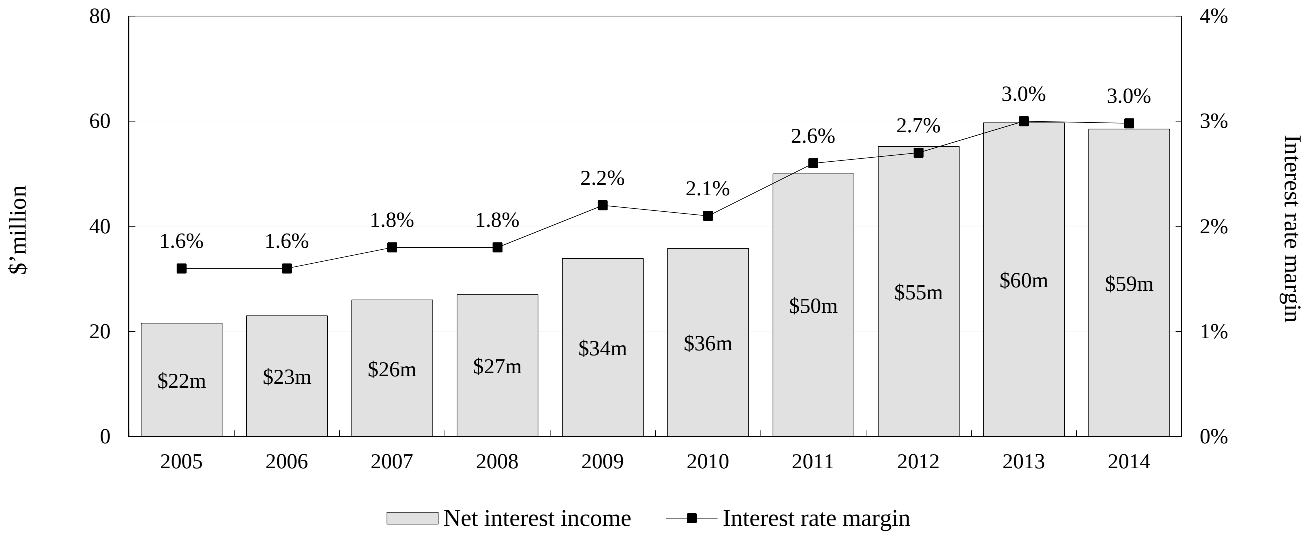
Statement of Profit or Loss and Other Comprehensive Income

Profit for the year

Profit before income tax equivalents increased by $679 000 to $17 million. Primary factors contributing to this increase 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 decreased by $1.2 million (2%), to $58.5 million. The decrease was due mainly to net loans and advances decreasing by 3% during the year.

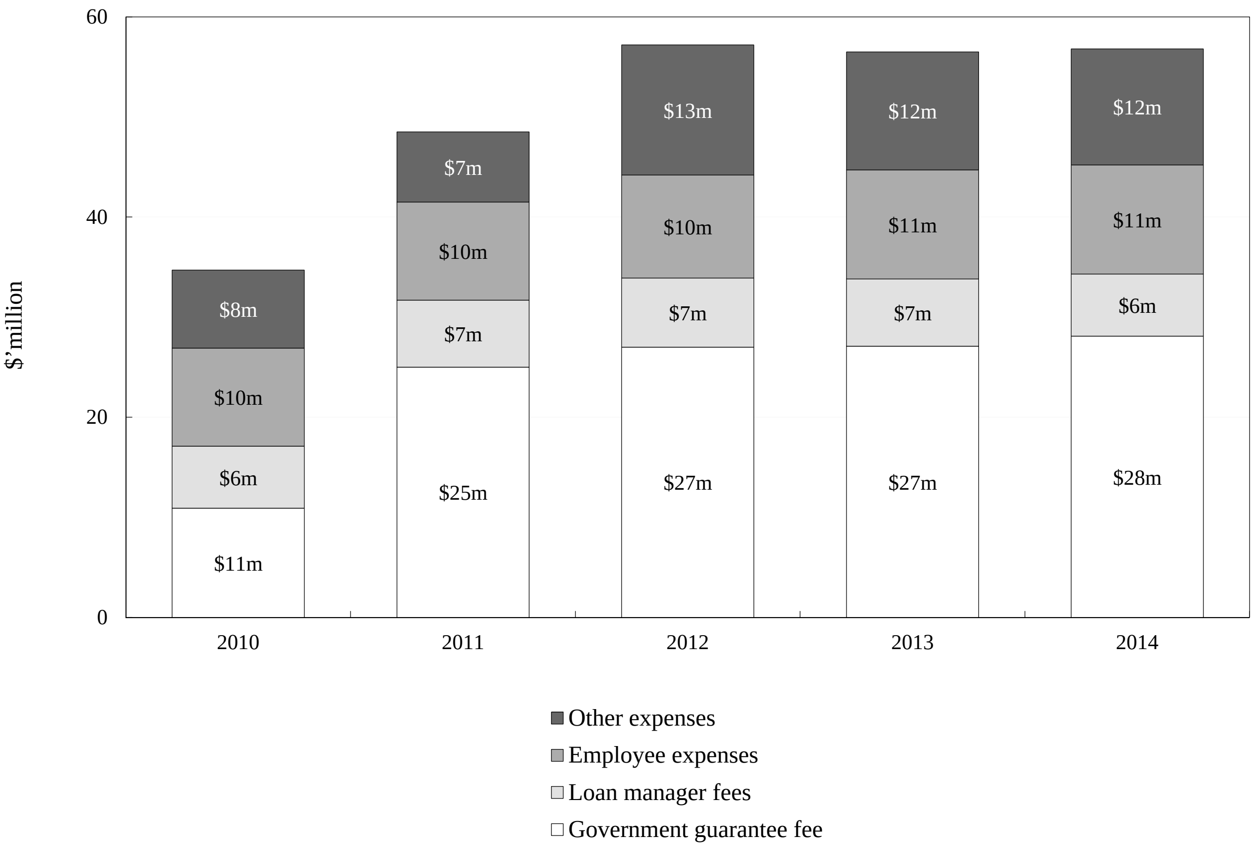
The chart shows the interest rate margin between loans and cost of funds increased significantly between 2010 and 2013, and has remained stable in 2014. The large increase in the margin in 2011 covered the increase in the Government guarantee fee in that year (refer 'Expenses other than interest' below).

Other income

Other income increased by $2.2 million to $15.3 million due mainly to the unrealised change in the fair value of the shared appreciation component of breakthrough loans. The gain amounted to $2.4 million, compared to a $1.5 million loss reported in other expenses in 2013. Further analysis on the breakthrough loans is provided below.

Expenses other than interest

The movement in expenses other than interest is illustrated in the following chart.



The chart shows that certain expenses have fluctuated since 2010. These are discussed below.

The Government guarantee fee increased significantly in 2011. In that year $11 million of the $14 million increase was due to an increase in the fee rate on outstanding borrowings from 0.75% in 2010 to 1.5% in 2011. The Government guarantee fee rate remained unchanged in 2012 and 2013, with the increase in that period due to additional borrowings. In 2014 the Government guarantee fee increased by $1 million due to an increase in the Government guarantee fee rate to 1.6%, equating to $1.8 million, which was offset by reduced borrowings.

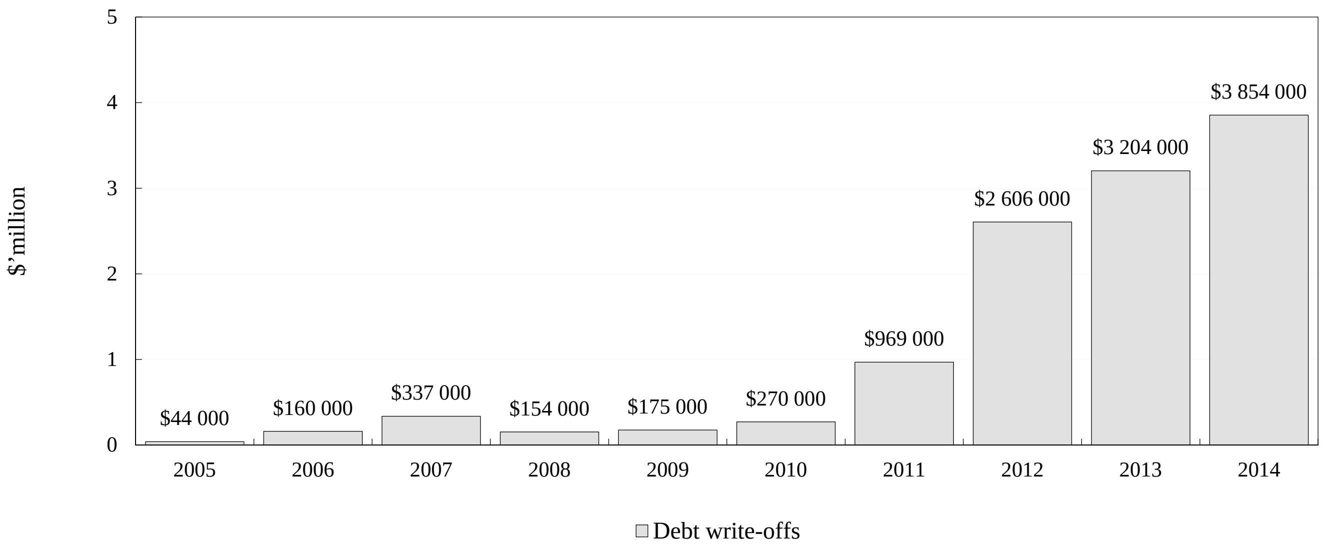
Matters impacting other expenses were:

- the recognition of losses in 2013 and 2012 from the unrealised change in the fair value of the shared appreciation component of breakthrough loans. The loss amounted to $1.5 million in 2013 and $3.6 million in 2012. In 2014 an income amount was recognised for this item. Further analysis on the breakthrough loans is provided below
- an increase in depreciation and amortisation expense of $359 000 to $917 000 due mainly to the implementation of new software
- an increase in information technology expense of $336 000 to $900 000 due mainly to the implementation of new software.

Bad and impaired loans expense

The bad and impaired loans expense for the year was $4.2 million ($4.1 million).

The total provision for impairment as at 30 June 2014 was $20.4 million ($20.1 million). The following chart shows the actual debt write-offs through the provision and the Statement of Comprehensive Income for the last 10 years.



The chart shows that for the period to 2010 actual debt write-offs were at low levels due to positive economic conditions, particularly the strong property market. The years from 2011 to 2014 show an increasing level of actual bad debts, reflecting the softer property market and increasing loan portfolio. While the trend in actual write-offs has increased, the provisions for impairment have remained consistent indicating that HomeStart's provisioning practices have previously catered for longer term bad debt risks.

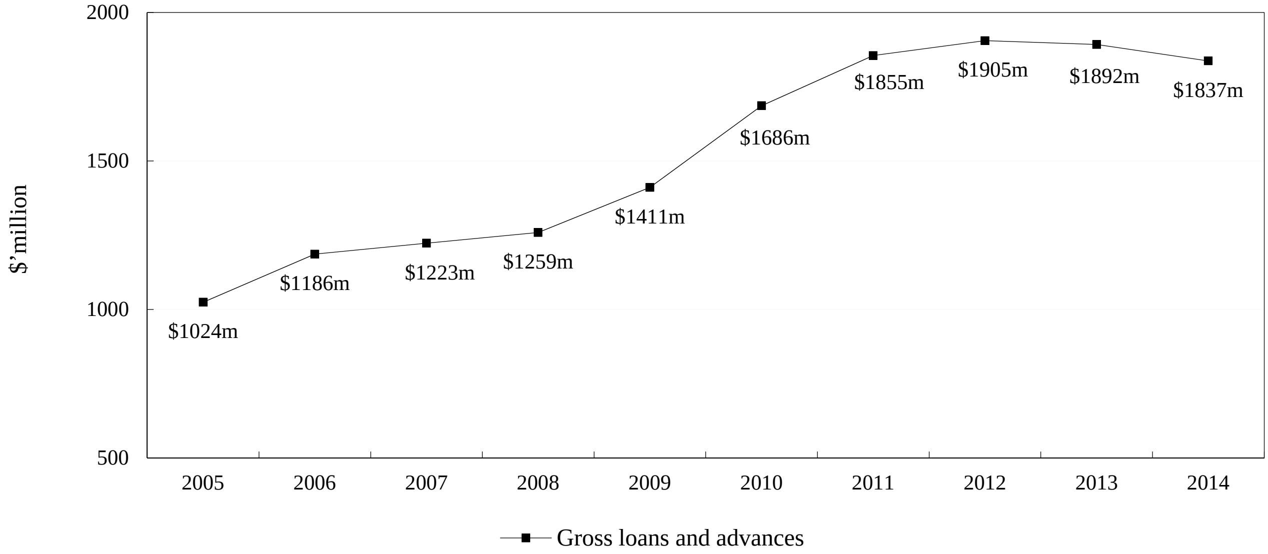
Further comments on the impairment of loans are provided under 'Statement of Financial Position' below.

Statement of Financial Position

Loans and advances

As at 30 June 2014 gross loans and advances amounted to $1.8 billion, a decrease of $55 million from the previous year.

The following chart shows the value of gross loans and advances over the past 10 years.



HomeStart has had a significant increase in the value of lending over the period to 2012, which reflects a range of factors including:

- the approval of the State Government for HomeStart to grow its asset base
- market acceptance of new products
- the increase in the average value of loans settled in line with the increase in property values
- additional first home owner incentive grants from the Commonwealth and State Governments from 2009 to 2011
- a reduction in the number of non-bank lenders and tighter lending practices by other financial institutions.

The decrease in gross loans from 2012 reflects the uncertain economic conditions and customers moving their loans to other institutions to take advantage of lower interest rates.

Breakthrough loans

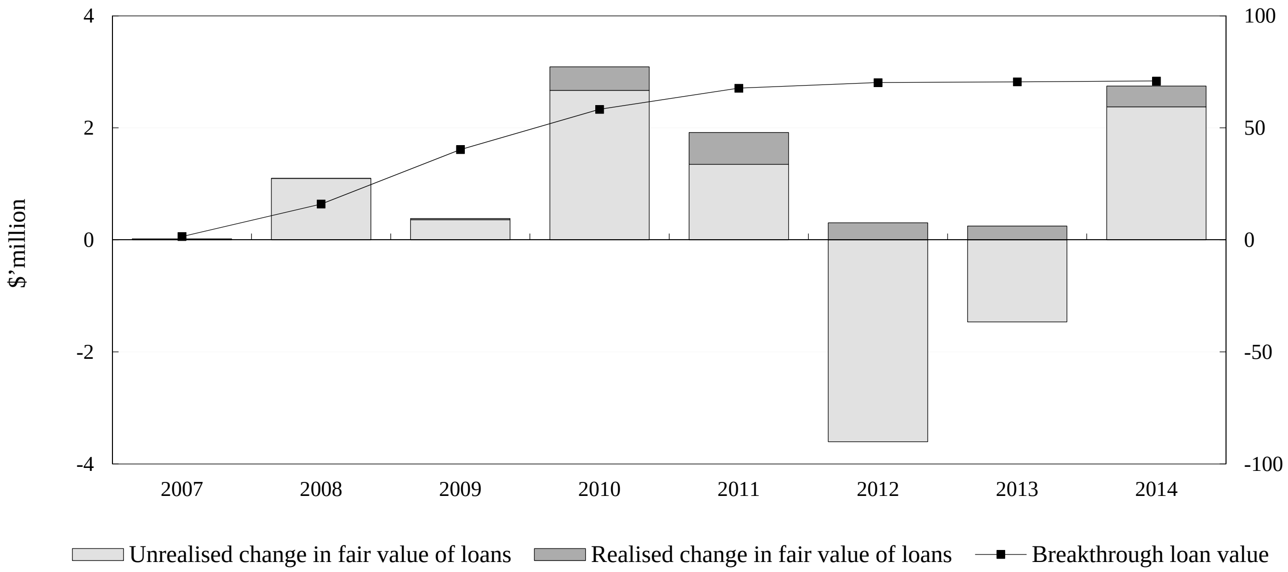
In 2006-07 HomeStart introduced the breakthrough loan facility. This facility includes two loan components:

- 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 to the financial statements).

The value of the shared appreciation component of breakthrough loans was $70.9 million ($70.5 million) at 30 June 2014. HomeStart has classified this component in the Statement of Financial Position as an investment at fair value through the profit or loss account (refer note 17 to the financial statements). Refer to further commentary under 'Investments' below.

In 2014 a net $2.7 million gain ($1.2 million loss) was recognised for this product comprising a $2.4 million gain ($1.5 million loss) recognised from revaluation and a $372 000 gain ($249 000 gain) recognised on discharge of breakthrough loans.

The chart below shows the impact of the breakthrough loans on the operating result of HomeStart and the total value of loans since their introduction in 2007.



Financial risks

Note 33 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 than is typically found in home loan portfolios. 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 because HomeStart 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.

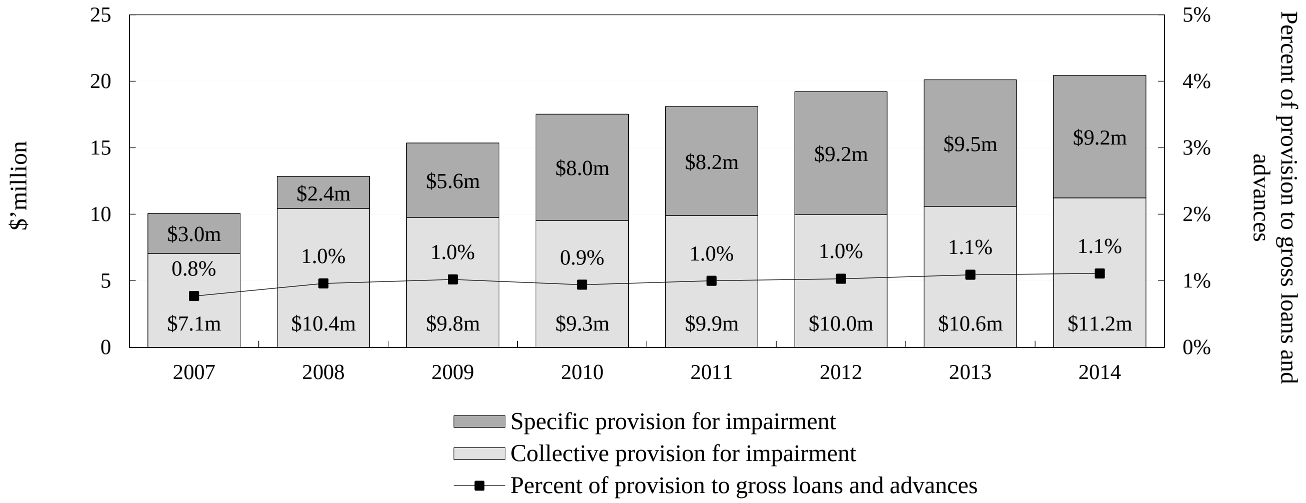
Provisions for impairment

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 $346 000 to $20.4 million. The total provision for impairment has two components:

- The specific provision (loans and advances that are individually assessed as impaired) as at 30 June 2014 was $11.2 million ($10.6 million)
- The collective provision as at 30 June 2014 was $9.2 million ($9.5 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 eight years.



The chart shows that while the provisions for impairment have increased, 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

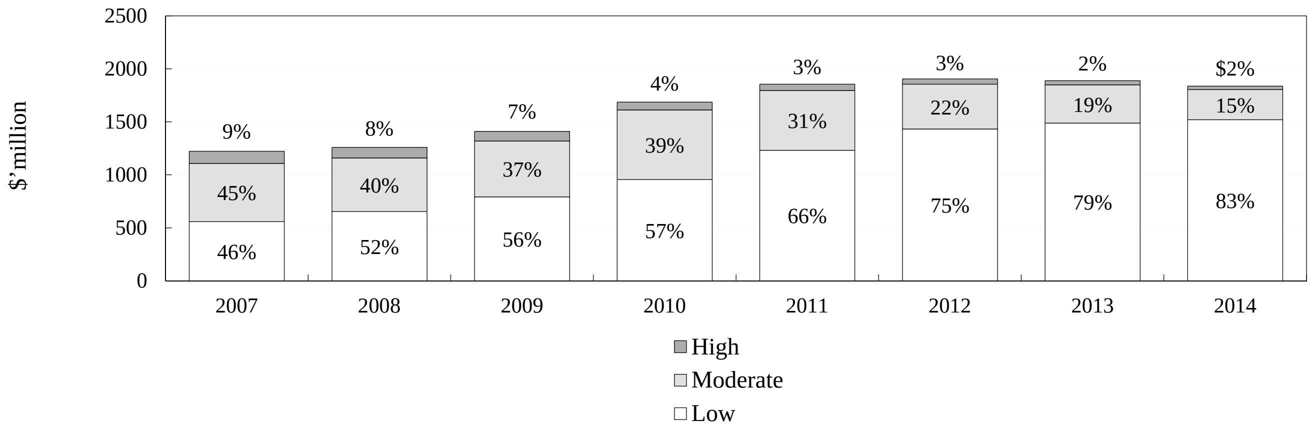
The general reserve for credit losses is used to set aside additional funds in excess of the specific and collective provisions determined under AASB 139. The maintenance of this reserve is consistent with the Australian Prudential Regulation Authority prudential risk management requirement of retaining sufficient retained earnings for capital adequacy purposes.

The balance of the reserve at 30 June 2014 was $7.8 million ($8.8 million).

The combined provisions for impairment and general reserve for credit losses take the total amount set aside for potential losses to $28.2 million ($28.9 million).

Loan quality

HomeStart has assessed the gross value of loans and advances to customers by credit risk grading (refer note 33.2.1(d) to the financial statements). The following chart summarises that assessment.



The chart shows the proportion of high and moderate credit risk category loans has reduced, with the majority of loans assessed as low credit risk.

Investments

HomeStart's financial investments amounted to $120 million ($122.3 million).

The shared appreciation component of the breakthrough loan product amounted to $70.9 million ($70.5 million) or 59% (58%) of total financial investments. 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. This loan product has been classified as an investment and is commented on previously under 'Breakthrough loans'.

The remaining financial investments include term deposits $18 million ($17.1 million), unit trusts $13.6 million (14.1 million), bonds $12 million ($14 million) and SAFA cash management fund $5.4 million ($6.5 million).

Liabilities

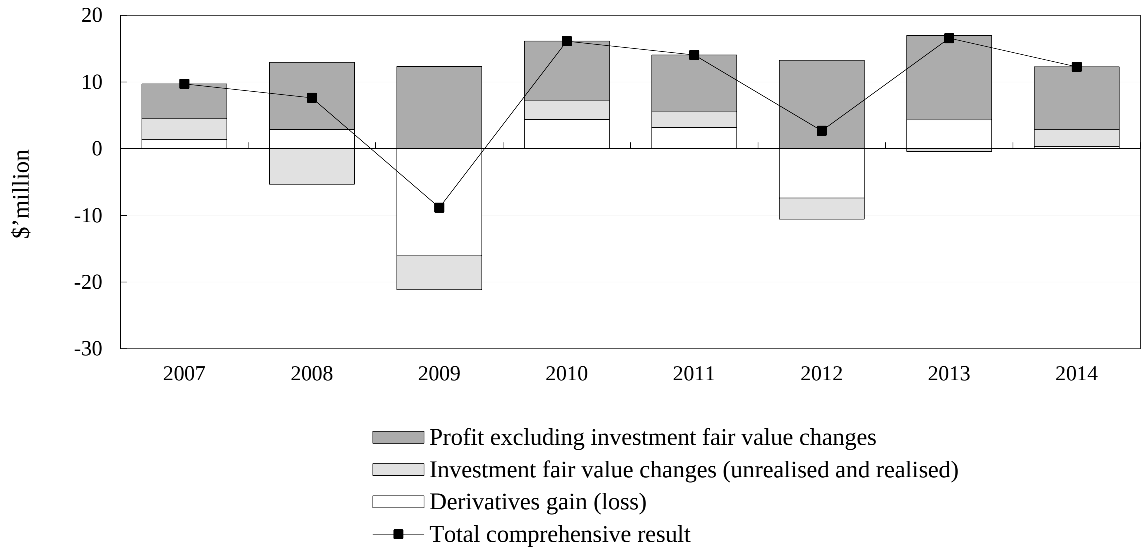
Borrowings at 30 June 2014 were $1.7 billion ($1.8 billion) and represent 99% (99%) of HomeStart's liabilities. HomeStart is required to use SAFA as its sole counterparty for all funding transactions. At 30 June 2014, HomeStart was restricted by a current approved borrowing limit of $2.1 billion ($2.1 billion). Note 33.3 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 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 of hedges do not affect profit as they are recognised in the derivatives valuation reserve. However, the realised and unrealised changes in investments at fair value are recorded in other expenses or income in the Statement of Profit or Loss and Other Comprehensive Income.

The impact of all these changes is included in the total comprehensive result reported in the Statement of Profit or Loss and Other Comprehensive Income. HomeStart's total comprehensive result decreased by $4.3 million to $12.3 million. The table below shows the impact of the changes in the fair value of derivatives and investments on HomeStart's total comprehensive result since 2007.



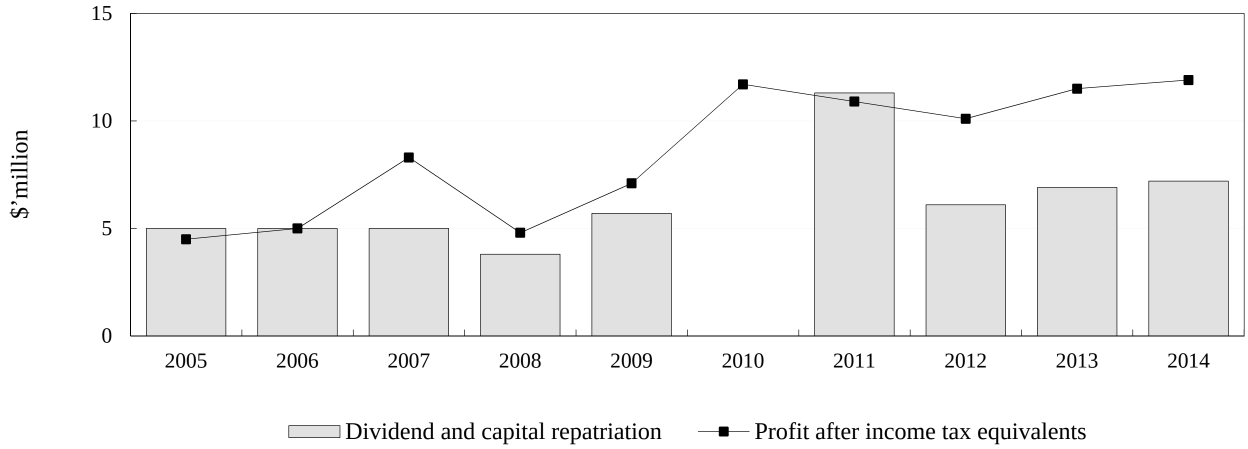
The total comprehensive results for 2008 and 2009 principally reflect the global financial crisis and the resultant downturn in interest rates and equities markets.

The total comprehensive result in 2012 reflects the fair value loss from the breakthrough loans.

It is important to appreciate that the financial statements combine the financial assets and financial liabilities measured at either fair value or at cost. Note 34.1 shows the fair value of net financial assets is $159.8 million ($210.8 million), while the carrying value of net financial assets is $166 million ($161.3 million). The deterioration in fair value compared to carrying value is mainly due to a general reduction in the interest rate and volume of fixed rate interest loans.

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 2014 HomeStart's dividend was $7.2 million ($6.9 million). The 2011 dividend effectively comprised the dividend for 2010 and 2011. The dividend for 2010 was $0 because the appropriate approvals to declare a dividend had not occurred as at 30 June 2010.

In each of the years 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 2014 increased to $166.7 million ($160.9 million).

In addition to dividends HomeStart pays a guarantee fee and an income tax equivalent. HomeStart also receives community service obligation (CSO) funding.

The following table summarises these transactions with the Government for the four years to 2014.

	2014 $'million	2013 $'million	2012 $'million	2011 $'million
Government				
Dividend	7	7	6	11
Tax	5	5	4	5
Government guarantee fee	28	27	27	25
Total to Government	40	39	37	40
CSO income	(5)	(5)	(9)	(4)
Net amount provided to Government	35	34	28	36

The table shows the net amount provided to the Government has remained consistent over the past four years, except for 2012, when HomeStart received additional CSO funding to meet an operating target. This is further discussed under HomeStart operating parameters below.

Statement of Cash Flows

Net cash flows

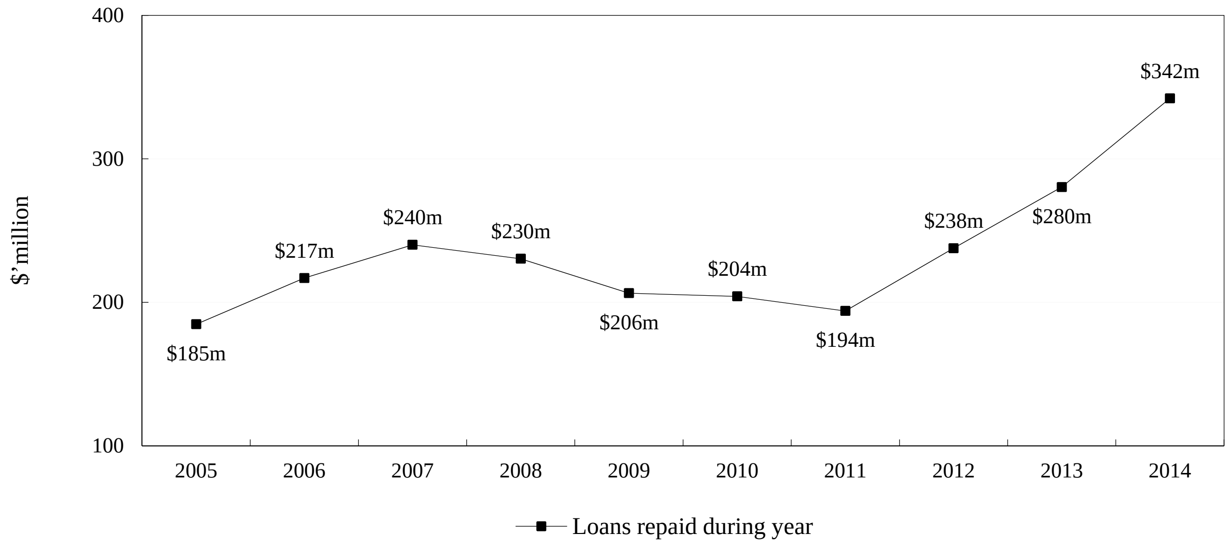
The following table summarises the net cash flows for the four years to 2014.

	2014 $'million	2013 $'million	2012 $'million	2011 $'million
Net cash flows				
Operating	8	9	10	7
Investing	61	11	(56)	(174)
Financing	(70)	(19)	45	169
Change in cash	(1)	1	(1)	2
Cash at 30 June	3	4	3	4

Investing activities relate primarily to the provision of loans to customers. In 2014 there was a net $56.6 million cash inflow ($17.3 million cash inflow) for customer loans, and this corresponded to the decrease in gross loans and advances. The decrease in investing activities resulted in less financing requirements, with financing cash flows reflecting a $62.4 million decrease ($12.8 million decrease) in net borrowings.

Customer loans repaid

The repayment of customer loans is shown in the chart below.



From 2008 to 2011 the quantum of customer loan repayments (including discharges) steadily decreased even though the overall loans and advances balance increased. The reduction was due to fewer customers discharging their loans and moving to other lenders in the market. This was partly attributable to the changes in the financial sector from a reduction in the number of non-bank lenders in the market and tighter lending practices by other financial institutions (as discussed under 'Loans and advances' above).

Customer repayments have increased substantially from 2012 to 2014. The increase is due largely to the reduction in interest rates resulting in:

- customers choosing to repay more debt or refinance with other institutions to take advantage of more suitable loan arrangements
- fixed repayment loan products repaying proportionately more principal.

HomeStart operating parameters

As detailed in last year's Report, Cabinet approved revised operating parameters for HomeStart in April 2012. The purpose of reviewing the parameters was to enable a higher degree of certainty in HomeStart's business operations and delivery of home ownership opportunities.

Cabinet also approved HomeStart preparing a charter and performance statement, to be approved annually by the Treasurer and the Minister for Housing and Urban Development. The charter and performance statement for 2013-14 were approved in September 2013.

Performance targets

HomeStart's performance targets compared to actual results are detailed below.

	Cabinet approved operating parameters	Performance statement target for 2014	2014 result	2013 result
Operating profit before tax	n/a	$15.5 million	$17 million	$16.4 million
Return on equity (ROE)	9%	9.4%	10.2%	10.3%
Cost to income ratio	55% by 2015-16	56.9%	53.3%	53.6%
Capital adequacy ratio	12%	13.8%	15%	14.1%

To enable HomeStart to meet the ROE target of 9%, the April 2012 Cabinet approval included a new CSO payment which is to phase out over time. No CSO payment for this purpose was received in 2014 or 2013. HomeStart received $4.4 million in 2012.

Significant factors contributing to HomeStart's favourable ROE in 2013 and 2014, and therefore the lack of need for the CSO payments, were the improvement in the net interest income and the gain in the fair value of the breakthrough loan product. These have been discussed earlier in the commentary.

Dividend payout ratio

Cabinet approved a dividend payout ratio of 60%, based on after tax profit. The Treasurer approved the dividend in June 2014 (refer note 30 to the financial statements).

Borrowing limit

Cabinet approved increased borrowing limits for HomeStart of $2 billion in 2012, $2.105 billion in 2013, $2.216 billion in 2014, $2.332 billion in 2015 and $2.454 billion in 2016, subject to the Treasurer's approval. The increase in borrowing limits in the future periods is to reflect long-term house price growth rate.

The borrowing limit approved by the Treasurer was increased to $2.105 billion from 1 July 2012 and has not changed since then.

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Interest income	5	112 663	125 409
Interest expense	5	(54 164)	(65 670)
Net interest income	5	58 499	59 739
Other income	6	15 303	13 083
Net gain (loss) from disposal of assets	7	-	1
Bad and impaired loans expense	8	(4 200)	(4 095)
Loan manager fees		(6 210)	(6 659)
Employee expenses	10	(10 910)	(10 892)
Depreciation and amortisation expense	14	(917)	(558)
Other expenses	15	(6 424)	(7 166)
Profit (Loss) before income tax equivalents and guarantee fee expenses		45 141	43 453
Government guarantee fee	9	(28 109)	(27 100)
Profit (Loss) before income tax equivalents		17 032	16 353
Income tax equivalents expense	2.5	(5 109)	(4 906)
Profit (Loss) after income tax equivalents expense		11 923	11 447
Items that may be reclassified to profit if specific conditions are met:			
Change in fair value of derivatives		350	4 308
Change in fair value of available-for-sale assets	19.4	(2)	803
Total comprehensive result		12 271	16 558

Total comprehensive result is attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2014

	Note	2014 $'000	2013 $'000
Assets:			
Cash and cash equivalents	37.1	3 320	4 373
Financial investments designated at fair value through profit or loss	17	108 012	108 299
Financial investments - available for sale	19	11 971	13 958
Loans and advances	20	1 798 177	1 853 133
Other financial assets	21	769	1 136
Property, plant and equipment	22	836	1 222
Intangible assets	23	4 458	3 572
Other assets	24	416	303
Total assets		1 927 959	1 985 996
Liabilities:			
Payables	26	6 322	6 984
Derivative financial instruments	33.2.2	5 929	6 267
Short-term borrowings	27	635 134	587 560
Employee benefits	28	2 357	2 151
Income tax equivalents payable	29	2 751	2 659
Provision for dividend	30	554	576
Other liabilities	31	3 591	3 594
Long-term borrowings	27	1 102 000	1 212 000
Total liabilities		1 758 638	1 821 791
Net assets		169 321	164 205
Equity:			
Reserves	32	2 671	3 300
Retained earnings	32	166 650	160 905
Total equity		169 321	164 205

Total equity is attributable to the SA Government as owner

	Note
Unrecognised contractual commitments	35
Contingent assets and liabilities	36

Statement of Changes in Equity
for the year ended 30 June 2014

	Note	Retained earnings $'000	General reserve for credit losses $'000	Derivatives valuation reserve $'000	Available-for-sale revaluation reserve $'000	Total $'000
Balance at 30 June 2012		155 944	9 158	(10 587)	-	154 515
Profit after income tax equivalents expense for 2012-13		11 447	-	-	-	11 447
Derivative gain (loss) recognised directly in equity	2.13,33.4.2	-	-	4 308	-	4 308
Available-for-sale gain recognised directly in equity		-	-	-	803	803
Total comprehensive result for 2012-13		11 447	-	4 308	803	16 558
Transfer to (from) credit loss reserve	32	382	(382)	-	-	-
Dividends paid/payable	30	(6 868)	-	-	-	(6 868)
Balance at 30 June 2013		160 905	8 776	(6 279)	803	164 205
Profit after income tax equivalents expense for 2013-14		11 923	-	-	-	11 923
Derivative gain (loss) recognised directly in equity	2.13,33.4.2	-	-	350	-	350
Available-for-sale gain recognised directly			-			
in equity		-	-	-	(2)	(2)
Total comprehensive result for 2013-14		11 923	-	350	(2)	12 271
Transfer to (from) credit loss reserve	32	977	(977)	-	-	-
Dividends paid/payable	30	(7 155)	-	-	-	(7 155)
Balance at 30 June 2014		166 650	7 799	(5 929)	801	169 321

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

Statement of Cash Flows
for the year ended 30 June 2014

	Note	2014 Inflows (Outflows) $'000	2013 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash inflows:			
Interest received on:			
Cash		71	53
Investments		1 786	1 605
Loans and advances		107 408	120 257
Fees and commissions received		2 646	621
Bad debts recovered		298	173
EquityStart grant received		785	743
Community service obligation subsidy received		5 614	5 400
Other		474	901
Total cash inflows from operating activities		119 082	129 753
Cash outflows:			
Payments to employees		(10 704)	(10 639)
Payments to suppliers		(6 214)	(5 739)
Payments to loan managers		(6 000)	(6 292)
Borrowing costs paid		(55 012)	(66 130)
Government guarantee fee paid		(28 042)	(27 121)
Income tax equivalents paid		(5 017)	(4 421)
Total cash outflows from operating activities		(110 989)	(120 342)
Net cash provided by (used in) operating activities	37.2	8 093	9 411
Cash flows from investing activities:			
Cash inflows:			
Proceeds from sale of office and computer equipment	7	-	1
Proceeds from maturity of available-for-sale investments		4 000	986
Proceeds from sale of investments designated at fair value through profit or loss		51 772	29 383
Shared appreciation components of Breakthrough Loan repaid	34.4	7 943	6 582
Customer loans repaid		342 157	280 264
Total cash inflows from investing activities		405 872	317 216
Cash outflows:			
Payments for property, plant and equipment		(104)	(316)
Payments for software		(1 313)	(2 097)
Payments for available-for-sale investments		(2 078)	(2 112)
Payment for investments designated at fair value through profit or loss		(50 400)	(30 085)
Shared appreciation components of Breakthrough Loan settled	34.4	(5 962)	(8 349)
Customer loans settled		(285 558)	(262 943)
Total cash outflows from investing activities		(345 415)	(305 902)
Net cash provided by (used in) investing activities		60 457	11 314
Cash flows from financing activities:			
Cash inflows:			
Proceeds from borrowings		641 557	1 272 407
Total cash inflows from financing activities		641 557	1 272 407
Cash outflows:			
Dividend paid		(7 177)	(6 329)
Repayment of borrowings		(703 983)	(1 285 211)
Total cash outflows from financing activities		(711 160)	(1 291 540)
Net cash provided by (used in) financing activities		(69 603)	(19 133)
Net increase (decrease) in cash and cash equivalents		(1 053)	1 592
Cash and cash equivalents at 1 July		4 373	2 781
Cash and cash equivalents at 30 June	37.1	3 320	4 373

Notes to and forming part of the financial statements

1. Objectives of HomeStart Finance (HomeStart)

HomeStart was established as a for-profit statutory corporation and operates under the Housing and Urban Development (Administrative Arrangements) (HomeStart Finance) Regulations 2007. It reports to the Minister for Housing and Urban Development.

HomeStart's reason for being is to make home ownership a reality for more people in more ways.

HomeStart Home Loan

HomeStart provides home loans to low to moderate income households and other needs groups. The HomeStart Home Loan is the principal loan product. The outstanding value of HomeStart Home Loans at 30 June 2014 was $1748.7 million ($1805.7 million).

Subsidies

HomeStart provides subsidised Advantage Loans of up to $45 000 to lower income earners. For loans issued after 3 February 2014 the loan is interest bearing from the drawdown date, prior to that date the maximum loan was $30 615 and the loan was interest free if repaid within five years. The Advantage Loan interest is calculated by reference to the CPI. As at 30 June 2014 the interest rate applying to Advantage Loans was 3.88% (3.18%). The outstanding value of Advantage Loans at 30 June 2014 was $46.9 million ($45.2 million).

For the year ended 30 June 2014 HomeStart received a community service obligation (CSO) subsidy payment of $2.7 million ($2.5 million) from DTF for the Advantage Loan subsidy provided.

HomeStart also provides subsidised EquityStart Loans of up to $50 000 to current Housing SA tenants. The EquityStart Loan incurs interest at a subsidised rate, which is linked to the 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 2014 was $37.9 million ($38.8 million).

HomeStart received grant funding from the Department for Communities and Social Inclusion, to compensate HomeStart for costs incurred in relation to EquityStart Loans.

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 statements 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 Profit or Loss and Other 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 investments at fair value through profit or loss; financial investments 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 Statement of compliance

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

2.2 Estimates and assumptions

The preparation of financial statements in conformity with AASs requires HomeStart to make judgements, 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2.2 Estimates and assumptions (continued)

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.

2.3 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 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 SA 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% (30%) 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 Profit or Loss and Other 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.

2.6.2 *Interest income - subsidised loans*

Where HomeStart provides subsidised loans, such as Advantage Loans and EquityStart Loans, at rates lower 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 Profit or Loss and Other 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 impaired loans*

Interest income on impaired loans is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loans are assessed as impaired 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.

2.6.3 Interest income - both non-subsidised and subsidised impaired loans (continued)

An impaired 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 Profit or Loss and Other 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 periodically to ensure the amortisation methodology is appropriate.

2.6.5 Government grants

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

DTF makes a CSO subsidy payment to HomeStart as compensation for the provision of Advantage Loan and credit quality subsidies as well as administering the Nunga Loan program. In addition, on 30 April 2012 Cabinet approved that DTF would make an additional CSO payment to HomeStart each financial year to enable HomeStart to meet its target pre-tax return on equity of 9% (if required). The first such payment was received by HomeStart in the financial year ended 30 June 2012. No payment was received for the financial years ending 30 June 2013 and 2014.

HomeStart also receives grant funds from the Department for Communities and Social Inclusion to compensate for costs incurred in relation to EquityStart Loans.

Government grants relating to costs are deferred and recognised in the Statement of Profit or Loss and Other 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 Profit or Loss and Other Comprehensive Income as they occur.

Distribution income is recognised when received.

For financial investments classified as available for sale, 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 has been 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 Profit or Loss and Other 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 Profit or Loss and Other 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 periodically 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 Profit or Loss and Other 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 generally 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 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)
- investments (managed funds, bonds, term deposits 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 2014 and 30 June 2013 HomeStart did not hold any held-to-maturity investments.

Financial assets at fair value through profit or loss
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 managed funds and term deposits 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.

As at 30 June 2014 HomeStart classified its investments in bonds issued by state governments and non-government institutions as available for sale.

Financial liabilities
HomeStart's short-term and long-term borrowings are financial liabilities.

Impairment
HomeStart assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Impairment of financial assets carried at amortised cost
The recoverable amount of HomeStart's investments in 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).

The carrying amount of assets carried at amortised cost is reduced to the recoverable amount through the use of a provision account. The amount of the loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income. An impairment loss in respect of 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.

Impairment of available-for-sale financial assets
When a decline in the fair value of an available-for-sale financial asset has been recognised in the available-for-sale revaluation reserve and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised in the available-for-sale revaluation reserve is reclassified to profit or loss.

The amount of the cumulative loss that is reclassified is the difference between the acquisition cost (net of any amortisation) and current fair value, less any impairment loss previously recognised in profit or loss.

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.

Loans measured at amortised cost (continued)
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 judgement 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 Profit or Loss and Other 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.

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 Profit or Loss and Other Comprehensive Income.

In addition, a general reserve for credit losses is maintained to cover risks inherent in the loan portfolios. The maintenance of this reserve is consistent with the Australian Prudent Regulation Authority (APRA) prudential risk management requirements of retaining sufficient retained earnings for capital adequacy purposes. 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 Profit or Loss and Other Comprehensive Income.

2.12 Investments

Held-to-maturity investments
As at 30 June 2014 and 30 June 2013 HomeStart did not classify any investments as held to maturity.

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. HomeStart does not classify any financial assets as held to maturity if the entity has, during the current annual reporting period or during the two preceding annual reporting periods, sold or reclassified more than an insignificant amount of held-to-maturity investments before 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 Profit or Loss and Other 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 managed funds and term deposits 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 Profit or Loss and Other Comprehensive Income in the period in which they arise.

Shared appreciation component of the Breakthrough Loan
The Breakthrough Loan facility includes two loan components:

- a standard loan component with 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 Profit or Loss and Other Comprehensive Income in the period in which they arise.

Available-for-sale investments
As at 30 June 2014 HomeStart classified its investments in bonds with a fair value of $12 million as available for sale ($14 million).

When purchased, available-for-sale investments are initially recognised at fair value plus transaction costs. Subsequent gains or losses arising from changes in fair value are included as a separate component of equity in the available-for-sale revaluation reserve except for interest, which is recognised directly in the Statement of Profit or Loss and Other Comprehensive Income. When the investment is sold, the cumulative gain or loss relating to the investment is transferred from the available-for-sale revaluation reserve to the Statement of Profit or Loss and Other Comprehensive Income.

Where there is objective evidence of impairment of an available-for-sale investment, the cumulative loss relating to that asset is removed from equity and recognised in the Statement of Profit or Loss and Other Comprehensive Income. If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment event, the loss is reversed through the Statement of Profit or Loss and Other Comprehensive Income.

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 measured 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 33.2.2. 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 Profit or Loss and Other Comprehensive Income.

Effectiveness tests are performed on all derivative financial instruments to determine if they continue to be effective in managing the hedged risk 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 Profit or Loss and Other Comprehensive Income with all subsequent gains or losses recognised through the Statement of Profit or Loss and Other 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 Profit or Loss and Other 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 in accordance with 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 $1000 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 $1000.

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 useful life of the asset, which is generally between four and 10 years.

Costs in relation to website development, 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. Maintenance costs are expensed.

2.15.3 Impairment and revaluation

In accordance with APF III:

- all tangible assets are valued at written down current cost
- 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 Profit or Loss and Other 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 depreciated over the estimated useful life of each improvement. Depreciation and amortisation of non-current assets for current and comparative periods is determined as follows:

2.15.4 Depreciation and amortisation of non-financial assets (continued)

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	4-10

2.15.5 Fair value measurement

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

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

Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

Level 3: not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed by the General Manager, Treasury, Finance and Risk and the Audit Committee at each reporting date.

Non-financial assets

In determining fair value, HomeStart has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset) and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

HomeStart's current use is the highest and best use of the asset unless other factors suggest an alternative is feasible. As HomeStart did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than $1 million or had an estimated useful life that was less than three years are deemed to approximate fair value.

Refer note 25 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

Financial assets/liabilities

The fair value of assets or liabilities traded in active markets are based on quoted market prices for identical assets or liabilities at balance date. The fair value of other financial assets or liabilities is determined using valuation techniques. These techniques maximise the use of observable market data where it is available. HomeStart uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

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, LSL 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

The liability for LSL is measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for LSL is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over State Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with a duration that matches, as closely as possible, the estimated future cash outflows.

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.

The liability for salaries and wages 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. 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 judgements, estimates and assumptions

The preparation of the financial statements requires the use of certain accounting estimates and requires HomeStart to exercise its judgement 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 judgement 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 below:

Area of estimate and judgement	*Note*
Investments at fair value through profit or loss (excluding the shared appreciation component of Breakthrough Loans)	2.12, 34.2, 34.3
Investments at fair value through profit or loss - shared appreciation component of the Breakthrough Loan	2.12, 34.2, 34.3
Investments - available for sale	2.12, 34.2, 34.3
Fair value of subsidised loans and advances	2.6.2
Loan origination fees received or receivable	2.6.4
Loan origination fees paid or payable	2.7.4
Provision for impairment of loans and advances	2.11
Unearned income (EquityStart grant)	2.6.5, 31.2
General reserve for credit losses	2.11, 32
Derivative financial instruments	2.13, 34.2

3. New and revised accounting standards

HomeStart 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, except as outlined below:

1. In accordance with the new AASB 13, which became effective for the first time in 2013-14, HomeStart has:

    - reviewed its fair value techniques (both internal estimates and independent valuation appraisal) for non-financial assets to ensure they are consistent with the standard. Previously, HomeStart has used the cost approach or the market approach to determine fair value. HomeStart will continue to measure its non-financial assets using either the cost or market approach. The application of AASB 13 has not had a material impact on the fair value measurements
    - included additional disclosures where required to assist users in assessing the valuation techniques and inputs used to ascertain fair value measurements used for asset and liability measurements
    - provided information on fair value hierarchy and other information in notes 2.15.5 and 25.

2. In accordance with the new AASBs 10 and 11 which became effective for the first time in 2013-14, HomeStart has:

    - reviewed its control assessments in accordance with AASB 10 and its classification assessments in accordance with AASB 11 and has concluded that there is no impact. HomeStart does not control (as subsidiaries or otherwise) any investees and does not have any joint arrangements within the scope of AASB 11. Therefore HomeStart concluded that there is no impact from AASB 11.

Issued or amended but not yet effective

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by HomeStart for the period ending 30 June 2014.

HomeStart did not voluntarily change any of its accounting policies during 2013-14.

Reference	*Title*	*Summary*	*Application date of standard*	*Impact on financial report*	*Application date for HomeStart*
AASB 9	Financial Instruments	The main impact of this standard is that it changes the requirements for the classification, measurement and disclosure associated with financial assets and liabilities. In respect of financial assets, AASB 9 simplifies the classification to amortised cost and fair value based on the entity's business model and the contractual cash flows of the instrument.	1 January 2017	HomeStart has commenced reviewing the measurement of its financial assets against the new classification and measurement requirements in AASB 9. The classification at the initial date of application of AASB 9 will depend on the facts existing at that date, HomeStart's assessment will not be confirmed until closer to that time.	1 July 2017
AASB 2009-11	Amendments to AASs arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and interpretations 10 & 12]	When AASB 9 is applied, AASB 2009-11 and AASB 2010-7 must also be applied at the same time. These standards make consequential amendments to other standards as a result of the issuance of AASB 9.		As part of the implementation of AASB 9 HomeStart will perform an assessment of financial assets and determine if they will be measured at amortised cost or fair value.	
AASB 2010-7	Amendments to AASs arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137,139, 1023 & 1038 and interpretations 2, 5, 10, 12, 19 & 127]			Changed disclosure requirements will also apply.	

Issued or amended but not yet effective (continued)

Reference	*Title*	*Summary*	*Application date of standard*	*Impact on financial report*	*Application date for HomeStart*
AASB 2012-6	Amendments to AASs - Mandatory effective date of AASB 9 and transition disclosures	AASB 2012-6 amends the mandatory effective date of AASB 9 to 1 Jan 2015 instead of 1 Jan 2013.			
AASB 2013-9	Amendments to AASs - Conceptual framework, materiality and financial instruments	AASB 2013-9 amends the mandatory effective date of AASB 9 to 1 Jan 2017 instead of 1 Jan 2015.			

4. Segment reporting

As required by the Housing and Urban Development (Administrative Arrangements) (HomeStart Finance) Regulations 2007, HomeStart operates in one geographical segment (South Australia) and its principal activity is the provision of home finance to low and moderate income groups.

5. Net interest income

	2014	2013
Interest received/receivable:	$'000	$'000
Loans and advances	107 361	120 511
Subsidised loans effective interest income	3 831	3 932
Subsidised loans fair value expense	(1 297)	(1 810)
Loan origination income amortisation	2 708	2 717
Deposits with banks	60	59
Total interest received/receivable	112 663	125 409
Interest paid/payable:		
Borrowings from SAFA	(54 164)	(65 670)
Total interest paid/payable	(54 164)	(65 670)
Net interest income	58 499	59 739

Interest income on impaired loans is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. HomeStart has recognised interest income of $1.9 million ($1.7 million) on impaired loans. This interest has been included in the assets' carrying amounts when determining the amount of impairment loss to be included in the Statement of Profit or Loss and Other Comprehensive Income (refer notes 2.6 and 2.11).

6. Other income

	2014	2013
Other income received/receivable:	$'000	$'000
Fees and charges	3 456	3 587
Bad debts recovered	298	173
Unrealised change in fair value of loans[(1)]	2 375	-
Realised change in fair value of loans	372	249
Managed funds distribution	896	815
Unrealised change in fair value of investments	-	3
Interest received from investments at fair value through the profit or loss	632	906
Interest received from available-for-sale investments	649	755
EquityStart grant	925	898
CSO subsidy	5 614	5 400
Other	86	297
Total other income	15 303	13 083

(1) The shared appreciation component of the Breakthrough Loan 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. The profits arising from changes in fair value are unrealised. Prior year unrealised losses are disclosed in note 15.

EquityStart grant funds and CSO subsidy received

During the financial year, HomeStart received $800 000 ($700 000) in grant funds from the Department for Communities and Social Inclusion, to compensate HomeStart for costs incurred in relation to EquityStart Loans. Refer note 31.2 for information in relation to the recognition of EquityStart grant income.

DTF makes a CSO subsidy payment to HomeStart as compensation for the provision of Advantage Loan and credit quality subsidies as well as administering the Nunga Loan program. In addition, on 30 April 2012 Cabinet approved that DTF would make an additional CSO payment to HomeStart each financial year to enable HomeStart to meet its target pre-tax return on equity (ROE) of 9% (if required). No such payment was received in the financial years ended 30 June 2014 and 30 June 2013.

7. Net gain (loss) from disposal of assets	2014 $'000	2013 $'000
Proceeds from disposal of assets	-	1
Net book value of assets disposed	-	-
Total net gain (loss) from disposal of assets	-	1

8. Bad and impaired loans expense		
Bad and impaired loans expensed	897	844
Increase in provision for impairment	3 303	3 251
Total bad and impaired loans expense	4 200	4 095

9. Government guarantee fee		
Government guarantee fee paid or payable	28 109	27 100
Total Government guarantee fee paid or payable	28 109	27 100

HomeStart paid a guarantee fee of 1.6% of outstanding borrowings to DTF in 2013-14 (1.5%).

10. Employee expenses, remuneration and number of employees		
Salaries and wages	8 881	9 120
LSL	249	195
Annual leave	199	6
Employment on-costs - superannuation	831	834
Employment on-costs - other	462	482
Employment on-cost - workers compensation	24	11
Board and committee fees	264	244
Total employee expenses	10 910	10 892

Remuneration of employees	2014	2013
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
$138 000 - $141 499	-	2
$141 500 - $151 499	2	2
$151 500 - $161 499	1	-
$161 500 - $171 499	1	-
$171 500 - $181 499	1	-
$201 500 - $211 499	-	1
$241 500 - $251 499	1	-
$251 500 - $261 499	-	2
$261 500 - $271 499	1	-
$271 500 - $281 499	1	-
$341 500 - $351 499	-	1
$351 500 - $361 499	1	-
$531 500 - $541 499	-	1
Total	9	9

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, termination payments, superannuation contributions, payments in lieu of leave, fringe benefits and any FBT paid in respect of those benefits and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $1.92 million ($2.14 million).

Number of employees

HomeStart employed 105 (110) people at the end of the reporting period.

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 Rolfe (General Manager, Retail)
- Ian Wheaton (General Manager Treasury, Finance and Risk).

Deborah Dickson (General Manager Strategy, People and Operations) held authority and responsibility for planning, directing and controlling the activities of HomeStart from the start of the financial year until 27 October 2013.

Andrew Mills (Acting General Manager Strategy, People and Operations) held authority and responsibility for planning, directing and controlling the activities of HomeStart from 4 November 2013 to 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:

	2014	2013
	$	$
Short-term employee benefits	1 006 555	1 158 734
Termination benefits	-	308 496
Long-term employee benefits (LSL)	48 541	33 062
Long-term employee benefits (amounts paid to superannuation plans)	96 054	102 925
Total key management personnel compensation	1 151 150	1 603 217

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
- Department for Communities and Social Inclusion
- Department of Planning, Transport and Infrastructure
- DTF
- SAFA.

Board members

The following persons were members of the Board of HomeStart during the whole of the financial year:

Jim Kouts (Chair)
Chris Ward (Deputy Chair)
Sue Edwards
Lindsay Nicholson
Maria Palumbo

Claude Long was Chair of the Board of HomeStart from the start of the financial year until his retirement on 14 December 2013.

David Garrard was a member of the Board of HomeStart from the start of the financial year until his term expired on 13 March 2014.

Darryl Royans was a member of the Board of HomeStart from his appointment on 19 December 2013 until the end of the financial year.

Roseanne Healy was a member of the Board of HomeStart from her appointment on 14 March 2014 until the end of the financial year.

Board members’ remuneration		2014	2013
The remuneration of the Board of HomeStart included in employee expenses is as follows:	Note 10	$	$
Short-term benefits		264 680	243 914
Long-term employee benefits (amounts paid to superannuation plans)		24 483	21 952
Total board members’ remuneration		289 163	265 866

Board members' remuneration (continued)	2014	2013
The number of HomeStart board members whose remuneration received or receivable falls within the following bands:	Number	Number
$0 - $9 999	-	2
$10 000 - $19 999	2	-
$20 000 - $29 999	2	-
$30 000 - $39 999	2	3
$40 000 - $49 999	3	2
$50 000 - $59 999	-	1
Total	9	8

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, Homeloans Plus, Bernie Lewis and The Home Loan Centre. Effective 19 February 2014 Australian Associated Advisers Pty Ltd, trading as KeyInvest Lending Services, acquired the business and has taken over the loan manager services of The Home Loan Centre.

14. Depreciation and amortisation expense	2014	2013
Depreciation:	$'000	$'000
Other office and computer equipment	265	238
Total depreciation	265	238
Amortisation:		
Leasehold improvements	225	217
Intangible assets	427	103
Total amortisation	652	320
Total depreciation and amortisation	917	558

15. Other expenses		
External auditor's remuneration	174	156
Valuer-General services	12	13
Insurance	96	86
Unrealised change in fair value of loans(1)	-	1 465
Unrealised change in fair value of investments	205	-
Office accommodation (minimum lease payments)	874	849
Marketing, product development and advertising	1 291	1 230
Internal audit fees	314	315
Loan administration	253	237
Information technology	900	564
Consultants' fees	93	56
Human resources and staff development	475	551
Other	1 737	1 644
Total other expenses	6 424	7 166

(1) The shared appreciation component of the Breakthrough Loan 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. The prior year losses arising from changes in fair value are unrealised. Current year unrealised profits are disclosed in note 6.

The number and dollar amount of consultancies	2014		2013	
paid/payable that fell within the following bands:	Number	$'000	Number	$'000
Below $10 000	3	14	3	10
Between $10 000 and $50 000	3	79	3	46
Total paid/payable to the consultants engaged	6	93	6	56

16. Auditor's remuneration

	2014 $'000	2013 $'000
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	174	156
Total audit fees - SA Government entities	174	156

The amounts disclosed above are inclusive of GST.

Other services

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

17. Financial investments designated at fair value through profit or loss

17.1 Financial investments designated at fair value through profit or loss

	2014	2013
SAFA Cash Management Fund	5 422	6 544
Term deposits	18 000	17 085
Unit trusts	13 647	14 121
Breakthrough Loan (shared appreciation component)	70 943	70 549
Total financial investments designated at fair value through profit or loss	108 012	108 299

17.2 Maturity profile of HomeStart's financial investments designated at fair value through profit or loss

	2014	2013
At call	19 069	20 665
Not longer than three months	-	4 000
Longer than three months and not longer than 12 months	18 000	13 085
Longer than five years	70 943	70 549
Total investments designated at fair value through profit and loss	108 012	108 299

17.3 Risk exposure

Information in relation to HomeStart's exposure to investment price risk is provided in notes 33.4.3 and 33.4.4.

18. Financial investments - held to maturity

18.1 Reconciliation of held-to-maturity investments

	2014	2013
Opening balance at 1 July	-	12 089
Reclassification to available for sale	-	(11 093)
Acquisitions	-	-
Disposals	-	(986)
Amortisation	-	(10)
Closing balance at 30 June	-	-

On 19 October 2012 HomeStart sold a bond with a face value of $1 million and maturity date of 25 February 2014. From this time it has reclassified the remaining held-to-maturity investment portfolio as available for sale, in accordance with AASB 139.

19. Financial investments - available for sale

19.1 Financial investments - available for sale

	2014 $'000	2013 $'000
Bonds	11 971	13 958
Total financial investments - available for sale	11 971	13 958

19.2 Maturity profile of HomeStart's financial investments - available for sale

	2014	2013
Longer than three months and not longer than 12 months	1 043	4 094
Longer than 12 months and not longer than five years	8 650	6 649
Longer than five years	2 278	3 215
Total financial investments - available for sale	11 971	13 958

19.3 Risk exposure

Information in relation to HomeStart's exposure to investment price risk is provided in note 33.4.3.

19.4 Reconciliation of available-for-sale investments

	2014 $'000	2013 $'000
Opening balance at 1 July	13 958	-
Reclassification from held to maturity	-	11 093
Acquisitions	2 078	2 112
Disposals	(4 000)	-
Amortisation	(63)	(50)
Change in fair value (recognised directly in equity)	(2)	803
Closing balance at 30 June	11 971	13 958

20. Loans and advances

20.1 Loans and advances

	2014	2013
Primary loans	1 748 748	1 805 740
Subsidised loans	87 906	85 957
Gross loans and advances	1 836 654	1 891 697
Fair value adjustment	(14 835)	(15 459)
Deferred loan fee income	(5 392)	(5 377)
Deferred loan fee expense	2 204	2 380
Specific provisions for impairment	(11 233)	(10 596)
Collective provision for impairment	(9 221)	(9 512)
Net loans and advances	1 798 177	1 853 133
Specific provision for impaired loans:		
Opening balance	10 596	9 247
Bad debts written off	(2 957)	(2 360)
Impairment expense	3 594	3 709
Closing balance	11 233	10 596
Collective impairment provision:		
Opening balance	9 512	9 970
Impairment expense	(291)	(458)
Closing balance	9 221	9 512
Total provision for impairment	20 454	20 108

20.2 Risk exposures

Information in relation to HomeStart's exposure to credit risk for loans and advances is provided in note 33.2.1.

21. Other financial assets

	2014	2013
Other financial assets:		
Deferred financial investment income	134	138
Accrued interest on housing loans and advances	293	313
Accrued interest on cash at bank	-	11
Accrued financial investment income	33	471
EquityStart grant receivable	85	136
GST recoverable	59	47
Other	165	20
Total other financial assets	769	1 136

22. Property, plant and equipment

	2014	2013
Leasehold improvements:		
Leasehold improvements at cost (deemed fair value)	2 269	2 249
Accumulated depreciation	(1 829)	(1 604)
Total leasehold improvements	440	645
Other office and computer equipment:		
Other office and computer equipment at cost (deemed fair value)	3 199	3 303
Accumulated depreciation	(2 803)	(2 726)
Total other office and computer equipment	396	577
Total property, plant and equipment	836	1 222

22. Property, plant and equipment (continued)

	Leasehold imprvmnts $'000	Other office and computer equipment $'000	2014 Total $'000	Leasehold imprvmnts $'000	Other office and computer equipment $'000	2013 Total $'000
Carrying amount at 1 July	645	577	1 222	810	551	1 361
Additions - at cost	20	84	104	52	264	316
Disposals - at cost	-	(188)	(188)	(5)	(53)	(58)
Disposals - accumulated depreciation	-	188	188	5	53	58
Depreciation and amortisation	(225)	(265)	(490)	(217)	(238)	(455)
Carrying amount at 30 June	440	396	836	645	577	1 222

All items of plant and equipment that had a fair value at the time of acquisition that was less than $1 million or had an estimated useful life that was less than three years, have not been revalued in accordance with APF III.

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

23. Intangible assets

	2014 $'000	2013 $'000
Software at cost	6 038	4 989
Accumulated amortisation	(1 580)	(1 417)
Total software	4 458	3 572
Carrying amount at 1 July	3 572	1 561
Additions	1 313	2 114
Disposals	-	-
Amortisation	(427)	(103)
Carrying amount at 30 June	4 458	3 572

All intangible assets were acquired externally directly from software suppliers or through contract arrangements.

24. Other assets

Prepayments	416	303
Total other assets	416	303

25. Fair value measurement

Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. HomeStart categorises non-financial assets measured at fair value into a hierarchy based on the level of inputs used in their measurement.

Fair value measurements recognised in the Statement of Financial Position have all been categorised as level 3 and are detailed in the following tables:

Fair value measurements

2014	Level 3	Total
Recurring fair value measurements:	$'000	$'000
Leasehold improvements	440	440
Plant and equipment	396	396
Total recurring fair value measurements	836	836

2013		
Recurring fair value measurements:		
Leasehold improvements	645	645
Plant and equipment	577	577
Total recurring fair value measurements	1 222	1 222

There were no transfers of assets between level 1 and 2 fair value hierarchy levels in 2014. HomeStart policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Fair value measurements (continued)

Valuation techniques used to derive level 2 and 3 fair values are provided at note 22. Although unobservable inputs were used in determining fair value, and are subjective, HomeStart considers that the overall valuation would not be materially affected by changes to the existing assumptions. There were no changes in valuation techniques during 2014. The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3):

Reconciliation of fair value measurements - level 3	Plant and equipment $'000
Opening balance at 1 July	1 222
Acquisitions	104
Depreciation	(490)
Closing balance at 30 June	836

26. Payables

26.1 Payables	2014 $'000	2013 $'000
Payables:		
Creditors	336	303
Accrued administration expenses	312	233
Employment on-costs	370	385
Accrued interest payable on borrowings	2 359	3 038
Accrued interest payable on derivatives	142	323
Accrued guarantee fee payable	2 278	2 211
Accrued loan manager fees	525	491
Total payables	6 322	6 984

26.2 Settlement profile of HomeStart's payables

All payables will be settled within 12 months of the reporting date.

27. Borrowings

27.1 Interest bearing liabilities

Short-term borrowings payable:		
Short-term borrowings	635 134	587 560
Total short-term borrowings payable	635 134	587 560
Long-term borrowings payable:		
Long-term borrowings	1 102 000	1 212 000
Total long-term borrowings payable	1 102 000	1 212 000
Total interest bearing liabilities	1 737 134	1 799 560

27.2 Security

All HomeStart borrowings are unsecured.

27.3 Risk exposure

Information in relation to HomeStart's exposure to liquidity and interest rate risks is provided in notes 33.3 and 33.4 respectively.

28. Employee benefits

28.1 Employee benefits

Accrued salaries	33	-
Annual leave	762	640
LSL	1 562	1 511
Total employee benefits	2 357	2 151

28.2 Calculation of LSL

AASB 119 contains the calculation methodology for LSL liability. The actuarial assessment performed by DTF utilised the whole-of-government assumptions for the measurement of LSL.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds at balance date was 3.5% (3.75%).

28.2 Calculation of LSL (continued)

The actuarial assessment performed by DTF left the salary inflation rate at 4%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

28.3 Settlement period of LSL

HomeStart policy allows any employee who has completed seven years of continuous service to:

- have their LSL entitlements paid to them on leaving HomeStart, as part of their termination payment
- take pro-rata LSL
- cash out a proportion of their LSL, in lieu of taking the leave.

HomeStart therefore does not have an unconditional right to defer settlements of the LSL liability for at least 12 months after the reporting date.

29. Income tax equivalents payable

	2014 $'000	2013 $'000
Income tax equivalents payable	2 751	2 659
Total tax equivalents liability payable	2 751	2 659

30. Provision for dividend

Dividend payable	554	576
Total dividend payable	554	576

Pursuant to section 26 of the *Housing and Urban Development (Administrative Arrangements) Act 1995*, HomeStart must recommend to the Minister for Housing and Urban Development, 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 2014, the Board of HomeStart recommended the payment of a dividend of 60% (60%) of after tax profit. This amounts to a total dividend of $7.16 million in respect of the year ended 30 June 2014 ($6.87 million). The Minister and Treasurer approved the recommendation and the estimated amount to be paid in June 2014.

HomeStart paid a dividend amount of $6.6 million ($6.3 million) to DTF prior to the end of the financial year. HomeStart will be required to pay a further dividend amount of $560 000 in respect of the financial year ended 30 June 2014 ($570 000). These amounts are disclosed as a dividend paid/payable.

31. Other liabilities

31.1 Other liabilities

	Note	2014 $'000	2013 $'000
Other liabilities payable			
Unearned income (EquityStart grant)		1 008	1 199
Workers compensation provision		38	21
Wyatt Benevolent Institution		2 315	2 159
Make good provision		226	211
City of Salisbury		4	4
Total other liabilities		3 591	3 594

31.2 Unearned income (EquityStart grant)

	Note	2014	2013
Opening balance		1 199	1 339
Amounts received/receivable		734	758
Amounts recognised as earned	6	(925)	(898)
Closing balance		1 008	1 199

AASB 120 requires that government grants related to costs be deferred and recognised in the Statement of Profit or Loss and Other Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate.

31.3 Make good provision

	2014 $'000	2013 $'000
Opening balance	211	188
Unwinding of discount arising from the passage of time	15	23
Closing balance	226	211

32. Equity

General reserve for credit losses

A general reserve for credit losses was created within equity. The maintenance of this reserve is consistent with the APRA prudential risk management requirements of retaining sufficient retained earnings for capital adequacy purposes. Amounts in the general reserve for credit losses will not be reclassified to profit or loss.

Derivatives valuation reserve

The derivatives valuation reserve was created to recognise the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges. When a derivative financial instrument that was previously considered to be effective no longer satisfies the effectiveness test criteria, the gain or loss on the instrument previously recognised in the derivatives valuation reserve is reclassified from equity to profit or loss.

Available-for-sale revaluation reserve

The available-for-sale revaluation reserve was created to recognise the gain or loss on investments that are classified as available for sale. A gain or loss on an available-for-sale financial asset is recognised in the available-for-sale revaluation reserve until the financial asset is derecognised. At that time, the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is reclassified from equity to profit or loss. When a decline in the fair value of an available-for-sale financial asset has been recognised in the available-for-sale revaluation reserve and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in the available-for-sale revaluation reserve is reclassified from equity to profit or loss even though the financial asset has not been derecognised.

33. Financial risk management

33.1 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).

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. In addition a Board Credit Subcommittee has been formed to review and approve or recommend approval of individual loan applications which will result in an aggregate exposure to the borrower which exceeds $1.1 million.

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, finance 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.

In accordance with the best practice APRA framework, the Board Credit Subcommittee will review and authorise individual loan applications where the resulting aggregate exposure of the borrower will exceed $1.1 million and individual loan applications greater than $1.1 million and where appropriate, will recommend the loan to the Minister or the Cabinet.

33.1 Overview (continued)

HomeStart's exposures to financial risk and how it arises 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.

33.2 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 creditworthy customers and counterparties, setting credit limits on its exposures and obtaining collateral.

33.2.1 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 authority to make credit decisions in accordance with 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 mortgagee 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:

Collateral (continued)	2014	2013
Past due but not impaired:	$'000	$'000
Gross carrying value	104 045	108 510
Fair value of collateral	153 499	162 840
Impaired:		
Gross carrying value, before specific impairment provisions	51 197	44 957
Specific provision for impairment	(11 233)	(10 596)
Net impaired loans and advances	39 964	34 361
Fair value of collateral	52 943	45 896

Concentration of counterparty and geographic risk
HomeStart is not materially exposed to any individual customer. HomeStart is restricted under the Housing and Urban Development (Administrative Arrangements) (HomeStart Finance) Regulations 2007 to only lend in South Australia and is therefore exposed to the property market in this State.

Approximately 26% (27%) 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 31% (30%) 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% (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 measurement*
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 20).

The amount of incurred credit losses provided for in the financial statements differs from the amount determined from the expected loss model that is used for internal operational management due to the different methodologies applied.

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 $1798.18 million ($1853.13 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.

(d) Credit quality and maximum exposure to credit risk (continued)

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:

	2014 $'000	2013 $'000
Not impaired:		
Neither renegotiated nor past due:		
Low risk	1 439 626	1 422 139
Moderate risk	217 917	289 917
High risk	11 012	17 685
Gross loans and advances neither renegotiated nor past due	1 668 555	1 729 741
Renegotiated:(1)		
Low risk	8 612	5 935
Moderate risk	2 554	1 901
High risk	1 691	653
Gross loans and advances renegotiated	12 857	8 489
Past due but not impaired:(2)		
Low risk	54 547	48 162
Moderate risk	36 230	45 410
High risk	13 268	14 938
Gross loans and advances past due but not impaired	104 045	108 510
Total not impaired:		
Low risk	1 502 785	1 476 236
Moderate risk	256 701	337 228
High risk	25 971	33 276
Gross loans and advances not impaired	1 785 457	1 846 740
Impaired:(3)		
Low risk	16 685	12 518
Moderate risk	27 399	22 705
High risk	7 113	9 734
Gross impaired loans and advances	51 197	44 957
Specific provision for impairment	(11 233)	(10 596)
Impaired loans and advances after provisions	39 964	34 361
Total:		
Low risk	1 519 470	1 488 754
Moderate risk	284 100	359 933
High risk	33 084	43 010
Gross loans and advances	1 836 654	1 891 697
Fair value adjustment	(14 835)	(15 459)
Deferred loan fee income	(5 392)	(5 377)
Deferred loan fee expense	2 204	2 380
Specific provision for impairment	(11 233)	(10 596)
Collective provision for impairment	(9 221)	(9 512)
Net loans and advances	1 798 177	1 853 133

The following table provides an analysis of the age of financial assets that are past due as at the reporting date but not impaired:

Less than 30 days	82 193	85 214
30 - 59 days	14 028	14 725
60 - 89 days	3 202	4 956
90 - 179 days	3 267	2 396
More than 179 days	1 355	1 219
Total	104 045	108 510

(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 judgement of management, indicate that payment will most likely continue. These policies are reviewed at least annually.

Renegotiated loans that would otherwise be past due or impaired totalled $12.9 million as at 30 June 2014 ($8.5 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.

(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.

33.2.2 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 2014 and 30 June 2013, HomeStart did not have any exposure to credit risk arising from derivative financial liabilities.

	Note	2014 $'000	2013 $'000
Derivative financial instruments		(5 929)	(6 267)
Swap income receivable		164	281
Swap expense payable		(306)	(604)
Net payable	26	(142)	(323)

Further information in relation to derivatives is disclosed in notes 33.3.3 and 33.4.2.

33.3 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.

33.3.1 Liquidity risk management

Risks relating to liquidity are governed by a range of treasury management policies, which are subject to oversight by ALCO.

HomeStart's liquidity management process is carried out and monitored by HomeStart's internal treasury, finance and risk 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.

33.3.2 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 $2105 million as at 30 June 2014 ($2105 million).

33.3.3 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 $40% (40%) of total debt outstanding.

Percentage of debt subject to refinancing in the next 12 month period:	2014 %	2013 %
At 30 June	36.56	32.65
Average for the period	23.10	28.01
Maximum for the period	36.56	36.57
Minimum for the period	6.35	23.94

The table below presents the cash flows payable by HomeStart under non-derivative financial liabilities by remaining contractual maturities at the reporting date.

2014	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	4 044	2 278	-	-	-	6 322	6 322
Borrowings	39 841	8 002	633 437	1 153 661	-	1 834 941	1 737 134
Other financial liabilities	-	1 376	1 929	-	-	3 305	3 305
Total liabilities (contractual maturity dates)	43 885	11 656	635 366	1 153 661	-	1 844 568	1 746 761
2013							
Liabilities:							
Payables	4 773	2 211	-	-	-	6 984	6 984
Borrowings	122 517	57 719	450 755	1 300 012	-	1 931 003	1 799 560
Other financial liabilities	-	1 329	1 906	-	-	3 235	3 235
Total liabilities (contractual maturity dates)	127 290	61 259	452 661	1 300 012	-	1 941 222	1 809 779

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 are 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
2014	(226)	(429)	(2 290)	(5 905)	(62)	(8 912)
2013	(429)	(389)	(2 534)	(3 506)	143	(6 715)

Further information in relation to derivatives is disclosed in notes 33.2.2 and 33.4.2.

(c) Off balance sheet

The periods of payment of unrecognised contractual commitments are disclosed in note 35.

33.4 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.

33.4.1 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 bi-weekly meetings and by HomeStart's internal treasury, finance and risk department on a daily basis.

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.

33.4.2 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 2014, HomeStart had floating/fixed swaps with a notional value of $177 million ($198 million) with fixed rates varying between 2.69% and 7.21% (2.7% and 7.42%).

As at 30 June 2014, HomeStart had $0 floating/floating swaps ($30 million with a floating rate of 3.07%).

Periods to maturity of the interest rate swap contracts are disclosed at note 33.3.3(b).

(b) Market risk measurement and maximum exposure to interest rate risk

The major risk measurement process used by HomeStart to measure and control interest rate risk is the value at risk (VaR) methodology. Risk measurement and management is further enhanced through the calculation of present value per basis point as well as the use of stress testing.

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 VaR that may be accepted by HomeStart, which are monitored on a daily basis by HomeStart's internal treasury, finance and risk department and monthly by the Board and ALCO.

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% 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.

Although VaR represents a good estimate of potential losses under normal market conditions, the model is necessarily based on reasonable management assumptions. Actual outcomes may therefore differ from expected results calculated using the VaR model.

VaR (continued)
ALCO has approved a maximum loss limit of $1.1 million. The VaR as at 30 June 2014 was $50 450 ($182 518).

(c) *Hedge accounting*
Variable rate debt used to fund fixed rate loans to customers is 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.

Fluctuations in the fair value of these transactions are not recognised in the Statement of Profit or Loss and Other Comprehensive Income when HomeStart designates the instrument into a hedge relationship and 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 Profit or Loss and Other Comprehensive Income immediately. In the year ended 30 June 2014, a $400 000 gain ($4.3 million loss) was recognised in equity.

Further information in relation to derivatives is disclosed in notes 33.2.2 and 33.3.3.

33.4.3 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 HomeStart's internal treasury finance 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 (refer 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% increase or decrease in market value at year end, with all other variables being held constant.

	Carrying amount $'000	-10% $'000	10% $'000
2014			
Unit trusts	13 647	(1 365)	1 365
SAFA Cash Management Fund	5 422	(542)	542
Total increase (decrease) in profit before tax and equity		(1 907)	1 907
2013			
Unit trusts	14 121	(1 412)	1 412
SAFA Cash Management Fund	6 544	(654)	654
Total increase (decrease) in profit before tax and equity		(2 066)	2 066

33.4.4 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 (refer 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 (refer 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% increase or decrease in property market value at year end, with all other variables being held constant.

	2014			2013		
	Carrying amount $'000	-5% $'000	5% $'000	Carrying amount $'000	-5% $'000	5% $'000
Breakthrough Loan	70 943	(4 134)	4 516	70 549	(3 933)	4 300
Total increase (decrease) in profit before tax equity		(4 134)	4 516		(3 933)	4 300

33.4.5 Currency 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.

34. Fair value and categorisation of financial instruments

34.1 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.

	2014		2013	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets				
Cash and cash equivalents	3 320	3 320	4 373	4 373
Investments:				
Fair value through profit or loss	108 012	108 012	108 299	108 299
Available for sale	11 971	11 971	13 958	13 958
Loans and advances:				
Amortised cost	1 798 177	1 798 554	1 853 133	1 906 263
Other financial assets:				
Financial assets (at cost)	769	769	1 136	1 136
Total financial assets	1 922 249	1 922 626	1 980 899	2 034 029
Financial liabilities				
Borrowings:				
Financial liabilities (amortised cost)	1 737 134	1 743 647	1 799 560	1 803 175
Other liabilities:				
Financial liabilities (amortised cost)	3 591	3 591	3 594	3 594
Derivative financial instruments:				
Hedge accounting (fair value through equity)	5 929	5 929	6 267	6 267
Payables:				
Financial liabilities (at cost)	6 322	6 322	6 984	6 984
Income tax equivalents payable:				
Financial liabilities (at cost)	2 751	2 751	2 659	2 659
Provision for dividend:				
Financial liabilities (at cost)	554	554	576	576
Total financial liabilities	1 756 281	1 762 794	1 819 640	1 823 255
Net financial assets	165 968	159 832	161 259	210 774

34.2 *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:

	2014	2013
Valuation determined using an automated method	%	%
(Hometrack Australia)	96.51	93.12
Valuation provided by the Valuer-General	1.98	6.33
Other independent valuation used	1.51	0.55

(e) Bonds

The fair value of bonds is calculated using observable market prices.

34.3 *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 (unadjusted) 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.

34.3 Hierarchical classification of financial assets measured at fair value (continued)

2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:				
SAFA Cash Management Fund	-	5 422	-	5 422
Term deposits	-	18 000	-	18 000
Unit trusts	-	13 647	-	13 647
Bonds	-	11 971	-	11 971
Breakthrough Loan	-	-	70 943	70 943
Total financial assets measured at fair value	-	49 040	70 943	119 983
Financial liabilities measured at fair value:				
Derivative financial instruments	-	5 929	-	5 929
Total financial liabilities measured at fair value	-	5 929	-	5 929
2013				
Financial assets measured at fair value:				
SAFA Cash Management Fund	-	6 544	-	6 544
Term deposits	-	17 085	-	17 085
Unit trusts	-	14 121	-	14 121
Bonds	-	13 958	-	13 958
Breakthrough Loan	-	-	70 549	70 549
Total financial assets measured at fair value	-	51 708	70 549	122 257
Financial liabilities measured at fair value:				
Derivative financial instruments	-	6 267	-	6 267
Total financial liabilities measured at fair value	-	6 267	-	6 267

34.4 Reconciliation of level 3 fair value measurements

	Note	2014 $'000	2013 $'000
Fair value at 1 July		70 549	70 247
Breakthrough Loan settlements		5 962	8 349
Breakthrough Loan discharges		(7 943)	(6 582)
Unrealised change in fair value of loans	15	2 375	(1 465)
Fair value at 30 June		70 943	70 549

Note 33.4.4(c) discloses sensitivity of HomeStart's profit to movements in the values of properties used as collateral for a Breakthrough Loan.

35. Unrecognised contractual arrangements

35.1 Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows:

	2014 $'000	2013 $'000
Not later than one year	-	286
Later than one year but not later than five years	-	-
Total capital commitments	-	286

HomeStart's capital commitments in 2013 were for the modification, customisation and implementation of a replacement front end loan system which was completed in 2014.

35.2 Software licence commitments

Software licence expenditure contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows:

	2014 $'000	2013 $'000
Not later than one year	453	377
Later than one year but not later than five years	1 432	1 885
Total software licence commitments	1 885	2 262

HomeStart's software licence commitments in 2014 are in relation to a replacement front end loan system.

35.3 Operating lease commitments

HomeStart as lessee

HomeStart's operating lease commitments are for office accommodation. The lease is non-cancellable with the term up to five years with 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:

	2014	2013
	$'000	$'000
Not later than one year	909	901
Later than one year but not later than five years	76	933
Total operating lease commitments	985	1 834

35.4 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 2014 and 30 June 2013. HomeStart estimates that commitments from existing employment positions within one year and annually will be consistent with salaries and wages expenses in note 10, adjusted for the salary inflation rate.

35.5 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 $57.4 million ($47 million). These commitments are expected to be paid in the coming year.

36. Contingent liabilities

HomeStart has no material contingent liabilities as at 30 June 2014.

37. Cash flow reconciliation

37.1 Cash

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash on hand and at bank.

37.2 Reconciliation of profit for the year to net cash provided by (used in) operating activities	2014	2013
	$'000	$'000
Profit for the year	11 923	11 447
Loss (Gain) on sale of fixed assets	-	(1)
Amortisation of discount or premium on purchase of held-to-maturity financial investments	-	10
Amortisation of discount or premium on purchase of available-for-sale financial investments	63	50
Depreciation and amortisation expense	917	558
Unrealised change in fair value of loans	(2 375)	1 463
Unrealised change in market value of investments	205	(3)
Change in derivative financial instrument not recognised in equity	12	(12)
Reinvestment of managed fund distribution	(896)	(815)
Bad debts written off	3 854	3 204
Loan interest charged but not received	(1 883)	(1 820)
Fees applied directly to loan accounts	(3 527)	(5 473)
Movements in assets/liabilities:		
Provision for impairment	346	891
Deferred loan fee income	15	(209)
Deferred loan fee expense	176	352
Fair value adjustment	(624)	(591)
Payables	(584)	(432)
Provision for employee benefits	206	194
Other liabilities	(3)	218
Income tax equivalents payable	92	484
Financial and other assets	176	(104)
Net cash provided by (used in) operating activities	8 093	9 411

38. Transactions with SA Government

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty is an entity within SA Government as at the reporting date, classified according to their nature. Transactions with SA Government entities below the threshold of $100 000 have been included with the non-government transactions, classified according to their nature.

		SA Government		Non-SA Government		Total	
		2014	2013	2014	2013	2014	2013
	Note	$'000	$'000	$'000	$'000	$'000	$'000
Income							
Interest income	5	-	-	112 663	125 409	112 663	125 409
Interest expense on SAFA borrowings	5	(54 164)	(65 670)	-	-	(54 164)	(65 670)
Other income:	6						
Fees and charges		-	-	3 456	3 587	3 456	3 587
Managed funds distribution		165	219	731	596	896	815
Unrealised gain in fair value of loans		-	-	2 375	-	2 375	-
EquityStart grant		925	898	-	-	925	898
CSO		5 614	5 400	-	-	5 614	5 400
Other		-	-	2 037	2 383	2 037	2 383
Net gain (loss) from disposal of assets	7	-	-	-	1	-	1
Total income		(47 460)	(59 153)	121 262	131 976	73 802	72 823
Expenses							
Bad and impaired loan expense	8	-	-	(4 200)	(4 095)	(4 200)	(4 095)
Loan manager fees		-	-	(6 210)	(6 659)	(6 210)	(6 659)
Employee expenses	10	(462)	(482)	(10 448)	(10 410)	(10 910)	(10 892)
Depreciation and amortisation	14	-	-	(917)	(558)	(917)	(558)
Other expenses:	15						
External auditor remuneration		(174)	(156)	-	-	(174)	(156)
Unrealised change in fair value of loans		-	-	-	(1 465)	-	(1 465)
Office accommodation		-	-	(874)	(849)	(874)	(849)
Marketing, product development and advertising		-	-	(1 291)	(1 230)	(1 291)	(1 230)
Internal audit fees		-	-	(314)	(315)	(314)	(315)
Loan administration		-	-	(253)	(237)	(253)	(237)
Information technology		-	-	(900)	(564)	(900)	(564)
Insurance		-	-	(96)	(86)	(96)	(86)
Consultant fees		-	-	(93)	(56)	(93)	(56)
Human resources and staff development		-	-	(475)	(551)	(475)	(551)
Other		-	-	(1 954)	(1 657)	(1 954)	(1 657)
Government guarantee fee	9	(28 109)	(27 100)	-	-	(28 109)	(27 100)
Total expenses		(28 745)	(27 738)	(28 025)	(28 732)	(56 770)	(56 470)
Financial assets							
Cash and cash equivalents		-	-	3 320	4 373	3 320	4 373
Financial investments at fair value		5 442	6 544	102 590	101 755	108 012	108 299
Financial investments available for sale		-	-	11 971	13 958	11 971	13 958
Financial investments held to maturity		-	-	-	-	-	-
Loans and advances		-	-	1 798 177	1 853 133	1 798 177	1 853 133
Other financial assets		-	136	769	1 000	769	1 136
Total financial assets		5 422	6 680	1 916 827	1 974 219	1 922 249	1 980 899
Financial liabilities							
Payables		(5 333)	(6 104)	(989)	(880)	(6 322)	(6 984)
Derivative financial instruments		(5 929)	(6 267)	-	-	(5 929)	(6 267)
Short-term borrowings		(635 134)	(587 560)	-	-	(635 134)	(587 560)

38. Transactions with SA Government (continued)

		SA Government		Non-SA Government		Total	
Financial liabilities		2014	2013	2014	2013	2014	2013
(continued)	Note	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefits		-	-	(2 357)	(2 151)	(2 357)	(2 151)
Income tax equivalents payable		(2 751)	(2 659)	-	-	(2 751)	(2 659)
Provision for dividend		(554)	(576)	-	-	(554)	(576)
Other liabilities		(1 008)	(1 199)	(2 583)	(2 395)	(3 591)	(3 594)
Long-term borrowings		(1 102 000)	(1 212 000)	-	-	(1 102 000)	(1 212 000)
Total financial liabilities		(1 752 709)	(1 816 365)	(5 929)	(5 426)	(1 758 638)	(1 821 791)

39. Events after balance date

No other 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.

Independent Commissioner Against Corruption

Functional responsibility

Establishment

The *Independent Commissioner Against Corruption Act 2012* provides for the establishment of the Independent Commissioner Against Corruption (the Commissioner) and the Office for Public Integrity (the OPI), effective from 1 September 2013.

The activities of both the Commissioner and the OPI are included in the financial report as they constitute a single entity (the Independent Commissioner Against Corruption (ICAC)) for financial reporting purposes.

Functions

The primary functions of the Commissioner are to identify and investigate corruption in public administration and prevent or minimise corruption, misconduct and maladministration in public administration through referral of potential issues, education and evaluation of practices, policies and procedures.

Note 1 to the financial statements further explains the objectives and functions of the Commissioner and the OPI.

Audit mandate and coverage

Audit authority

Audit of the financial report

As ICAC is a public authority for the purposes of the PFAA, section 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of ICAC for each financial year.

Assessment of controls

Section 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by ICAC 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 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 with respect to the financial report and internal controls.

During 2013-14, specific areas of audit attention included:

- legislative compliance
- expenditure
- payroll

- revenue
- cash
- general ledger journal processing.

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 Independent Commissioner Against Corruption as at 30 June 2014, 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 Independent Commissioner Against Corruption 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 Independent Commissioner Against Corruption have been conducted properly and in accordance with law.

Communication of audit matters

Matters identified during the course of the audit were detailed in a management letter to the Commissioner. The management letter indicated the results of the audit were generally satisfactory, however scope for improvement was identified in some of the areas reviewed. The main matters reported were:

- explanations for budget variances in monthly finance reports were not formally documented
- variations between expenditure authorisation limits in the Basware system and the ICAC Procurement and Financial Authorisations schedule were not detected by existing controls.

The Commissioner's response to the letter indicated that appropriate action had been or would be taken to address the matters raised.

Shared Services SA - financial systems and transaction processing environment

SSSA processes financial transactions on behalf of ICAC under service level determinations. The main systems and control environments include accounts payable, payroll and general ledger financial functions.

Last year's Report made specific comment on the progress being taken by SSSA to remediate key control weaknesses raised in prior years for the systems and control environments, in order to achieve a satisfactory ongoing standard of control operation over financial transaction processing.

As discussed in the commentary under 'Department of the Premier and Cabinet' elsewhere in Part B of this Report, Audit review and evaluation of controls for the SSSA main accounts payable and payroll systems and environments concluded that controls met a generally satisfactory standard for 2013-14. Notwithstanding this overall conclusion, there were some specific matters that were raised with SSSA for corrective action and review for process and procedural improvement. The matters did not relate to ICAC transaction processing.

Interpretation and analysis of the financial report

Highlights of the financial report

	2014 $'million
Expenses	
Employee benefits expenses	3.7
Supplies and services	1.8
Other expenses	0.3
Total expenses	5.8
Income	
Donated assets	3.9
Total income	3.9
Net cost of providing services	1.9
Revenues from (Payments to) SA Government	
Revenues from SA Government	8.2
Net result and total comprehensive result	6.3
Net cash provided by (used in) operating activities	7.4
Assets	
Current assets	4.4
Non-current assets	3.9
Total assets	8.3
Liabilities	
Current liabilities	1.1
Non-current liabilities	0.9
Total liabilities	2.0
Total equity	6.3

Statement of Comprehensive Income

Expenses

The expenses of ICAC primarily relate to employee benefits expenses ($3.7 million) and supplies and services expenses ($1.8 million).

Employee benefits expenses represent 64% of total expenses and comprise salaries and wages, employee on-costs and leave expenses (refer note 6 to the financial statements).

Supplies and services expenses represent 31% of total expenses and primarily relate to accommodation, ICT and outsourced services expenses (refer note 7).

Income

The income of ICAC is primarily comprised of revenue attributable to donated assets ($3.9 million) and revenues in appropriations from the SA Government ($8.2 million).

The donated assets relate to cash and property, plant and equipment transferred from the Attorney-General's Department (the AGD) to ICAC upon establishment of the agency on 1 September 2013.

The cash represents the unspent funding received by the AGD to facilitate the creation of ICAC. The transfer of cash from the AGD to ICAC is reflected in the Schedule of Income and Expenses attributable to Administered Activities within the AGD's 2013-14 financial statements.

The transferred property, plant and equipment assets relate to plant and equipment and works in progress (refer note 12(b) to the financial statements).

Net result

The net result of ICAC for the reporting period is $6.3 million. This is primarily due to the one-off transfer of donated assets from the AGD and appropriations from the SA Government exceeding total expenses.

Statement of Financial Position

Assets

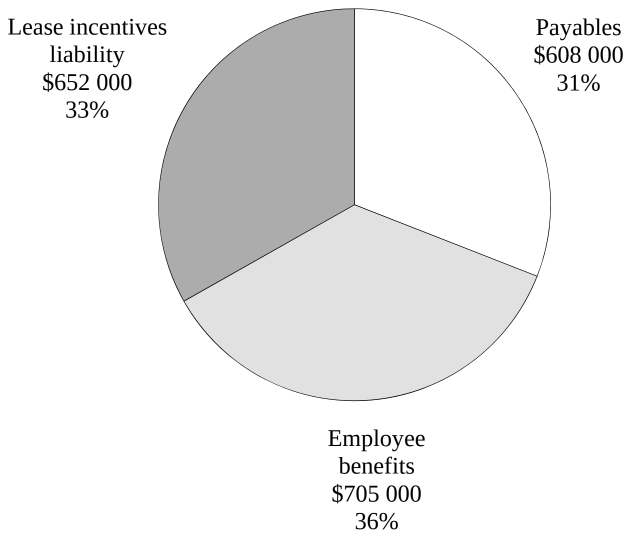
The assets of ICAC primarily relate to cash and cash equivalents ($4.3 million) and property, plant and equipment ($3.9 million).

Cash and cash equivalents represent 52% of total assets and are solely comprised of deposits with the Treasurer.

Property, plant and equipment represents 47% of total assets and is mainly comprised of leasehold improvements and information technology assets.

Liabilities

The liabilities of ICAC relate to payables, employee benefits and a lease incentives liability. The graph below highlights the percentage composition of ICAC's liabilities.



The lease incentives liability relates to ICAC's accommodation on Currie Street in Adelaide.

Statement of Cash Flows

The following table summarises the net cash flows for 2014.

	2014 $'million
Net cash flows	
Operating	7.4
Investing	(3.1)
Change in cash	4.3
Cash at 30 June	4.3

The cash provided by operating activities is primarily attributable to appropriation receipts from the SA Government and the transfer of cash from the AGD, offset partly by payments for employee benefits and supplies and services.

The cash used in investing activities mainly relates to payments for the purchase of property, plant and equipment.

Statement of Comprehensive Income
for the period 1 September 2013 to 30 June 2014

	Note	01.09.13 to 30.06.14 $'000
Income:		
Donated assets	23	3 895
Recoveries and other income	5	19
Total income		3 914
Expenses:		
Employee benefits expenses	6	3 689
Supplies and services	7	1 822
Depreciation and amortisation	8	257
Auditor's remuneration	9	29
Total expenses		5 797
Net cost of providing services		1 883
Revenues from (Payments to) SA Government:		
Revenues from SA Government	4	8 189
Net result		6 306
Total comprehensive result		6 306

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

Statement of Financial Position
as at 30 June 2014

	Note	01.09.13 to 30.06.14 $'000
Current assets:		
Cash and cash equivalents	10	4 316
Receivables	11	89
Total current assets		4 405
Non-current assets:		
Property, plant and equipment	12(a)	3 866
Total non-current assets		3 866
Total assets		8 271
Current liabilities:		
Payables	14	587
Employee benefits	15	476
Lease incentives liability	16	72
Total current liabilities		1 135
Non-current liabilities:		
Payables	14	21
Employee benefits	15	229
Lease incentives liability	16	580
Total non-current liabilities		830
Total liabilities		1 965
Net assets		6 306
Equity:		
Retained earnings		6 306
Total equity		6 306

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	17	
Contingent assets and liabilities	18	

Statement of Changes in Equity
for the period 1 September 2013 to 30 June 2014

	Retained earnings $'000	Total $'000
Balance at 1 September 2013	-	-
Net result for 2013-14	6 306	6 306
Total comprehensive result for 2013-14	6 306	6 306
Balance at 30 June 2014	6 306	6 306

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

Statement of Cash Flows
for the period 1 September 2013 to 30 June 2014

	Note	01.09.13 to 30.06.14 Inflows (Outflows) $'000
Cash flows from operating activities:		
Cash inflows:		
Recoveries		19
Donated cash		3 772
Cash generated from operations		3 791
Cash outflows:		
Employee benefits payments		(2 903)
Supplies and services		(1 672)
Cash used in operations		(4 575)
Cash flows from SA Government:		
Receipts from SA Government		8 189
Cash generated from SA Government		8 189
Net cash provided by (used in) operating activities	19	7 405
Cash flows from investing activities:		
Cash outflows:		
Purchase of property, plant and equipment		(3 813)
Cash used in investing activities		(3 813)
Cash inflows:		
Lease incentive received		724
Cash generated from investing activities		724
Net cash provided by (used in) investing activities		(3 089)
Net increase (decrease) in cash and cash equivalents		4 316
Cash and cash equivalents at 1 September 2013		-
Cash and cash equivalents at 30 June 2014	10	4 316

Notes to and forming part of the financial statements

1. Objectives of the Independent Commissioner Against Corruption (the Commissioner)

The *Independent Commissioner Against Corruption Act 2012* (the Act) establishes the Independent Commissioner Against Corruption (the Commissioner) and the Office for Public Integrity (the OPI).

The primary objectives of the Commissioner are to:

(a) investigate serious or systemic corruption in public administration

(b) refer serious or systemic misconduct or maladministration in public administration to the relevant body, giving directions or guidance to the body or exercising the powers of the body as the Commissioner considers appropriate.

The Commissioner has the following functions:

(a) to identify corruption in public administration and to:

(i) investigate and refer it for prosecution; or
(ii) refer it to South Australia Police or the Police Ombudsman for investigation and prosecution

(b) to assist inquiry agencies and public authorities to identify and deal with misconduct and maladministration in public administration

(c) to give directions or guidance to inquiry agencies and public authorities, and to exercise the powers of inquiry agencies in dealing with misconduct and maladministration in public administration, as the Commissioner considers appropriate

(d) to evaluate the practices, policies and procedures of inquiry agencies and public authorities with a view to advancing comprehensive and effective systems for preventing or minimising corruption, misconduct and maladministration in public administration

(e) to conduct or facilitate the conduct of educational programs designed to prevent or minimise corruption, misconduct and maladministration in public administration

(f) to perform other functions conferred on the Commissioner by the Act.

The OPI is responsible to the Commissioner for the performance of the following functions:

(a) to receive and assess complaints about public administration from members of the public

(b) to receive and assess reports about corruption, misconduct and maladministration in public administration from inquiry agencies, public authorities and public officers

(c) to make recommendations as to whether and by whom complaints and reports should be investigated

(d) to perform other functions assigned to the office by the Commissioner.

2. Summary of significant accounting policies

(a) Statement of compliance

The Commissioner has prepared this first set of financial statements in compliance with section 23 of the PFAA. The Commissioner was appointed on 2 September 2013.

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

As the Commissioner is a not-for-profit entity, AASs that are applicable to not-for-profit entities have been applied.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted for these statements (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 judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes

(b) Basis of preparation (continued)

- accounting policies to be 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 this financial report:

  (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

  (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.

The Commissioner'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 for the period commencing 1 September 2013, when the Act commenced, to 30 June 2014. They are presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the period ended 30 June 2014.

(c) Reporting entity

The Commissioner must, before 30 September in each year, prepare a report on the operations of the Commissioner and the OPI as required by section 45 of the Act.

(d) Comparative information

The financial statements have been prepared for the period 1 September 2013 to 30 June 2014 and there is no preceding period.

(e) Rounding

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

(f) Taxation

The Commissioner is not subject to income tax. The Commissioner is liable for payroll tax, FBT and GST. GST collections and payments are carried out by the Attorney-General's Department (the AGD) on behalf of the Commissioner. GST in relation to the Commissioner is reported in the AGD controlled financial statements.

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 AGD is included as part of receivables or payables in the Statement of Financial Position.

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) Events after the reporting period

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.

(h) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to the Commissioner 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.

The following are specific recognition criteria:

Revenues from SA Government

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

Transitional funding and donated asset

Donated assets are recorded as revenue in the Statement of Comprehensive Income.

Recoveries

Recoveries consist of recoveries from the SA Government for accommodation costs.

(i) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Commissioner 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.

The following are specific recognition criteria:

Employee benefits expenses

Employee benefits expenses 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 Commissioner to the superannuation plan in respect of current services of current 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.

Depreciation and amortisation (continued)
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	*Useful life (years)*
Leasehold improvements	Life of lease
Plant and equipment	1-16
Information technology	3-12

(j) 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 Commissioner has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(k) 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 Commissioner 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 include deposits with the Treasurer.

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 GST receivable, prepayments and other accruals.

Non-current asset 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 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.

All non-current tangible assets with a value of $10 000 or greater are capitalised. Items with an acquisition cost less than $10 000 are expensed in the year of acquisition.

Revaluation 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.

Impairment
All non-current 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 amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

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

Fair value measurement (continued)
The Commissioner classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation.

Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

Level 3: not traded in an active market and are derived from unobservable inputs.

Non-financial assets
In determining fair value, the Commissioner has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset) and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The Commissioner's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the Commissioner has not identified any factors to suggest an alternative use, fair value measurement is based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than $1 million or has an estimated useful life that was less than three years are deemed to approximate fair value.

Refer notes 12(a) and 13 for disclosures regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

Financial assets/liabilities
The Commissioner does not recognise any financial assets or financial liabilities at fair value.

(l) 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 Commissioner has separately disclosed the amounts expected to be settled after more than 12 months.

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 Commissioner.

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 and payroll tax in respect to outstanding liabilities for salaries and wages, LSL, recreation leave, SERL and pre-retirement leave.

The Commissioner 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.

Leases (continued)
The Commissioner has entered into operating leases. Operating lease payments are expensed on a basis which is representative of the pattern of benefits derived from the leased assets.

- *Lease incentives*
  All incentives for the agreement of a new or renewed operating lease 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 benefits of lease incentives received by the Commissioner in respect of operating leases have 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.

- *Salaries and wages, annual leave, SERL and sick leave*
  The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

  Where the annual leave liability and the SERL liability are expected to be payable within 12 months, the liability has been measured at the undiscounted amount expected to be paid.

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

- *LSL*
  The liability for LSL is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

  The estimated liability for LSL is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

  Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

  The current portion of LSL reflects the whole-of-government’s past experience of LSL.

- *Pre-retirement leave*
  The Commissioner is not entitled to LSL, but is entitled to six months pre-retirement leave or payment in lieu in the same manner as a judge of the Supreme Court of South Australia.

(m) Unrecognised contractual commitments and contingent assets and liabilities
Commitments include operating 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 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
The Commissioner did not voluntarily change any of its accounting policies during 2013-14.

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

In accordance with the new AASB 13, which became effective for the first time in 2013-14, the Commissioner has:

- reviewed the fair value valuation techniques (both internal estimates and independent valuation appraisal) for non-financial assets to ensure they are consistent with the standard. The Commissioner will continue to measure non-financial assets using either the cost or market approach. The application of AASB 13 has not had a material impact on the fair value measurements
- included additional disclosures where required to assist users in assessing the valuation techniques and inputs used to ascertain fair value measurements used for asset and liability measurements.

Fair value hierarchy and other information is provided in notes 12(a) and 13.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Commissioner for the period ending 30 June 2014. The Commissioner 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 Commissioner.

4. Revenues from SA Government

	01.09.13 to 30.06.14 $’000
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	8 189
Total revenues from SA Government	8 189

Total revenues from the SA Government consist of operational and capital funding. For details on the expenditure associated with the operational funding received refer notes 6 to 9. There were no material variations between the amount appropriated and the expenditure associated with this appropriation.

$8.189 million represents the proportion of the total appropriation that relates to the period from 1 September 2013 to 30 June 2014.

5. Recoveries and other income

	01.09.13 to 30.06.14 $’000
Sundry recoveries	19
Total recoveries and other income	19

Recoveries consist of recoveries from SA Government agencies for accommodation costs.

6. Employee benefits expenses

Salaries and wages	2 892
Employee on-costs - superannuation	276
LSL	272
Employee on-costs - other	174
Annual leave	72
SERL	3
Total employee benefits expenses	3 689

References to employee(s) in these financial statements include the Commissioner, who is a statutory appointment.

There were no employees who received TVSPs during the reporting period.

Remuneration of employees - from 1 September 2013 to 30 June 2014	2014
The number of employees whose remuneration received or receivable falls within the following bands:	Number
$141 500 - $151 499	1
$261 500 - $271 499	1
$381 500 - $391 499	1
Total	3

The table includes all employees (including the Commissioner) who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any FBT paid or payable in respect of those benefits. The total actual remuneration received by these employees for the reporting period was $791 000.

7. Supplies and services

	01.09.13 to 30.06.14 $'000
Accommodation	668
ICT	405
Outsourced services	147
Employment related payments	65
Repairs, maintenance and minor purchases	77
Office expenses	75
Contract staff	72
Promotions and publications	45
Motor vehicle expenses	41
Telephone related expenses	31
Legal fees	26
Employee training	26
Website development	20
SSSA charges	19
Tax and taxable payments	19
Consultancies	15
Minor works	2
Other	69
Total supplies and services	1 822

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following band:	01.09.13 to 30.06.14 Number	01.09.13 to 30.06.14 $'000
Below $10 000	2	15
Total paid/payable to consultants	2	15

8. Depreciation and amortisation

	01.09.13 to 30.06.14 $'000
Depreciation:	
Plant and equipment	29
Information technology	16
Amortisation:	
Leasehold improvements	212
Total depreciation and amortisation	257

9. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	29
Total audit fees	29

10. Cash and cash equivalents

Deposits with the Treasurer	4 316
Total cash and cash equivalents	4 316

Deposits with the Treasurer and interest rate risk

Deposits with the Treasurer are non-interest bearing. The carrying amount of cash and cash equivalents represents fair value.

11. Receivables

GST receivable	45
Prepayments	44
Total receivables	89

(a) Maturity analysis of receivables - refer note 21(b).

(b) Categorisation of financial instruments and risk exposure information - refer note 21(a).

12. (a) *Property, plant and equipment*

	01.09.13 to 30.06.14 $'000
Leasehold improvements:	
Leasehold improvements at cost (deemed fair value)	2 547
Accumulated amortisation	(212)
Total leasehold improvements	2 335
Plant and equipment:	
Plant and equipment at cost (deemed fair value)	369
Accumulated depreciation	(30)
Total plant and equipment	339
Information technology:	
Information technology at cost (deemed fair value)	1 074
Accumulated depreciation	(16)
Total information technology	1 058
Capital work in progress:	
Capital work in progress at cost	134
Total capital work in progress	134
Total property, plant and equipment	3 866

Carrying amount of plant and equipment

All items of plant and equipment had a fair value at the time of acquisition that was less than $1 million or had an estimated useful life that was less than three years, and have not been revalued in accordance with APF III. The carrying value of these items are deemed to approximate fair value. These assets are classified in level 3 as there has been no subsequent adjustments to their value, except for management assumptions about the assets condition and remaining useful life.

Impairment

There were no indications of impairment of property, plant and equipment at 30 June 2014.

(b) *Property, plant and equipment movement schedule*

	Leasehold imprvmnts $'000	Plant and equipment $'000	Information technology $'000	Capital work in progress	Total property, plant and equipment $'000
Carrying amount 1 September 2013	-	-	-	-	-
Additions	2 435	358	1 074	134	4 001
Depreciation and amortisation	(212)	(30)	(16)	-	(258)
Donated assets	-	11	-	112	123
Transfer from (to) work in progress	112	-	-	(112)	-
Carrying amount 30 June 2014	2 335	339	1 058	134	3 866

13. Fair value measurement

Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Commissioner categorises non-financial assets measured at fair value into a hierarchy based on the level of inputs used in measurement.

Fair value measurements

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2014.

Recurring fair value measurements:	Note	Level 3 $'000	Total $'000
Leasehold improvements	12(a)	2 335	2 335
Information technology	12(a)	1 058	1 058
Plant and equipment	12(a)	339	339
Total recurring fair value measurements		3 732	3 732

Valuation techniques and inputs

All non-financial assets have been determined to be level 3. Valuation techniques used to derive level 3 fair values are at note 2(k). The fair values were determined using the depreciated replacement cost approach. Key assumptions were assessing the remaining useful life and the purpose of the assets.

Reconciliation of fair value measurements - level 3	Leasehold imprvmnts $'000	Information technology $'000	Plant and equipment $'000	Total $'000
Opening balance at 1 September 2013	-	-	-	-
Additions	2 435	1 074	358	3 867
Transfer from (to) work in progress	112	-	-	112
Donated assets	-	-	11	11
Total gains (losses) for the period recognised in net result:				
Depreciation and amortisation	(212)	(16)	(30)	(258)
Closing balance at 30 June 2014	2 335	1 058	339	3 732

14. Payables

	01.09.13 to 30.06.14
Current:	$'000
Creditors	499
Accruals	29
Employee on-costs	59
Total current payables	587
Non-current:	
Employee on-costs	21
Total non-current payables	21
Total payables	608

DTF has performed an actuarial assessment of LSL as at 30 June 2014. The percentage of LSL taken as leave in the actuarial assessment is 40% and the average factor for the calculation of employer superannuation on-cost is 10.3%. 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 and are settled within the normal terms of payment of 30 days, unless otherwise agreed. 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 21(b).
(b) Categorisation of financial instruments and risk exposure information - refer note 21(a).

15. Employee benefits

	01.09.13 to 30.06.14
Current:	$'000
Recreation leave	192
Accrued salaries and wages	20
LSL	258
SERL	6
Total current employee benefits	476
Non-current:	
LSL	229
Total non-current employee benefits	229
Total employee benefits	705

The amounts for LSL include pre-retirement leave (refer note 2(l)) and also include amounts accrued for investigators seconded under a memorandum of administrative arrangement between South Australia Police and the Commissioner. The Commissioner is required to reimburse South Australia Police an amount equivalent to LSL when seconded investigators cease employment with the Commissioner. The amount accrued is therefore equivalent to the LSL provision amount.

AASB 119 contains the calculation methodology for LSL liability. The actuarial assessment performed by DTF has provided a set level of liability for the measurement of LSL. AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds is 3.5% in 2014.

15. Employee benefits (continued)

The actuarial assessment performed by DTF assumed a salary inflation rate at 4%.

16. Other liabilities

	01.09.13 to 30.06.14
Current:	$'000
Lease incentive	72
Total current other liabilities	72
Non-current:	
Lease incentive	580
Total non-current other liabilities	580
Total other liabilities	652

17. Unrecognised contractual commitments

Remuneration commitments

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

Within one year	1 113
Later than one year but not longer than five years	3 949
Later than five years	895
Total remuneration commitments	5 957

Operating lease commitments

Commitments under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

Within one year	503
Later than one year but not longer than five years	2 209
Later than five years	2 560
Total operating lease commitments	5 272

The accommodation and office equipment leases are non-cancellable leases with rental payable monthly in advance.

Contingent rental provisions within the accommodation lease agreements provide for the minimum lease payments to be increased on specified rent review dates. Options exist to renew the accommodation leases at the end of the term of the lease.

Other commitments

	01.09.13 to 30.06.14
	$'000
Motor vehicles(1)	104
Other(2)	30
Total other commitments	134
Within one year	75
Later than one year but not longer than five years	59
Total other commitments	134

(1) Agreements for the provision of motor vehicles to executive officers or sections (ie pool vehicles) are leased from SAFA through their agent LeasePlan Australia. There are no purchase options available to the Commissioner.

(2) Other commitments relate to purchase orders placed for goods and services before 30 June 2014.

18. Contingent assets and liabilities

There are no contingent assets and liabilities as at 30 June 2014.

19. Cash flow reconciliation

	01.09.13 to 30.06.14
Reconciliation of cash and cash equivalents at 30 June:	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	4 316
Balance as per the Statement of Cash Flows	4 316

19. Cash flow reconciliation (continued)

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services	01.09.13 to 30.06.14 $'000
Net cash provided by (used in) operating activities	7 405
Revenues from SA Government	(8 189)
Non-cash items:	
Depreciation and amortisation expense	(257)
Property, plant and equipment assets in payables	187
Donated property, plant and equipment assets	123
Lease incentive amortisation	72
Movements in assets/liabilities:	
Receivables	89
Payables	(608)
Employee benefits	(705)
Net cost of providing services	(1 883)

20. Transactions with SA Government

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. All transactions have been included.

		01.09.13 to 30.06.14		
	Note	SA Government $'000	Non-SA Government $'000	Total $'000
Income				
Donated assets	23	3 895	-	3 895
Revenues from SA Government	4	8 189	-	8 189
Recoveries	5	19	-	19
Total income		12 103	-	12 103
Expenses				
Employee benefits expenses	6	174	3 515	3 689
Accommodation	7	641	27	668
ICT	7	97	308	405
Other outsourced services	7	50	97	147
Employment related payments	7	12	53	65
Repairs, maintenance and minor purchases	7	-	77	77
Office expenses	7	-	75	75
Contract staff	7	-	72	72
Promotions and publications	7	-	45	45
Motor vehicle expenses	7	-	41	41
Telephone related expenses	7	7	24	31
Legal fees	7	-	26	26
Employee training	7	-	26	26
Website development	7	20	-	20
SSSA charges	7	19	-	19
Tax and taxable payments	7	-	19	19
Consultancies	7	-	15	15
Minor works	7	-	2	2
Other	7	22	47	69
Auditor's remuneration	9	29	-	29
Depreciation and amortisation expense	8	-	257	257
Total expenses		1 071	4 726	5 797
Financial assets				
Cash and cash equivalents	10	4 316	-	4 316
Receivables:				
GST receivable	11	-	45	45
Prepayments	11	-	44	44
Total financial assets		4 316	89	4 405

20. Transactions with SA Government (continued)

Financial liabilities		01.09.13 to 30.06.14 SA Government	Non-SA Government	Total
Payables:	Note	$'000	$'000	$'000
Creditors	14	161	338	499
Accruals	14	29	-	29
Total financial liabilities		190	338	528

21. Financial instruments/Financial risk management

(a) 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.

		01.09.13 to 30.06.14	
		Carrying amount	Fair value
Financial assets	Note	$'000	$'000
Cash and cash equivalents:			
Cash and cash equivalents	10	4 316	4 316
Loans and receivables:			
Receivables(1)(2)	11	-	-
Financial liabilities			
Financial liabilities at cost:			
Payables(1)	14	499	499

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (eg Commonwealth, State and Local Government taxes, fees and charges; audit fees payable to the Auditor-General's Department etc). 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 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).

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 11 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

Fair value

The Commissioner does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 2, 11 and 14).

Credit risk

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Currently the Commissioner does not hold any collateral as security for any of its financial assets. There is no evidence to indicate that financial assets are impaired.

(b) Maturity analysis of financial assets and liabilities

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

(b) Maturity analysis of financial assets and liabilities (continued)

		Contractual maturities		
2014	Carrying amount	Less than 1 year	1-5 years	More than 5 years
Financial assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents	4 316	4 316	-	-
Receivables[(1)]	-	-	-	-
Total financial assets	4 316	4 316	-	-
Financial liabilities:				
Payables[(1)]	499	499	-	-
Total financial liabilities	499	499	-	-

[(1)] Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables.

Liquidity risk
The Commissioner is funded principally from appropriations by the SA Government. The Commissioner 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 continued existence of the Commissioner in the present form, and with the present programs, is dependent on State Government policy and on continuing appropriations by Parliament for the Commissioner's administration and programs. The Commissioner aims to settle undisputed accounts within 30 days from the date the invoice is first received.

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

Market risk
The Commissioner currently holds no interest bearing financial instruments and is not exposed to interest rate risk.

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

22. Events after the reporting period
There are no known events after balance date that affect these financial statements.

23. Donated assets
Donated assets are recorded as revenue in the Statement of Comprehensive Income. The donated assets comprise cash ($3.772 million) and property, plant and equipment ($123 000) transferred from the AGD administered items upon establishment of the agency on 1 September 2013.

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 Minister for Finance 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

Section 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

Section 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 2013-14, 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 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 2014, 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 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 to the Minister.

Interpretation and analysis of the financial report

Highlights of the financial report

	2014 $'million	2013 $'million
Revenue		
Employer contributions	5.2	5.3
Investment revenue	28.9	30.6
Total revenue	34.1	35.9
Expenses		
Benefits and other expenses	16.4	18.6
Total expenses	16.4	18.6
Transfer from (to) Consolidated Account	-	(21.5)
Operating result for the period	17.7	(4.2)
Net cash provided by (used in) operating activities	(4.2)	(24.7)
Assets		
Investments	210.2	186.9
Other assets	0.3	0.2
Total assets	210.5	187.1
Liabilities		
Liability for accrued benefits	198.1	192.4
Other liabilities	0.1	0.1
Total liabilities	198.2	192.5
Excess (Deficit) of net assets over liabilities	12.3	(5.4)

Operating Statement

The operating result for the year (excluding transfers from or to the Consolidated Account) was a surplus of $17.7 million ($17.3 million). The year's result took into account:

- returns on investments of $28.9 million ($30.6 million). Investment returns are further discussed in the audit commentary for 'Superannuation Funds Management Corporation of South Australia' elsewhere in Part B of this Report

- benefits expense of $14.9 million ($17.4 million). Benefits expense has decreased as a result of a determination by consulting actuaries where the estimated liability for accrued benefits increased by less than the previous year (see also below).

In 2013-14 there was no transfer from or to the Consolidated Account ($21.5 million to the Consolidated Account in 2012-13). Refer note 3 to the financial statements for further details.

Statement of Financial Position

As at 30 June 2014, there was an excess of assets over liabilities of $12.3 million (deficit of assets over liabilities of $5.4 million). The estimated liability for accrued benefits increased by $5.6 million ($8.9 million) to $198.1 million for which assets of $210.4 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 2014 were $144.1 million ($135.9 million). Vested benefits represent benefits that 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 resign having 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 as at 30 June and pensions paid for the past four years were:

	2014	2013	2012	2011
Pensioners	59	61	58	56
Pensions paid ($'000)	9 305	8 470	7 854	7 706

Contributions by employers

The number of members and contributions received from employers for the past four years were:

	2014	2013	2012	2011
Members	45	45	49	48
Contributions received ($'000)	5 167	5 249	5 128	4 874

Operating Statement
for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Revenue:			
Investment revenue		28 916	30 617
Other revenue		7	4
Contribution revenue:			
Contributions by employers		5 167	5 249
Total contribution revenue		5 167	5 249
Total revenue		34 090	35 870
Expenses:			
Direct investment expenses	4	1 359	1 144
Administration expenses	5	89	57
Benefits expense	7	14 931	17 354
Total expenses		16 379	18 555
Transfer from (to) Consolidated Account	3	-	(21 500)
Operating result for the period		17 711	(4 185)

Statement of Financial Position
as at 30 June 2014

	Note	2014 $'000	2013 $'000
Investments:			
Inflation linked securities A		15 888	14 238
Property A		29 750	27 750
Australian equities A		50 255	46 623
International equities A		57 584	50 866
Long-term fixed interest		3 352	3 191
Short-term fixed interest		1 135	1 541
Diversified strategies growth A		17 995	15 917
Diversified strategies income		29 355	24 808
Cash		4 891	1 954
Total investments		210 205	186 888
Other assets:			
Cash and cash equivalents	10	229	227
Contributions receivable		20	-
Receivables		4	-
Total other assets		253	227
Total assets		210 458	187 115
Current liabilities:			
Payables		8	28
Benefits payable		77	51
Total liabilities		85	79
Net assets available to pay benefits	6	210 373	187 036
Liability for accrued benefits	7	(198 081)	(192 455)
Excess (Deficit) of net assets over liabilities		12 292	(5 419)

Statement of Cash Flows
for the year ended 30 June 2014

		2014	2013
		Inflows	Inflows
		(Outflows)	(Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Contributions by employers		5 148	5 277
Bank interest received		6	5
GST recovered from the ATO		3	4
Transfer from (to) Consolidated Account	3	-	(21 500)
Benefit payments		(9 279)	(8 441)
Administration expenses		(116)	(38)
Net cash provided by (used in) operating activities	9	(4 238)	(24 693)
Cash flows from investing activities:			
Receipts from Funds SA		9 110	29 450
Payments to Funds SA		(4 870)	(4 650)
Net cash provided by (used in) investing activities		4 240	24 800
Net increase (decrease) in cash and cash equivalents held		2	107
Cash and cash equivalents at 1 July		227	120
Cash and cash equivalents at 30 June	10	229	227

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 resigns and is over the age of 60 years and has had not less than 10 years judicial service or retires. 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 member's 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 an SA Government entity 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 Scheme, 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.

(c) Funding arrangements

Under section 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.

(c) Funding arrangements (continued)

Employer contributions at a rate of 30% of salary are paid to the Treasurer from SA Government entities to fund emerging superannuation liabilities. These contributions are deposited into the Scheme with $5.2 million ($5.2 million) being credited during the year ended 30 June 2014.

2. Summary of significant accounting policies

(a) Basis of accounting

This 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 provisions 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.

This 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.

This financial report is represented in Australian currency and all amounts have been rounded to the nearest thousand dollars ($'000).

New accounting standard

AASB 1056 was recently issued and becomes mandatory for the Scheme's financial statements in 2016-17. The Scheme does not plan to adopt this standard early and the extent of the impact has not yet been determined.

(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 comprises 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. 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.

(c) Operation of investment portfolio

Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2014, funds of the Scheme were invested in the growth option.

Reference should be made to Funds SA's annual report for the strategic asset allocations applying to each of the investment options discussed in the preceding paragraphs.

(d) Taxation

The Scheme is a 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.

(e) 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.

Regulation 70.5.03 of A New Tax System (Goods and Services Tax) Regulations 1999 specifies the rate at which GST can be recovered through reduced input tax credits.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

(f) Revenue

Superannuation contributions are brought to account on an accrual basis where this can be reliably measured.

Investment revenue represents the change in market value due to the movement in the value of funds invested with Funds SA.

(g) 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 unless impracticable.

Where applicable, the restated comparative amounts do not replace the original financial statements for the preceding period.

3. Transfer from (to) Consolidated Account

For the 2013-14 financial year a change in process was agreed between the Government Accounting, Reporting and Procurement Branch of DTF and Super SA whereby the transfer of funds to/from the Consolidated Account will occur after reporting date, after the surplus or deficit is known. As a result, there was no transfer to or from the Consolidated Account (2012-13 transfer to the Consolidated Account, $21.5 million).

4. Direct investment expenses

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment. In 2013-14 the increase in direct investment expenses was largely attributable to performance fees paid in the diversified strategies growth and diversified strategies income asset classes. However, it is noted that the diversified strategies growth asset class was one of the best performing asset classes over the year, net of all fees and costs, while the diversified strategies income asset class also produced a solid positive return.

5. Administration expenses	2014	2013
	$'000	$'000
Administration expenses	76	49
Auditor's remuneration	8	8
Consultancy expenses	5	-
	89	57

Administration expenses comprise 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 $7500 ($7300). No other services were provided by the Auditor-General's Department.

Consultancy expenses are in relation to actuarial services provided by Brett & Watson Pty Ltd regarding the valuation of accrued benefits liability in accordance with AAS 25.

6. Net assets available to pay benefits	2014	2013
	$'000	$'000
Funds held at 1 July	187 036	182 337
Contributions	5 167	5 249
Investment revenue	28 916	30 617
Interest income	7	4
	34 090	35 870
Benefits paid	(9 305)	(8 470)
Direct investment expenses	(1 359)	(1 144)
Transfer to Consolidated Account	-	(21 500)
Administration expenses	(89)	(57)
	(10 753)	(31 171)
Funds held at 30 June	210 373	187 036

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.

7. Liability for accrued benefits (continued)

The expected future benefit payments have been determined using the same pensioner mortality assumptions as the 2013 triennial review of the South Australian Superannuation Scheme. Salary increases of 1.5% p.a. above the Adelaide CPI have been assumed. The CPI is assumed to be 2.5%. 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% p.a. above the CPI.

The accrued superannuation liability as determined by Bruce Watson, Fellow of the Institute of Actuaries of Australia from consulting actuaries Brett & Watson Pty Ltd, is estimated at $198.1 million ($192.5 million) as at 30 June 2014.

The liability for Judges' pensions is met by the SA Government.

	2014	2013
	$'000	$'000
Liability for accrued benefits at 1 July	192 455	183 571
Benefits expense(i)	14 931	17 354
Benefits paid	(9 305)	(8 470)
Liabilities for accrued benefits at 30 June	198 081	192 455

(i) This figure represents the change in liability for accrued benefits plus benefits paid for the year.

8. Vested benefits

Vested benefits	144 065	135 878

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 2014 is estimated at $144.1 million ($135.9 million).

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

	2014	2013
	$'000	$'000
Operating result	17 711	(4 185)
Benefits expense	14 931	17 354
Benefits paid	(9 305)	(8 470)
Investment revenue	(28 916)	(30 617)
Direct investment expenses	1 359	1 144
Receivables	(4)	3
Contributions receivable	(20)	29
Payables	(20)	20
Benefits payable	26	29
Net cash provided by (used in) operating activities	(4 238)	(24 693)

10. 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:

	2014	2013
	$'000	$'000
Cash and cash equivalents	229	227

11. 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.

11. Financial instruments (continued)

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 the 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) and fixed interest asset sectors are fully hedged to Australian dollars

- foreign currency exposures over the developed markets component of the international equities asset sector are 50% 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, by Funds SA.

(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.

(iii) Other market price risk (continued)

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 provides a reasonable estimate of the 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 %	Changes in investment assets $'000
2014			
Growth	Nominal standard deviation	9.9	20 810
Total			20 810
2013			
Growth	Nominal standard deviation	10.5	19 623
Total			19 623

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 counterparty 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 counterparty 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.

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

(c) Liquidity risk (continued)

- 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
2014	$'000	$'000	$'000
Benefits payable	77	77	77
Payables	8	8	8
Vested benefits[(i)]	144 065	144 065	144 065
Total	144 150	144 150	144 150
2013			
Benefits payable	51	51	51
Payables	28	28	28
Vested benefits[(i)]	135 878	135 878	135 878
Total	135 957	135 957	135 957

(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
2014	
Unlisted managed investments schemes:	
Funds SA	210 205
	210 205
2013	
Unlisted managed investments schemes:	
Funds SA	186 888
	186 888

(e) Derivative financial instruments

Derivatives can be defined as financial contracts whose values 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.

Legal Services Commission

Functional responsibility

Establishment

The Legal Services Commission (the Commission) is a body corporate established pursuant to section 6(1) of the *Legal Services Commission Act 1977* (the LSC Act). Section 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 functions and principles of the Commission are detailed in sections 10 and 11 of the LSC Act. Core functions and principles include:

- providing or arranging for the provision of legal assistance and determining the criteria under which that assistance is granted

- ensuring legal assistance is provided in the most efficient and economical manner, and making the best endeavours to make legal assistance available to persons throughout the State.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 31(1)(b) of the PFAA and section 25(1) of the LSC Act provide for the Auditor-General to audit the accounts of the Commission in respect of each financial year.

Assessment of controls

Section 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 to obtain sufficient evidence to form an opinion on the financial report and internal controls.

During 2013-14, areas of review included:

- financial accounting
- cash and cash management
- expenditure and accounts payable

- private practitioner expenditure
- payroll
- revenue and accounts receivable
- LAW Office system.

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 2014, 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 all 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

Private practitioner expenditure

LAW Office user access review

LAW Office is the Commission's legal case management system and is used to raise commitment certificates for private practitioners to undertake legal cases and to process invoices for payment.

The audit found that a review of user access in LAW Office had not occurred during 2013-14. Further, inconsistencies were noted between user access in LAW Office and individual job responsibilities.

The Commission agreed that user access to LAW Office should be reviewed regularly. The Commission also advised it will review the current IT security policy regarding user identification.

Private practitioner invoice processing

Private practitioner invoices are entered into LAW Office and approved for payment by Assignment Officers. The audit found:

- the raising of commitment certificates, processing of invoices and approval of payments are performed by a single Assignment Officer

- there is no independent check to ensure only valid invoices are processed completely and accurately in LAW Office

- exception reports detailing instances where invoices exceed the commitment certificates value are not produced and reviewed by management.

The Commission responded advising that the current processes will be reviewed.

Expenditure and accounts payable

The audit of the Commission's purchasing control environment found purchase orders:

- are not always signed by an authorised officer to evidence the purchase approval
- are sometimes signed to evidence purchase approval after goods/services are received.

The Commission responded advising that their purchase order policy requires purchase orders to be approved prior to issue. The Commission will ensure that purchase orders are signed by the authorised officer to evidence the approval.

Payroll

The audit of the Commission's payroll control environment found the timely follow-up of outstanding employee attendance sheets and leave discrepancies could be improved.

The Commission responded that it is looking at implementing a new time and attendance recording system which will eliminate the manual follow-up of outstanding employee attendance sheets. The Commission further advised that follow-up will escalate to the manager if attendance sheets are not returned by the employee.

To ensure all leave discrepancies are addressed timely, the Commission indicated that it will implement appropriate training and non-compliance will be escalated to the employee's manager in a timely manner.

Information and communications technology and control

Last year's Report provided comment on the LAW Office system.

Whilst this system has been operational for some time, last year's Report noted that a number of ICT management and control matters had not been addressed, including some matters previously reported. These included:

- updating of IT security policies and procedures
- finalisation of the Commission's business continuity and disaster recovery plans
- resolution of outstanding LAW Office project defect/issues.

Also security controls required strengthening, including passwords, user access, segregation of duties and audit logging and report monitoring.

In 2013-14 Audit undertook a follow-up review of matters raised for the LAW Office system and the implementation progress of the next phase of the ongoing Law Office system modernisation project. Audit's review acknowledged the Commission's relocation to new premises and the transitioning of their systems onto a new ICT platform.

The follow-up review noted that remediation work was still required to satisfactorily address a number of previously raised matters. In addition, Audit indicated the requirement to update the Commission's ICT strategic plan and risk register.

The Commission's response indicated that it has embarked on a period of significant change, including the appointment of a new ICT manager as the first step in its ICT organisation's realignment and governance strategy. The Commission confirmed that all matters raised, including in relation to the ICT strategic plan and review of the ICT risk register, will be promptly remediated.

The Commission also advised that it intends to develop and deliver an electronic lodgement system in accordance with phase 2 of the modernisation project, and assess the potential for enhancing the LAW Office system to accommodate logging and report monitoring. The Commission noted that its actions and associated timing will be dependent upon budgetary considerations.

Interpretation and analysis of the financial report

Highlights of the financial report

	2014 $'million	2013 $'million
Expenses		
Employee benefits expenses	18.0	16.9
Legal expenses (including expensive criminal cases)	18.3	17.7
Other expenses	8.1	6.0
Total expenses	44.4	40.6
Income		
Legal Practitioners Act 1981 revenue	2.6	2.7
Other income	3.0	2.9
Total income	5.6	5.6
Net cost of providing services	38.8	35.0
Revenues from (Payments to) governments		
Commonwealth Government	17.3	15.8
State Government	20.6	19.6
Total revenues from (payments to) governments	37.9	35.4
Net result and total comprehensive result	(0.9)	0.4
Net cash provided by (used in) operating activities	3.5	0.5
Assets		
Current assets	18.2	20.1
Non-current assets	12.3	7.8
Total assets	30.5	27.9
Liabilities		
Current liabilities	3.1	2.9
Non-current liabilities	6.6	3.2
Total liabilities	9.7	6.1
Total equity	20.8	21.8

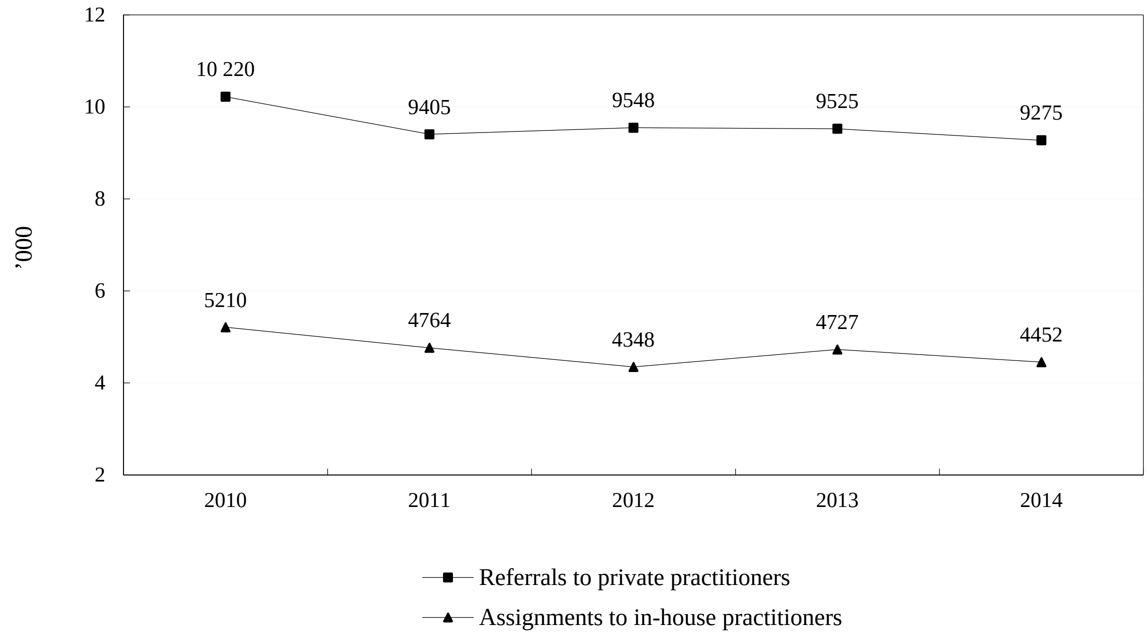
Statement of Comprehensive Income

Operating expenses

Referrals to private and in-house practitioners

Legal aid is provided by either the Commission's practitioners or by private practitioners.

The following chart details the split between approved case applications assigned to private practitioners and the in-house preference over the past five years. This data was provided by the Commission and is unaudited.



Applications assigned to in-house practitioners totalled 4452 (4727) cases or 32% (33%) of new case applications approved. Private practitioner assigned cases totalled 9275 (9525) or 68% (67%) of new case applications approved. Fees to private practitioners for these cases (private practitioner expenses) amounted to $17.8 million ($17.5 million) and comprised 40% (43%) of total Commission expenditure.

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. Therefore, a timing difference between case referrals and the cost of representation may cause fluctuations in disclosed private practitioner expenditure.

Note 22(a) to the Commission's financial statements sets out legal expense commitments on legal cases referred to private practitioners.

Income

Commonwealth and State Government funding

Commonwealth and State Government grant payments to the Commission form part of the administered activities of the Attorney-General's Department. The Attorney-General's Department initially receives the annual grant funding from the Commonwealth which, together with the State Government component, is paid to the Commission.

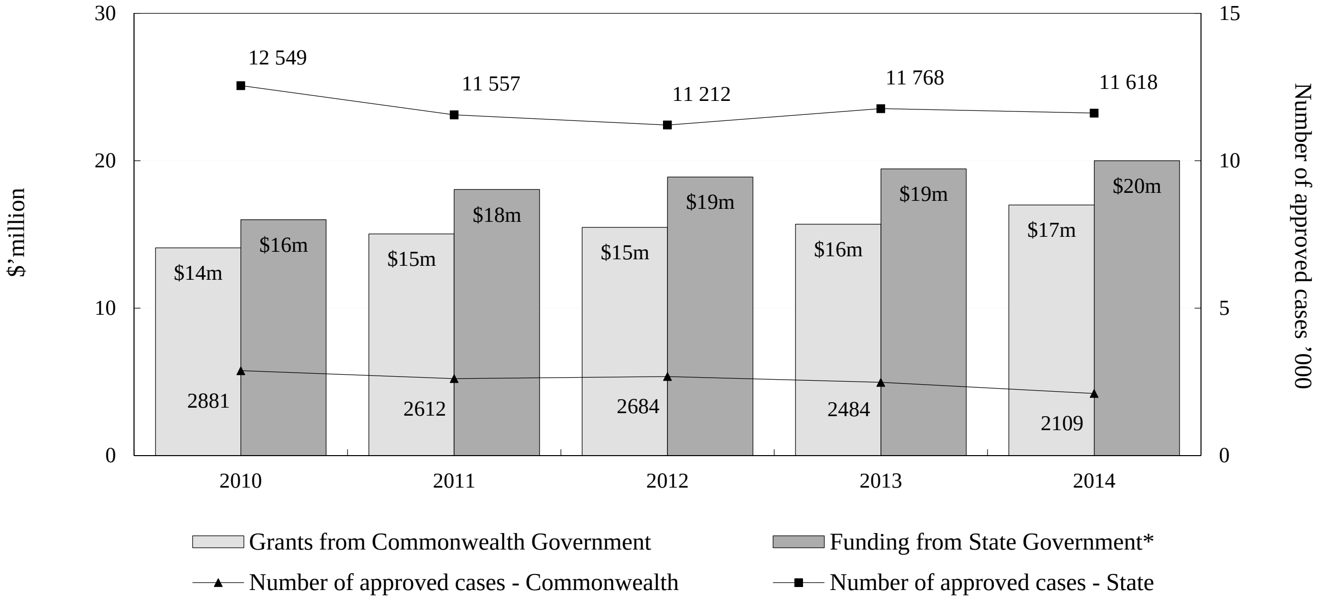
Commonwealth Government grants

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 must be expended in accordance with the agreement.

Grants from the Commonwealth Government totalled $17.1 million ($15.7 million) and comprised 39% (38%) of total Commission revenue. The $17.1 million for 2013-14 included additional funding received of $1.2 million under a separate grant agreement entered into by the Commission with the Commonwealth in July 2013 (refer note 13 to the financial statements).

State Government funding

The amount of State Government funding provided is determined through the budgetary processes of the SA Government. The State Government funding received by the Commission is expended on State law matters being predominantly criminal cases. Funding from the State Government totalled $20.3 million ($19.5 million) and comprised 47% (48%) of total Commission revenue.



* Excluding expensive case grants

The above chart illustrates, for the past five years, the amount of State and Commonwealth Government 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.

Legal Practitioners Act 1981 *revenue*

Revenue received from the Law Society of South Australia in accordance with the *Legal Practitioners Act 1981* was $2.6 million ($2.7 million). Of note are the following items:

- Statutory interest account revenue was $975 000 in 2013-14, a decrease of $102 000 from the previous year.

- Interest on legal practitioners' trust accounts decreased by $95 000 to $1.6 million.

For further information refer note 10 to the financial statements.

Net result

The net result for 2013-14 was a deficit of $944 000 compared with a surplus of $365 000 in 2012-13. The deficit is attributable to increased expenses ($3.9 million), primarily supplies and services ($2 million) and employee expenses ($1.1 million). Offsetting the increase in expenses was increased State and Commonwealth Government funding ($2.5 million).

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2014.

	2014 $'million	2013 $'million	2012 $'million	2011 $'million
Net cash flows				
Operating	3.5	0.5	4.1	2.2
Investing	(5.3)	(0.4)	(1.1)	(0.4)
Change in cash	(1.8)	0.1	3.0	1.8
Cash at 30 June	16.6	18.4	18.3	15.3

The reduction in cash held by the Commission reflects the increased investing outflows primarily associated with the fitout of the Commission's new leased office accommodation. Operating cash flows increased principally due to receipt of a lease incentive in the form of a $3.5 million contribution for the office accommodation fitout.

Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Expenses:			
Employee benefits expenses	4	18 030	16 904
Private practitioner services	2.14	17 825	17 543
Private practitioner services - State expensive case matters	5	302	136
Private practitioner services - Commonwealth expensive case matters	5	191	-
Supplies and services	6	6 955	5 002
Depreciation and amortisation expense	7	1 027	710
Other expenses	8	97	268
Total expenses		44 427	40 563
Income:			
Legal Practitioners Act 1981 revenue	10	2 552	2 749
Statutory charges		916	845
Interest revenue		674	846
Costs recovered and contributions	11	370	483
Other income	12	1 077	633
Total income		5 589	5 556
Net cost of providing services		38 838	35 007
Revenues from (Payments to) governments:			
Commonwealth Government:			
Funding agreement	13	15 893	15 695
Additional funding	13	1 175	-
Immigration Advice and Application Assistance Scheme income	13	51	87
Expensive cases - other matters	13	191	-
State Government:			
Funding	14	20 282	19 454
Expensive cases - other matters	14	302	136
Total revenues from (payments to) governments		37 894	35 372
Net result		(944)	365
Other comprehensive income:			
Item that will not be reclassified to net result:			
Changes in property, plant and equipment revaluation surplus		(30)	-
Total comprehensive result		(974)	365

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

Statement of Financial Position
as at 30 June 2014

	Note	2014 $'000	2013 $'000
Current assets:			
Cash and cash equivalents	15	16 561	18 390
Receivables	16	1 624	1 760
Total current assets		18 185	20 150
Non-current assets:			
Property, plant and equipment	17.1	5 925	1 141
Intangible assets	17.2	409	900
Statutory charge debtors	18	6 000	5 713
Total non-current assets		12 334	7 754
Total assets		30 519	27 904
Current liabilities:			
Lease incentive		233	-
Legal payables		1 042	1 096
Payables	19	361	473
Employee benefits	20	1 452	1 342
Total current liabilities		3 088	2 911
Non-current liabilities:			
Lease incentive		3 033	-
Payables	19	228	201
Employee benefits	20	3 363	3 011
Total non-current liabilities		6 624	3 212
Total liabilities		9 712	6 123
Net assets		20 807	21 781
Equity:			
Revaluation surplus		49	79
Retained earnings		20 758	21 702
Total equity		20 807	21 781

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	22
Contingent assets and liabilities	24

Statement of Changes in Equity
for the year ended 30 June 2014

	Revaluation surplus $'000	Other reserves $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2012	79	100	21 237	21 416
Net result 2012-13	-	-	365	365
Total comprehensive result 2012-13	-	-	365	365
Transfer of reserves	-	(100)	100	-
Balance at 30 June 2013	79	-	21 702	21 781
Net result 2013-14	-	-	(944)	(944)
Loss on revaluation of library collection	(30)	-	-	(30)
Total comprehensive result 2013-14	(30)	-	(944)	(974)
Balance at 30 June 2014	49	-	20 758	20 807

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

Statement of Cash Flows
for the year ended 30 June 2014

		2014	2013
		Inflows	Inflows
		(Outflows)	(Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Cash outflows:			
Employee benefit payments		(17 513)	(17 008)
Supplies and services		(8 230)	(5 754)
Private practitioner services		(19 667)	(19 438)
Private practitioner services - expensive case matters		(493)	(136)
GST paid to the ATO		(140)	-
Cash used in operations		(46 053)	(42 336)
Cash inflows:			
Legal Practitioners Act 1981 receipts		2 712	2 941
Costs recovered and contributions		336	412
Statutory charge receipts		620	538
Interest received		674	858
Lease incentive receipt		3 500	-
GST recovered from the ATO		2 605	1 953
Other receipts		1 233	794
Cash generated from operations		11 680	7 496
Cash flows from governments:			
Commonwealth Government:			
Funding agreement		15 893	15 695
Additional funding		1 175	-
Immigration Advice and Application Assistance Scheme income		51	87
Expensive cases - other matters		191	-
State Government :			
Funding		20 282	19 454
Expensive cases - other matters		302	134
Total cash flows from governments		37 894	35 370
Net cash provided by (used in) operating activities	21	3 521	530
Cash flows from investing activities:			
Purchase of property, plant and equipment and intangible assets		(5 350)	(392)
Net cash provided by (used in) investing activities		(5 350)	(392)
Net increase (decrease) in cash and cash equivalents		(1 829)	138
Cash and cash equivalents at 1 July		18 390	18 252
Cash and cash equivalents at 30 June	15,21	16 561	18 390

Notes to and forming part of the financial statements

1. Objectives of the Legal Services Commission of South Australia (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 functions and principles of the Commission are set out in sections 10 and 11 of the Act.

2. Summary of significant accounting policies

2.1 Statement of compliance

The Commission has prepared these financial statements in compliance with section 23 of the PFAA.

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

The Commission has applied AASs that are applicable to not-for-profit entities, as the Commission is a not-for-profit entity.

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 ended 30 June 2014 (refer 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 judgement in the process of applying the Commission's accounting policies. The areas involving a higher degree of judgement 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 APSs require the following note disclosures, which 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
  - (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 and indirectly by the entity to those employees
  - (d) Commission member and remuneration information, where a Commission member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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 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 presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014 and the comparative information presented.

2.3 Reporting entity

The Commission was established under the Act to provide or arrange for the provision of legal assistance in accordance with the Act. Under section 6(3) of the Act, the Commission is not an instrumentality of the Crown and is independent of the Government.

2.4 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 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.

2.5 Rounding

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

2.6 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, payroll tax, FBT, Emergency Services levy, land tax equivalents and local government rate equivalents.

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 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.

2.7 Events after the reporting period

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 to 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.

2.8 Income

Income is recognised to the extent that it is probable that the flow of economic benefits to the Commission 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.

The notes accompanying 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:

Government funding

Funding from the State and Commonwealth Governments is recognised as revenue when the Commission obtains control over the funding. Control over government funding is normally obtained upon receipt.

Government funding expensive cases

The Commission recognises expensive case funding when the amount has been approved and can be reliably measured.

Other income
Other income consists of Public Service Association and WorkCoverSA funding for the provision of legal advisory services, Drug Court funding and Strata Communities funding from the Attorney-General's Department, reimbursements from the Commonwealth for the provision of the Indigenous Cadetship Support programs, the provision of Community Legal Education programs and the sale of over-the-counter legal aid kits.

2.9 Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Commission 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.

The notes accompanying 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 benefits expenses
Employee benefits expenses include all costs related to employment including salaries and wages, 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 Commission to the superannuation plan in respect of current services of current staff.

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 $63 000 ($60 000).

(b) The Commission contributed to various superannuation schemes towards the accruing State Government liability for superannuation in respect of all employees. Payments amounted to $1.528 million ($1.454 million).

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 physical assets such as plant and equipment.

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

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

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

Class of asset	*Useful life (years)*
Plant and equipment:	
Computers	3-5
Office equipment	5-13
Furniture and fittings	13
Leasehold improvements	5-15
Intangibles	3-5

2.10 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.

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

2.11 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 Commission has separately disclosed the amounts expected to be recovered after more than 12 months.

The notes accompanying 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 in the Statement of Financial Position include cash at bank and on hand and in 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.

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 goods and services, GST input tax credits recoverable, 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 generally settled within 30 days after the issue of an invoice or the goods/services having been provided under a contractual arrangement.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Commission 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.

All non-current tangible assets with a value equal to or in excess of $1000 are capitalised.

Revaluation of non-current assets

All non-current tangible assets are valued at written down current cost (a proxy for fair value) and the library collections valued at 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.

Any revaluation increment is credited to the 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 revaluation surplus to the extent of the credit balance existing in revaluations 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 in the revalued amounts of the assets.

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

Library valuation

The John Gray Memorial Library asset is a legal reference collection containing general and specialised items that are available for general use by both Commission lawyers and private practitioners undertaking legal aid matters. The valuation of the library collection was performed by Valcorp Australia Pty Ltd as at 30 June 2014. The independent valuer arrived at fair value based on the written down replacement cost of the collections.

Impairment

All non-current tangible and intangible assets are reviewed 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 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 Commission 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 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).

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

Subsequent expenditure on intangible assets has not been capitalised. This is because the Commission has been unable to attribute this expenditure to the intangible asset rather than the Commission as a whole.

Fair value measurement

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

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

Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

Level 3: not traded in an active market and are derived from unobservable inputs.

The valuation process and fair value changes are reviewed by the finance manager and Audit, Compliance and Risk Committee at each reporting date.

- *Non-financial assets*

  In determining fair value, the Commission has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset) and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

  The Commission's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the Commission did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

  The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than $1 million or had an estimated useful life that was less than three years is deemed to approximate fair value.

  Refer note 17 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

- *Financial assets/liabilities*
  The Commission does not recognise any financial assets or financial liabilities at fair value.

2.12 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 liability line items combine amounts expected to be settled within 12 months and more than 12 months, the Commission has separately disclosed the amounts expected to be settled after more than 12 months.

The notes accompanying 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, 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 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.

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

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

Legal payables represent amounts invoiced from private practitioners for approved cases that are unpaid at balance date. They are normally settled within 30 days.

Employment benefit on-costs include superannuation contributions, payroll tax and WorkCover levies with respect to outstanding liabilities for salaries and wages, annual leave, LSL and SERL.

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.

Leases

The Commission has entered into operating leases for office accommodation. These leases are reviewed annually for adjustments in the CPI. 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 asset.

Lease incentives

All incentives for the agreement of a new or renewed operating lease 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 benefits of lease incentives received by the Commission in respect of operating leases have 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 service or services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Salaries, wages, annual leave, SERL and sick leave

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

The annual leave liability and the SERL liability are expected to be payable within 12 months and are measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages, annual leave and SERL liability 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 for sick leave.

LSL

The liability for LSL is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for LSL is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

The current/non-current classification of the Commission's LSL liabilities has been calculated based on historical usage patterns.

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.

2.13 Unrecognised contractual commitments and contingent assets and liabilities

Unrecognised contractual commitments include legal expenses, operating leases and remuneration arising from contractual or statutory sources and are disclosed at their nominal value (refer note 22).

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 (refer note 24).

2.14 Private practitioner services

Comprises solicitors' fees, counsel fees and disbursements to private practitioners for approved cases undertaken during the financial year.

2.15 Trust funds

Pursuant to the *Legal Practitioners Act 1981* the Commission holds funds in trust on behalf of clients. As at 30 June 2014 the total funds held were $14 000 ($41 000). These funds are not controlled by the Commission and are not recognised in the financial statements.

3. New and revised accounting standards and policies

AASs and interpretations that have been recently issued or amended but are not yet effective have not been adopted by the Commission for the period ending 30 June 2014.

The Commission did not voluntarily change any of its accounting policies during 2013-14.

In accordance with the new AASB 13 which became effective for the first time in 2013-14, the Commission has:

- reviewed its fair value valuation techniques (both internal estimates and independent valuation appraisal) for non-financial assets to ensure they are consistent with the standard. Previously, the Commission has used the cost approach or the market approach to determine fair value. The Commission will continue to measure its non-financial assets using either the cost or market approach. The application of AASB 13 has not had a material impact on the fair value measurements
- included additional disclosure where required to assist users in assessing the valuation techniques and inputs used to ascertain fair value measurements used for asset and liability measurements.

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

Fair value hierarchy and other information is provided in note 17.4.

The Commission 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 Commission.

4. Employee benefit expenses

	2014	2013
	$'000	$'000
Salaries and wages	14 051	13 639
LSL	646	20
Annual leave	1 115	1 094
Employment on-costs - superannuation	1 591	1 514
Employment on-costs - payroll tax	366	334
SERL	75	94
Commission members' remuneration	90	89
Workers compensation	96	120
Total employee benefit expenses	18 030	16 904

Remuneration of employees	2014	2013
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
$138 000 - $141 499*	n/a	1
$141 500 - $151 499	7	2
$151 500 - $161 499	1	1
$161 500 - $171 499	-	1
$171 500 - $181 499	2	1
$181 500 - $191 499	-	1
$191 500 - $201 499	1	-
$201 500 - $211 499	-	1
$221 500 - $231 499	1	-
$231 500 - $241 499	-	1
$261 500 - $271 499	-	2
$271 500 - $281 499	1	-
$281 500 - $291 499	1	-
Total	14	11

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2012-13.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and FBT paid or payable in respect of those benefits.

The total remuneration received by these employees for the year was $2.528 million ($2.089 million).

5. State expensive cases matters

	2014	2013
	$'000	$'000
State expensive cases reimbursed	302	136
Total State expensive cases reimbursed	302	136
Commonwealth expensive cases reimbursed	191	-
Total Commonwealth expensive cases reimbursed	191	-

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. Section 18(6) defines the funding cap to mean an amount fixed as the funding cap for criminal cases by the Commission for a particular financial year. The funding cap is $60 000 in the case of one party being aided and $120 000 in the case of more than one party, irrespective of the number being aided. These matters are separately funded by the State Government (refer note 14). For Commonwealth matters, the funding cap is $40 000 and the Commission is reimbursed the full amount (refer note 13).

6. Supplies and services

	2014 $'000	2013 $'000
Accommodation	3 342	1 909
Computing and communications	1 935	1 389
Office supplies and consumables	340	289
Periodicals and subscriptions	247	227
Interpreter fees	214	241
Travel	194	219
Practising certificates and membership	97	97
Storage fees	83	62
Consultancy fees	44	37
Media and advertising	63	49
Other	396	483
Total supplies and services	6 955	5 002

Supplies and services provided by entities within SA Government:	2014 $'000	2013 $'000
Accommodation	2 147	203
Computing and communications	189	169
Travel	27	45
Office supplies and consumables	14	9
Other	152	214
Total supplies and services - SA Government entities	2 529	640

The number and dollar amount of consultancies paid/payable (included in supplies and services expenses) that fell within the following bands:	2014 Number	2014 $'000	2013 Number	2013 $'000
Below $10 000	4	11	4	8
Between $10 000 and $50 000	1	33	2	29
Total paid/payable to the consultants engaged	5	44	6	37

7. Depreciation and amortisation expense

	2014 $'000	2013 $'000
Depreciation:		
Plant and equipment	333	159
Total depreciation	333	159
Amortisation:		
Leasehold improvements	203	60
Intangible assets	491	491
Total amortisation	694	551
Total depreciation and amortisation expense	1 027	710

8. Other expenses

	2014 $'000	2013 $'000
Statutory charge bad debts and allowance for doubtful debts	73	201
Other bad debts and allowance for doubtful debts	24	67
Total other expenses	97	268

9. Auditor's remuneration

	2014 $'000	2013 $'000
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	76	72
Total auditor's remuneration	76	72

Other services

No other services were provided by the Auditor-General's Department. Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of supplies and services - other (refer note 6).

10. *Legal Practitioners Act 1981* 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:	2014 $'000	2013 $'000
Statutory Interest account	975	1 077
Interest on Legal Practitioners Trust Account	1 577	1 672
Total *Legal Practitioners Act 1981* revenue	2 552	2 749

11. Costs recovered and contributions

	2014	2013
	$'000	$'000
Costs recovered	178	159
Contributions*	192	324
Total costs recovered and contributions	370	483

* In addition, contributions of $653 000 ($750 000) in relation to referred cases were paid or are payable directly to private practitioners by clients.

12. Other income

	2014	2013
Other income from entities external to the SA Government	675	260
Other income from entities within the SA Government	402	373
Total other income	1 077	633

13. Commonwealth Government

A National Partnership Agreement on Legal Assistance Services between the Commonwealth of Australia and States and Territories is effective from 1 July 2010 to 30 June 2014. Pursuant to that agreement, the Commonwealth Government contributed funding of $15.893 million ($15.695 million) to South Australia for the year ended 30 June 2014.

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. The agreement contributed funding of $51 000 ($87 000).

The Commonwealth Government provided $191 000 for approved expensive cases.

In July 2013 the Commission and the Commonwealth Attorney-General's Department signed a Grant Agreement whereby the Commonwealth would provide an additional funding of $1.175 million during 2013-14. The funding was part of a larger national grants program for legal aid commissions around Australia.

14. State Government

In 2013-14 the State Government contributed funding of $20.282 million ($19.454 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 $302 000 ($136 000) for approved expensive cases that exceeded the Commission cap.

15. Cash and cash equivalents

	2014	2013
	$'000	$'000
Short-term deposits with SAFA	16 500	18 300
Cash at bank and on hand	61	90
Total cash and cash equivalents	16 561	18 390

Short-term deposits

Short-term deposits are held with SAFA in the Cash Management Facility. The Cash Management Facility is an at-call, pooled investment portfolio comprising cash and short-term money market securities. The daily earnings from the portfolio's investments are applied to Commission's investment balances. The Cash Management Facility interest rate is the Reserve Bank of Australia's cash rate plus a margin set by the SAFA General Manager.

Cash at bank and on hand

Cash on hand is non-interest bearing being petty cash. Deposits with BankSA (cash at bank) earn a floating interest rate based on daily bank deposit rates with interest paid semi-annually. The carrying amount of cash and cash equivalents represents fair value.

16. Receivables

	2014	2013
	$'000	$'000
Legal Practitioners Act 1981 debtors	543	703
GST input tax recoverable	375	465
Client debtors and other debtors	272	352
Allowance for doubtful debts	(30)	(40)
Prepayments	464	280
Total receivables	1 624	1 760

17. Property, plant and equipment

17.1 *Property, plant and equipment*

	2014	2013
	$'000	$'000
Leasehold improvements at cost (deemed fair value)	4 114	870
Accumulated amortisation	(963)	(760)
Total leasehold improvements	3 151	110
Plant and equipment at cost (deemed fair value)	4 554	2 068
Accumulated depreciation	(2 046)	(1 713)
Total plant and equipment	2 508	355
Library at fair value*	261	291
Total library at fair value	261	291
Work in progress	5	385
Total work in progress	5	385
Total property, plant and equipment	5 925	1 141

* The valuation of the library collection was performed by Valcorp Australia Pty Ltd as at 30 June 2014. The independent valuer arrived at fair value based on the written down replacement cost of the collections.

17.2 *Intangible assets*

	2014	2013
	$'000	$'000
Computer software	1 557	1 557
Accumulated amortisation	(1 148)	(657)
Total intangible assets	409	900

17.3 *Reconciliation of non-current assets*

2014	Carrying amount 01.07.13 $'000	Additions $'000	Transfer between asset classes $'000	Depreciation/ Amortisation expense $'000	Revaluation decrement $'000	Carrying amount $'000
Leasehold improvements	110	2 859	385	(203)	-	3 151
Plant and equipment	355	2 486	-	(333)	-	2 508
Library	291	-	-	-	(30)	261
Work in progress	385	5	(385)	-	-	5
Total property, plant and equipment	1 141	5 350	-	(536)	(30)	5 925
Computer software	900	-	-	(491)	-	409
Total intangible assets	900	-	-	(491)	-	409

2013	Carrying amount 01.07.12 $'000	Additions $'000	Depreciation/ Amortisation expense $'000	Carrying amount 30.06.13 $'000
Leasehold improvements	170	-	(60)	110
Plant and equipment	507	7	(159)	355
Library	291	-	-	291
Work in progress	-	385	-	385
Total property, plant and equipment	968	392	(219)	1 141
Computer software	1 391	-	(491)	900
Total intangible assets	1 391	-	(491)	900

17.4 *Fair value measurement*

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Commission categorises non-financial assets measured at fair value into hierarchy based on the level of inputs use in measurement.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June.

The Commission had no valuations categorised into level 1 or level 2.

17.4 Fair value measurement (continued)

2014		Level 3	Total
Recurring fair value measurements:	Note	$'000	$'000
Leasehold improvements	17.1	3 151	3 151
Plant and equipment	17.1	2 508	2 508
Library	17.1	261	261
Total recurring fair value measurements		5 920	5 920

Comparative information for non-financial assets has not been provided as permitted by the transitional provisions of the new standard.

Valuation techniques and inputs
Valuation techniques used to derive level 3 fair values are disclosed in note 2.11. There were no changes in valuation techniques during 2013-14.

Quantitative information about fair value measurement using significant unobservable inputs (level 3)
The key unobservable inputs in the valuations categorised into level 3 is the estimated life of the asset. The estimated life used in the valuation of the library collection is five to 25 years. Refer note 2.9 for the estimated life for leasehold improvements, and plant and equipment.

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

2014	Leasehold improvements $'000	Plant and equipment $'000	Library $'000	Total $'000
Opening balance at 1 July	110	355	291	756
Acquisitions	2 859	2 486	-	5 345
Transfers into level 3	385	-	-	385
Total gains (losses) for the period recognised in net result:				
Depreciation/Amortisation	(203)	(333)	-	(536)
	3 151	2 508	291	5 950
Total gains (losses) for the period in other comprehensive income:				
Revaluation increment (decrement)	-	-	(30)	(30)
	-	-	(30)	(30)
Closing balance at 30 June	3 151	2 508	261	5 920

18. 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.

	2014 $'000	2013 $'000
Statutory charge debtors	6 274	5 914
Allowance for doubtful debts	(274)	(201)
Total statutory charge debtors	6 000	5 713

19. Payables

Current:		
Creditors	97	70
Accrued expenses	76	243
Employment on-costs	188	160
Total current payables	361	473
Non-current:		
Employment on-costs	228	201
Total non-current payables	228	201
Total payables	589	674
Payables to SA Government entities:		
Creditors	11	43
Accrued expenses	-	9
Total payables to SA Government entities	11	52

19. Payables (continued)

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken as leave has remained at the 2013 rate of 40% and the average factor for the calculation of employer superannuation cost on-cost has changed from 2013 rate of 10.2% to 10.3%. These rates are used in the employment on-cost calculation. The net financial effect of the change in the current financial year is an increase in the employment on-cost of $2000 and employee benefit expense of $2000.

20. Employee benefits	2014	2013
Current:	$'000	$'000
Accrued salaries and wages	59	-
Annual leave	991	962
LSL	279	286
SERL	123	94
Total current employee benefits	1 452	1 342
Non-current:		
LSL	3 363	3 011
Total non-current employee benefits	3 363	3 011
Total employee benefits	4 815	4 353

AASB 119 contains the calculation methodology for LSL liability. An actuarial assessment performed by DTF was used to calculate the liability.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has decreased from 3.75% (2013) to 3.5% (2014).

This decrease in the bond yield, which is used as the rate to discount future LSL cash flows, contributed to a increase in the reported LSL liability.

The net financial effect of the changes in the methodology and actuarial assumptions in the current financial year is an increase in the LSL liability of $76 000 and employee benefit expense of $81 000. 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.

The actuarial assessment performed by DTF left the salary inflation rate at 4%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

21. Cash flow reconciliation

Cash and cash equivalents as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the items in the Statement of Financial Position as follows:

	2014	2013
	$'000	$'000
Short-term deposits with SAFA	16 500	18 300
Cash at bank and on hand	61	90
Cash and cash equivalents disclosed in the Statement of Financial Position	16 561	18 390
Balance as per Statement of Cash Flows	16 561	18 390

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services

Net cash provided by (used in) operating activities	3 521	530
Revenues from government	(37 894)	(35 372)
Non-cash items:		
Depreciation and amortisation	(1 027)	(710)
Movements in assets/liabilities:		
Statutory charge debtors	287	253
Receivables	(136)	(140)
Employee benefits	(462)	107
Lease incentive liabilities	(3 266)	-
Legal payables	54	379
Payables	85	54
Net cost of providing services	(38 838)	(35 007)

22. Unrecognised contractual commitments

(a) Legal expense commitments	2014	2013
	$'000	$'000
Later than one year but not later than five years	2 464	5 360
Total legal expense commitments	2 464	5 360

On 1 May 2014 the Commission introduced a Panels Agreement for all legal practitioners who act on legally aided matters. Clause 2.10 of the Panel Agreement provides for practitioners to submit tax invoices to the Commission for work in respect of which a commitment certificate has been issued within three months of the conclusion of the work to which the commitment certificate relates. Clause 3.2 of the agreement provides that the Commission may decline to pay an invoice submitted after that time and that the Commission will not pay an invoice submitted more than six months after that time unless authorised by the Director.

The Commission has resolved that an amnesty period will be granted to practitioners until 1 January 2015 to submit tax invoices for work completed more than three months earlier but not yet billed to the Commission, provided that the invoices do not relate to services undertaken more than six years prior to the date of the return of the relevant commitment certificate/tax invoice.

As at 30 June 2014, the Commission has disclosed a commitment in all outstanding amounts raised since January 2014 (ie previous six months).

(b) Operating lease commitments	2014	2013
	$'000	$'000
Not later than one year	2 463	2 356
Later than one year but not later than five years	9 279	9 442
Later than five years	24 555	26 814
Total operating lease commitments	36 297	38 612

At the reporting date the Commission held the above obligations under non-cancellable operating leases. The operating leases held by the Commission are predominantly property leases with penalty clauses equal to the amount of the residual payments remaining for the lease term. Lease payments are payable one month in advance.

In 2012-13 the Commission entered into a memorandum of understanding with the Minister for Transport and Infrastructure to lease new city business accommodation over a 15 year term, with the option to renew available in 2029.

(c) Remuneration commitments	2014	2013
	$'000	$'000
Not later than one year	2 852	2 233
Later than one year but not later than five years	3 453	2 273
Total remuneration commitments	6 305	4 506

The amounts disclosed as remuneration commitments are for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities.

The Commission does not offer fixed-term remuneration contracts greater than five years.

23. Remuneration of Commission members

Members of the Commission during the 2014 financial year were:

Mr Michael Abbott (Chairman)	Appointed 12 December 2013
Ms Alison Lloydd Wright	Appointed 12 December 2013
Ms Catherine Nelson	Appointed 29 May 2014
Ms Jayne Basheer	
Ms Gabrielle Canny* (ex officio)	
Mr Michael Dawson	
Mr Andrew English*	
Mr Alan Herald	
Mr John Keen	
Ms Tracee Micallef	
Ms Dymphna Eszenyi (Chair)	Retired 11 December 2013
Ms Maurine Pyke QC	Retired 23 March 2014

23. Remuneration of Commission members (continued)

The number of members whose remuneration received or receivable fell within the following bands:	2014 Number	2013 Number
$0	3	4
$1 - $10 000	3	4
$10 001 - $20 000	6	4
$20 001 - $30 000	-	1
Total	12	13

Remuneration of members reflects all costs of performing Commission member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was $98 000 ($97 000) including $8000 ($8000) paid or payable to superannuation plans for Commission members.

* In accordance with DPC Circular 16, Commission members who are government employees paid at executive level did not receive any remuneration for Commission duties during the financial year.

The members of the Commission are appointed by the Governor in accordance with the provisions of the Act and include sole practitioners. 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. Accordingly, 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.

24. Contingent assets and liabilities

At balance date and as at the date of financial statement certification, there were no known contingent assets or liabilities.

25. Financial instruments/Financial risk management

25.1 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 assets, financial liability and equity instrument are disclosed in note 2.

		Carrying amount	
		2014	2013
Financial assets	Note	$'000	$'000
Cash and cash equivalents	15	16 561	18 390
Receivables[(1)(2)]	16	103	127
Total financial assets		16 664	18 517
Financial liabilities			
Financial liabilities - at cost:			
Payables[(1)]	19	97	240
Total financial liabilities		97	240

(1) Receivable and payable amounts disclosed above 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, 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).

(2) Receivable amounts disclosed here exclude prepayments. Prepayments are presented in note 16 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or other financial assets.

Fair value

The Commission does not recognise any financial assets or financial liabilities at fair value (refer note 2).

Credit risk

Credit risk arises when there is the possibility of the Commission's debtors defaulting on their contractual obligations resulting in financial loss to the Commission. The Commission measures credit risk on a fair value basis and monitors risk on a regular basis. The carrying amount of financial assets as detailed in note 25.1 represents the Commission's maximum exposure to credit risk. No collateral is held as security and no credit enhancements relate to financial assets held by the Commission.

Credit risk (continued)
The Commission has minimal concentration of credit risk. The Commission has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Commission 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. Other than in-house contributions owed by legal aid recipients (a statutory receivable excluded from this note), there is no evidence to indicate that any other Commission financial assets are impaired. Refer note 2.11 for information on the allowance for impairment in relation to receivables.

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

	Past due by			
	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
2014	$'000	$'000	$'000	$'000
Not impaired:				
Receivables[1]	2	-	28	30
2013				
Not impaired:				
Receivables[1]	7	-	27	34

[1] Receivable amounts disclosed here exclude amounts relating to statutory receivables. 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 are excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost.

Maturity analysis of financial assets and financial liabilities
The Commission has assessed the maturity of its financial assets and financial liabilities as being less than one year.

Liquidity risk
Liquidity risk arises where the Commission is unable to meet its financial obligations as they are due to be settled. The Commission is funded principally from appropriations by the State and Commonwealth Governments. The Commission 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 Commission 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 Commission'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 25.1 represents the Commission's maximum exposure to financial liabilities.

Market risk
Market risk for the Commission is primarily through interest rate risk. There is no exposure to foreign currency or other price risks.

Sensitivity disclosure analysis
A sensitivity analysis has not been undertaken for the interest rate risk of the Commission as it has been determined that the possible impact on total comprehensive result or total equity from fluctuations in interest rates is immaterial.

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

Section 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 to obtain sufficient evidence to form an opinion on the financial reports.

During 2013-14, specific areas of audit attention included:

- salaries of employees of the Legislature
- Members’ salaries and allowances
- accounts payable and procurement
- general ledger
- asset register.

Audit findings and comments

Auditor's reports on the financial reports

House of Assembly

In my opinion, the financial report gives a true and fair view of the financial position of the House of Assembly as at 30 June 2014, 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.

Legislative Council

In my opinion, the financial report gives a true and fair view of the financial position of the Legislative Council as at 30 June 2014, 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.

Joint Parliamentary Service

The following is an extract from the 2013-14 Independent Auditor's Report, which details the modification 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 cannot 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 opinion. Accordingly, I do not express an opinion on the financial report.*

This modification was also given to last year's 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.

Communication of audit matters

Matters arising during the course of the audit were provided in a management letter to the Acting Secretary, Joint Parliamentary Service Committee. The matters raised with the Acting Secretary included the need to ensure that Members' pay and allowances are correctly calculated at election time, Members' travel claims are approved prior to travel and that accounting policies and procedures are reviewed on a regular basis. The response indicated that all matters had been addressed.

Interpretation and analysis of the financial reports

Highlights of the financial report

House of Assembly	2014 $'million	2013 $'million
Expenses		
Employee benefits	2.5	2.6
Members' salaries and allowances	9.0	8.6
Other expenses	3.4	3.4
Total expenses	14.9	14.6
Revenues from SA Government	14.5	14.6
Net result	(0.4)	-
Total assets	3.3	3.8
Total liabilities	1.4	1.5

Legislative Council	2014 $'million	2013 $'million
Expenses		
Employee benefits	1.9	1.9
Members' salaries and allowances	4.9	4.7
Other expenses	1.8	1.6
Total expenses	8.6	8.2
Revenues from SA Government	8.5	8.3
Net result	(0.1)	0.1
Total assets	2.5	2.6
Total liabilities	1.6	1.6

Joint Parliamentary Service	2014 $'million	2013 $'million
Expenses		
Employee benefits	5.9	5.6
Other expenses	4.4	5.9
Total expenses	10.3	11.5
Total income	0.6	0.6
Revenues from SA Government	13.1	14.7
Net result	3.4	3.8

Joint Parliamentary Service	2014 $'million	2013 $'million
Total assets	96.6	90.9
Total liabilities	2.7	3.4

The highlights of the financial report and the detailed financial report for the Joint Parliamentary Service needs to be viewed in the context of the Disclaimer of Opinion that has been issued on the financial report.

The Joint Parliamentary Service recognised building improvements of $6.8 million of which $6 million related to the upgrade of the Old Parliament House. The amount expended to date on the upgrade totals $13.7 million.

Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Expenses:			
Employee benefits	4	2 506	2 569
Members' salaries and allowances	5	8 960	8 599
Supplies and services	6	2 616	2 788
Depreciation	7	402	300
Net loss on disposal of non-current assets	11	2	30
Assets provided at nil consideration to the Joint Parliamentary Service	11	364	347
Total expenses		14 850	14 633
Income:			
Other income		4	29
Total income		4	29
Net cost of providing services		14 846	14 604
Revenues from SA Government	8	14 500	14 632
Net result		(346)	28
Total comprehensive result		(346)	28

Statement of Financial Position
as at 30 June 2014

	Note	2014 $'000	2013 $'000
Current assets:			
Cash and cash equivalents	9	1 689	1 430
Receivables	10	30	68
Total current assets		1 719	1 498
Non-current assets:			
Property, plant and equipment	11	1 625	2 265
Total non-current assets		1 625	2 265
Total assets		3 344	3 763
Current liabilities:			
Payables	13	375	227
Employee benefits	14	319	374
Provisions	15	3	5
Total current liabilities		697	606
Non-current liabilities:			
Payables	13	44	46
Employee benefits	14	688	842
Provisions	15	12	20
Total non-current liabilities		744	908
Total liabilities		1 441	1 514
Net assets		1 903	2 249
Equity:			
Retained earnings		1 852	2 198
Revaluation surplus		51	51
Total equity		1 903	2 249
Unrecognised contractual commitments	16		
Contingent assets and liabilities	18		

Statement of Changes in Equity
for the year ended 30 June 2014

	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2012	51	2 170	2 221
Net result for 2012-13	-	28	28
Total comprehensive result for 2012-13	-	28	28
Balance at 30 June 2013	51	2 198	2 249
Net result for 2013-14	-	(346)	(346)
Total comprehensive result for 2013-14	-	(346)	(346)
Balance at 30 June 2014	51	1 852	1 903

Statement of Cash Flows
for the year ended 30 June 2014

Cash flows from operating activities:	Note	2014 Inflows (Outflows) $'000	2013 Inflows (Outflows) $'000
Cash outflows:			
Employee benefits		(2 724)	(2 429)
Members' superannuation		(1 534)	(1 503)
Payments for supplies and services		(2 698)	(3 041)
Payments for Paid Parental Leave Scheme		(10)	-
Cash used in operations		(6 966)	(6 973)
Cash inflows:			
GST recovered from ATO		263	286
Receipts for Paid Parental Leave Scheme		11	-
Other receipts		5	32
Cash generated from operations		279	318
Cash flows from SA Government:			
Receipts from SA Government		7 075	7 536
Cash generated from SA Government		7 075	7 536
Net cash provided by (used in) operating activities	20	388	881
Cash flows from investing activities:			
Purchase of property, plant and equipment		(129)	(631)
Net cash provided by (used in) investing activities		(129)	(631)
Net increase (decrease) in cash and cash equivalents		259	250
Cash and cash equivalents at 1 July		1 430	1 180
Cash and cash equivalents at 30 June	9	1 689	1 430

Notes to and forming part of the financial statements

1. Objective of the House of Assembly

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. The House of Assembly provides assets to the Joint Parliamentary Service for nil consideration.

2. Summary of significant accounting policies

(a) Statement of compliance

The House of Assembly has prepared these financial statements in compliance with section 23 of the PFAA.

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

The House of Assembly has applied AASs that are applicable to not-for-profit entities, as the House of Assembly is a not-for-profit entity.

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 2014 (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 judgement in the process of applying the House of Assembly's accounting policies. The areas involving a higher degree of judgement 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 this financial report:
  (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.

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 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 2014 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 accounting policy statements 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.

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

(d) Rounding

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

(e) 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:

- 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.

(f) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to the House of Assembly 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.

The following are specific recognition criteria:

Revenues 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.

(g) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the House of Assembly 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.

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 House of Assembly to the superannuation plan in respect of current services of current House of Assembly staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

Members' salaries and 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 5.

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

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

Land is not depreciated.

Depreciation 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*
Plant and equipment	5-30 years
Fixtures and fittings	5-10 years
Computer equipment	3-5 years

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 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.

(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 item combine amounts expected to be realised within 12 months and more than 12 months, the House of Assembly 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 combine amounts expected to be settled within 12 months and more than 12 months, the House of Assembly 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 include 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 GST input tax credits recoverable, prepayments and accruals.

Receivables are generally settled 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 House of Assembly 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 fair value in the Statement of Financial Position.

All non-current tangible assets with a value equal to or in excess of $5000 are capitalised.

Buildings within which the House of Assembly operate are recognised in the financial statements for the Joint Parliamentary Service.

Art work on loan from the Art Gallery of South Australia is not recognised in the financial statements.

Expenditure on assets not fully constructed at 30 June is disclosed separately as capital works in progress. Assets 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.

Revaluation of non-current assets
All non-current tangible assets are valued at 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 six 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.

Any revaluation increment is credited to the 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 revaluation surplus to the extent of the credit balance existing in 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 asset.

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

An independent valuation of the 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.

An independent valuation of the works of art, fixtures and fittings was conducted by Mr Stephen Sinclair, a recognised expert in the industry, at 30 June 2011. 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.

Impairment
All non-current assets are tested for 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.

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

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

The House of Assembly classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation.

Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

Level 3: not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed by the Chief Finance Officer at each reporting date.

Non-financial assets
In determining fair value, the House of Assembly has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The House of Assembly's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible within the next five years. As the House of Assembly did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than $1 million or had an estimated useful life that was less than three years is deemed to approximate fair value. Refer notes 11 and 12 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

Financial assets/liabilities
The House of Assembly does not recognise any financial assets or financial liabilities at fair value.

(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 combine amounts expected to be settled within 12 months and more than 12 months, the House of Assembly has separately disclosed the amounts expected to be settled after more than 12 months.

Payables
Payables include creditors, accrued expenses, GST payable 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 House of Assembly.

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 House of Assembly has received from the Commonwealth Government to forward onto eligible employees via the House of Assembly's standard payroll processes. That is, the House of Assembly 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, are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

Payables (continued)
Employee benefits on-costs include payroll tax, workers compensation and superannuation contributions in respect to outstanding liabilities for salaries and wages, LSL, annual leave and SERL.

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 reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

Leases
The House of Assembly leases office premises. Lease payments are increased annually in accordance with movements in the CPI.

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 asset.

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, SERL and sick leave*
  The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

  The annual leave liability and the SERL liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

- *LSL*
  The liability for LSL is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

  The estimated liability for LSL is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

  The unconditional portion of the LSL provision is classified as current as the House of Assembly does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of LSL relates to an unconditional legal entitlement to payment arising after 10 years of service.

Provisions
Provisions are recognised when the House of Assembly 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 House of Assembly 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 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.

Provisions (continued)
The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2014 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 House of Assembly is responsible for the payment of workers compensation claims.

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).

(k) Unrecognised contractual commitments and contingent assets and liabilities
Commitments include operating lease 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 and policies
The House of Assembly did not voluntarily change any of its accounting policies during 2013-14.

In accordance with the new AASB 13 which became effective for the first time in 2013-14, the House of Assembly has:

- reviewed its fair value valuation techniques (both internal estimates and independent valuation appraisal) for non-financial assets to ensure they are consistent with the standard. Previously, the House of Assembly has used the cost approach or the market approach to determine fair value. The House of Assembly will continue to measure its non-financial assets using either the cost or market approach. The application of AASB 13 has not had a material impact on the fair value measurements
- included additional disclosures where required to assist users in assessing the valuation techniques and inputs used to ascertain fair value measurements used for asset and liability measurements.

Fair value hierarchy and other information is provided in notes 11 and 12.

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 period ending 30 June 2014. The House of Assembly 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 House of Assembly.

4. Employee benefits	2014	2013
	$'000	$'000
Salaries and wages	2 089	2 128
Employee on-costs - superannuation	231	224
Employee on-costs - other	194	198
Workers compensation	(8)	19
Total employee benefits	2 506	2 569

Remuneration of employees

The number of employees whose remuneration received or receivable falls within the following bands:	2014 Number	2013 Number
$161 500 - $171 499	1	1
$221 500 - $231 499	-	1
$491 500 - $501 499	1	-
Total	2	2

Remuneration of employees (continued)

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, salary sacrifice benefits and fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received by these employees was $668 000 ($386 000).

5. Members' salaries and allowances	2014	2013
	$'000	$'000
Members' salaries and allowances	7 426	7 096
Superannuation	1 534	1 503
Total Members' salaries and allowances	8 960	8 599

Members' salaries, electorate allowances and additional salaries of $7.4 million ($7.1 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 $3.3 million ($3.3 million) and superannuation of $713 000 ($804 000) are not reported in these financial statements but in the financial statements of each Minister's respective Department.

6. Supplies and services	2014	2013
	$'000	$'000
Printing	436	562
Information technology	576	594
Leases	127	113
Publications	73	10
Security	95	95
Vehicle hire	10	13
Members' travel, accommodation and related expenses	761	730
Travelling expenses	37	87
FBT	125	108
Stationery	23	35
Staff training and development	23	31
Commonwealth Parliamentary Association	35	39
Records and artwork management	55	25
Agency staff hire	7	50
Consultants fees	32	72
Advertisements	17	32
Repairs and maintenance	43	54
Minor works and equipment	21	32
Other	120	106
Total supplies and services	2 616	2 788

The number and dollar amount of consultancies paid/payable (included in supplies and services expenses) that fell within the following bands:	2014		2013	
	Number	$'000	Number	$'000
Below $10 000	2	12	2	3
Between $10 000 and $50 000	1	20	4	69
Total paid/payable to consultants engaged	3	32	6	72

Not included in the above table are consultancies for $0 ($4000) which were capitalised.

7. Depreciation	2014	2013
	$'000	$'000
Plant and equipment	24	9
Fixtures and fittings	35	10
Computer equipment	343	281
Total depreciation	402	300

8. Revenues from SA Government		
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	7 074	7 536
Appropriations received under the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*	7 426	7 096
Total revenues from SA Government	14 500	14 632

9. Cash and cash equivalents

	2014	2013
	$'000	$'000
Deposits with the Treasurer	1 689	1 430
Total cash and cash equivalents	1 689	1 430

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 the funds can only be used in accordance with the Treasurer's/ Under Treasurer's approval.

10. Receivables

	2014	2013
	$'000	$'000
Receivables	4	7
Prepayments	25	61
Other	1	-
Total current receivables	30	68

11. Property, plant and equipment

	2014	2013
Plant and equipment:		
Fair value	168	158
Accumulated depreciation	(62)	(41)
Total plant and equipment	106	117
Fixtures and fittings:		
Fair value	496	496
Accumulated depreciation	(73)	(38)
Total fixtures and fittings	423	458
Computer equipment:		
At cost (deemed fair value)	1 240	1 220
Accumulated depreciation	(813)	(470)
Total computer equipment	427	750
Works of art:		
Independent valuation	669	669
Total works of art	669	669
Capital works in progress:		
Capital works in progress	-	271
Total capital works in progress	-	271
Total property, plant and equipment	1 625	2 265

Valuation of assets

An independent valuation of the 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.

An independent valuation of the works of art, fixtures and fittings was conducted by Mr Stephen Sinclair, a recognised expert in the industry, at 30 June 2011. 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.

Asset movement reconciliation

2014	Plant and equipment $'000	Fixtures and fittings $'000	Computer equipment $'000	Works of art $'000	Capital works in progress $'000	Total $'000
Carrying amount at 1 July	117	458	750	669	271	2 265
Additions	15	-	20	-	93	128
Depreciation	(24)	(35)	(343)	-	-	(402)
Assets provided for nil consideration	-	-	-	-	(364)	(364)
Disposals	(2)	-	-	-	-	(2)
Carrying amount at 30 June	106	423	427	669	-	1 625

Asset movement reconciliation (continued)

2013	Plant and equipment $'000	Fixtures and fittings $'000	Computer equipment $'000	Works of art $'000	Capital works in progress $'000	Total $'000
Carrying amount at 1 July	44	214	612	669	772	2 311
Additions	82	254	49	-	260	645
Additions - transfers to (from) CWIP	-	-	400	-	(414)	(14)
Depreciation	(9)	(10)	(281)	-	-	(300)
Assets provided for nil consideration	-	-	-	-	(347)	(347)
Disposals	-	-	(30)	-	-	(30)
Carrying amount at 30 June	117	458	750	669	271	2 265

12. Fair value measurement

Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The House of Assembly categorises non-financial assets measured at fair value into hierarchy based on the level of inputs use in measurement.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2014.

The House of Assembly had no valuations categorised into level 1.

Fair value measurements

2014		Level 2	Level 3	Total
Recurring fair value measurements:	Note	$'000	$'000	$'000
Plant and equipment	11	-	106	106
Fixtures and fittings	11	-	423	423
Computer equipment	11	-	427	427
Works of art	11	669	-	669
Total recurring fair value measurements		669	956	1 625
2013				
Recurring fair value measurements:				
Plant and equipment	11	-	117	117
Fixtures and fittings	11	-	458	458
Computer equipment	11	-	750	750
Works of art	11	669	-	669
Total recurring fair value measurements		669	1 325	1 994

Valuation techniques and inputs

Valuation techniques used to derive levels 2 and 3 fair values are at note 11. There were no changes in valuation techniques during 2014.

13. Payables

	2014	2013
Current:	$'000	$'000
Creditors	126	19
Accrued expenses	177	149
Employee on-costs	71	59
Parental leave	1	-
Total current payables	375	227
Non-current:		
Employee on-costs	44	46
Total non-current payables	44	46
Total payables	419	273

14. Employee benefits

	2014	2013
Current:	$'000	$'000
Annual leave	204	248
LSL	87	105
SERL	19	15
Accrued salaries and wages	9	6
Total current employee benefits	319	374
Non-current:		
LSL	688	842
Total non-current employee benefits	688	842
Total employee benefits	1 007	1 216

AASB 119 contains the calculation methodology for LSL liability. The actuarial assessment performed by DTF has provided a set level of liability for the measurement of LSL.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has decreased from 2013 (3.75%) to 2014 (3.5%).

The net financial effect of the changes in methodology and actuarial assumptions in the current financial year is immaterial. The impact on future periods is impracticable to estimate as the LSL liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

The actuarial assessment performed by DTF left the salary inflation rate at 4%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

15. Provisions

	2014	2013
Current:	$'000	$'000
Provision for workers compensation	3	5
Total current provisions	3	5
Non-current:		
Provision for workers compensation	12	20
Total non-current provisions	12	20
Total provisions	15	25

Provision movement

	2014	2013
Carrying amount at 1 July	25	9
Additional provisions recognised	(10)	20
Reductions arising from payments	-	4
Carrying amount at 30 June	15	25

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.

16. Unrecognised contractual commitments

	2014	2013
Operating lease commitments	$'000	$'000
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	104	100
Later than one year but no longer than five years	154	258
Total operating lease commitments	258	358

The House of Assembly's operating leases are for office accommodation. The leases are non-cancellable with terms ranging up to four years with some leases having the right of renewal. Rent is payable in arrears.

17. Events after the reporting period

There have been no events after the reporting period.

18. Contingent assets and liabilities

The House of Assembly is not aware of any contingent assets or liabilities.

19. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department are the responsibility of the Joint Parliamentary Service.

20. Cash flow reconciliation

	2014	2013
Reconciliation of cash and cash equivalents at 30 June:	$'000	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	1 689	1 430
Balance as per the Statement of Cash Flows	1 689	1 430

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services

	2014	2013
Net cash provided by (used in) operating activities	388	881
Revenues from SA Government	(7 075)	(7 536)
Non-cash items:		
Depreciation	(402)	(300)
Gain (Loss) on sale or disposal of non-current assets	(2)	(30)
Assets provided for nil consideration to the Joint Parliamentary Service	(364)	(347)
Members' salaries and allowances	(7 426)	(7 096)
Movements in assets/liabilities:		
Receivables	(38)	(13)
Payables	(146)	(23)
Employee benefits	209	(124)
Provisions	10	(16)
Net cost of providing services	(14 846)	(14 604)

21. Transactions with SA Government

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	
		2014	2013	2014	2013	2014	2013
	Note	$'000	$'000	$'000	$'000	$'000	$'000
Expenses							
Employee benefits	4	417	441	2 089	2 128	2 506	2 569
Members salaries and allowances	5	1 534	1 503	7 426	7 096	8 960	8 599
Supplies and services:	6						
Printing		426	546	10	16	436	562
Information technology		120	454	456	140	576	594
Lease		127	113	-	-	127	113
Publications		-	-	73	10	73	10
Security		-	-	95	95	95	95
Vehicle hire		-	-	10	13	10	13
Members' travel, accommodation and related expenses		-	-	761	730	761	730
Travel expenses		-	-	37	87	37	87
FBT		-	-	125	108	125	108
Stationery		-	-	23	35	23	35
Staff training and development		-	-	23	31	23	31
Commonwealth Parliamentary Association		-	-	35	39	35	39
Records and artwork management		-	-	55	25	55	25
Agency staff hire		-	-	7	50	7	50
Consultants fee		-	-	32	72	32	72
Advertisements		-	-	17	32	17	32
Repairs and maintenance		-	-	43	54	43	54
Minor works and equipment		-	-	21	32	21	32
Other		-	-	120	106	120	106
Depreciation	7	-	-	402	300	402	300
Assets provided for nil consideration	11	364	347	-	-	364	347
Total expenses		2 988	3 404	11 860	11 199	14 848	14 603

21. Transactions with SA Government (continued)

	Note	SA Government 2014 $'000	SA Government 2013 $'000	Non-SA Government 2014 $'000	Non-SA Government 2013 $'000	Total 2014 $'000	Total 2013 $'000
Income							
Other		-	-	4	29	4	29
Revenues from SA Government	8	14 500	14 632	-	-	14 500	14 632
Total income		14 500	14 632	4	29	14 504	14 661
Financial assets							
Receivables:	10						
Receivables		-	-	4	7	4	7
Prepayments		-	-	25	61	25	61
Other		-	-	1	-	1	-
Total financial assets		-	-	30	68	30	68
Financial liabilities							
Payables:	13						
Creditors		-	-	126	19	126	19
Accrued expenses		113	113	64	36	177	149
Employment on-costs		29	13	86	92	115	105
Parental leave		-	-	1	-	1	-
Total financial liabilities		142	126	277	147	419	273

22. Financial instruments/Financial risk management

22.1 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.

	Note	2014 Carrying amount $'000	2014 Fair value $'000	2013 Carrying amount $'000	2013 Fair value $'000
Financial assets					
Cash and cash equivalents:					
Cash and cash equivalents	9	1 689	1 689	1 430	1 430
Loans and receivables:					
Receivables[(1)(2)]	10	4	4	7	7
		1 693	1 693	1 437	1 437
Financial liabilities					
Financial liabilities at cost:					
Payables[(1)]	13	270	270	113	113
		270	270	113	113

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables.

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 10 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

Fair value

The House of Assembly does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 2, 10 and 13).

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

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

Liquidity risk
Liquidity risk arises where the House of Assembly is unable to meet its financial obligations as they are due to be settled. The House of Assembly is funded principally from appropriation by the SA Government. The House of Assembly 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 House of Assembly 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 House of Assembly's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Market risk
The House of Assembly has no market risk exposure to foreign currency or other price risks or interest rate risks.

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 immaterial.

Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Expenses:			
Employee benefits	4	1 872	1 873
Members' salaries and allowances	5	4 909	4 679
Supplies and services	6	1 413	1 357
Depreciation	7	193	144
Net loss on disposal of non-current assets	11	3	-
Assets provided for nil consideration to the Joint Parliamentary Service	11	206	174
Total expenses		8 596	8 227
Income:			
Other income		2	1
Total income		2	1
Net cost of providing services		8 594	8 226
Revenues from SA Government	8	8 512	8 343
Net result		(82)	117
Total comprehensive result		(82)	117

Statement of Financial Position
as at 30 June 2014

	Note	2014 $'000	2013 $'000
Current assets:			
Cash and cash equivalents	9	1 222	1 031
Receivables	10	36	13
Total current assets		1 258	1 044
Non-current assets:			
Property, plant and equipment	11	1 276	1 592
Total non-current assets		1 276	1 592
Total assets		2 534	2 636
Current liabilities:			
Payables	13	186	154
Employee benefits	14	192	148
Provisions	15	1	1
Total current liabilities		379	303
Non-current liabilities:			
Payables	13	60	55
Employee benefits	14	1 179	1 280
Provisions	15	5	5
Total non-current liabilities		1 244	1 340
Total liabilities		1 623	1 643
Net assets		911	993
Equity:			
Retained earnings		835	917
Revaluation surplus		76	76
Total equity		911	993
Unrecognised contractual commitments	16		
Contingent assets and liabilities	18		

Statement of Changes in Equity
for the year ended 30 June 2014

	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2012	76	800	876
Net result for 2012-13	-	117	117
Total comprehensive result for 2012-13	-	117	117
Balance at 30 June 2013	76	917	993
Net result for 2013-14	-	(82)	(82)
Total comprehensive result for 2013-14	-	(82)	(82)
Balance at 30 June 2014	76	835	911

Statement of Cash Flows
for the year ended 30 June 2014

	Note	2014 Inflows (Outflows) $'000	2013 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefits		(1 929)	(1 844)
Members' superannuation		(790)	(775)
Payments for supplies and services		(1 552)	(1 475)
Cash used in operations		(4 271)	(4 094)
Cash inflows:			
GST recovered from ATO		152	140
Other receipts		2	1
Cash generated from operations		154	141
Cash flows from SA Government:			
Receipts from SA Government		4 394	4 439
Cash generated from SA Government		4 394	4 439
Net cash provided by (used in) operating activities	20	277	486
Cash flows from investing activities:			
Purchase of property, plant and equipment		(86)	(301)
Net cash provided by (used in) investing activities		(86)	(301)
Net increase (decrease) in cash and cash equivalents		191	185
Cash and cash equivalents at 1 July		1 031	846
Cash and cash equivalents at 30 June	9	1 222	1 031

Notes to and forming part of the financial statements

1. Objective of the Legislative Council

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 principle 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. The Legislative Council provides assets to the Joint Parliamentary Service for nil consideration.

2. Summary of significant accounting policies

(a) Statement of compliance

The Legislative Council has prepared these financial statements in compliance with section 23 of the PFAA.

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

The Legislative Council has applied AASs that are applicable to not-for-profit entities, as the Legislative Council is a not-for-profit entity.

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 2014 (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 judgement in the process of applying the Legislative Council's accounting policies. The areas involving a higher degree of judgement 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 accounting policy statements require the following note disclosures, which 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 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.

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 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 2014 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 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.

(d) Rounding

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

(e) 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:

- 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.

(f) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to the Legislative Council 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.

The following are specific recognition criteria:

Revenues 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.

(g) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Legislative Council 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.

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 Legislative Council to the superannuation plan in respect of current services of current Legislative Council staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

Members' salaries and 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 5.

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

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

Land is not depreciated.

Depreciation 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*
Plant and equipment	5-30 years
Fixtures and fittings	5-10 years
Computer equipment	3-5 years

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 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.

(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 Legislative Council 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 asset line items combine amounts expected to be settled within 12 months and more than 12 months, the Legislative Council 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 include 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 GST input tax credits recoverable, prepayments and accruals. Receivables are generally settled 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 Legislative Council 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 fair value in the Statement of Financial Position.

All non-current tangible assets with a value equal to or in excess of $5000 are capitalised.

Buildings within which the Legislative Council operate are recognised in the financial statements for the Joint Parliamentary Service.

Art work on loan from the Art Gallery of South Australia is not recognised in the financial statements.

Expenditure on assets not fully constructed at 30 June is disclosed separately as capital works in progress. Assets 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.

Revaluation of non-current assets
All non-current tangible assets are valued at 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 six 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.

Any revaluation increment is credited to the 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 revaluation surplus to the extent of the credit balance existing in 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 asset.

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

An independent valuation of the 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.

An independent valuation of the works of art, fixtures and fittings was conducted by Mr Stephen Sinclair, a recognised expert in the industry, at 30 June 2011. 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.

Impairment
All non-current assets are tested for 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.

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

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

The Legislative Council classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation.

Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

Level 3: not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed by the Chief Finance Officer at each reporting date.

Non-financial assets
In determining fair value, the Legislative Council has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The Legislative Council's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible within the next five years. As the Legislative Council did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than $1 million or had an estimated useful life that was less than three years is deemed to approximate fair value. Refer notes 11 and 12 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

Financial assets/liabilities
The Legislative Council does not recognise any financial assets or financial liabilities at fair value.

(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 liability line items combine amounts expected to be settled within 12 months and more than 12 months, the Legislative Council has separately disclosed the amounts expected to be settled after more than 12 months.

Payables
Payables include creditors, accrued expenses, GST payable 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 Legislative Council.

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 benefits on-costs include payroll tax, workers compensation and superannuation contributions in respect to outstanding liabilities for salaries and wages, LSL annual leave and SERL.

Payables (continued)
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 reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

Leases
The Legislative Council leases office premises. Lease payments are increased annually in accordance with movements in CPI.

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 asset.

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, SERL and sick leave*
  The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

  The annual leave liability and the SERL liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

- *LSL*
  The liability for LSL is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

  The estimated liability for LSL is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

  The unconditional portion of the LSL provision is classified as current as the Legislative Council does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of LSL relates to an unconditional legal entitlement to payment arising after ten years of service.

Provisions
Provisions are recognised when the Legislative Council 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 Legislative Council 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 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 2014 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 Legislative Council is responsible for the payment of workers compensation claims.

Insurance
The Legislative Council has insured for risks through SAICORP, a division of the 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).

(k) Unrecognised contractual commitments and contingent assets and liabilities
Commitments include operating lease 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 and policies
The Legislative Council did not voluntarily change any of its accounting policies during 2013-14.

In accordance with the new AASB 13 which became effective for the first time in 2013-14, the Legislative Council has:

- reviewed its fair value valuation techniques (both internal estimates and independent valuation appraisal) for non-financial assets to ensure they are consistent with the standard. Previously, the Legislative Council has used the cost approach or the market approach to determine fair value. The Legislative Council will continue to measure its non-financial assets using either the cost or market approach. The application of AASB 13 has not had a material impact on the fair value measurements

- included additional disclosures where required to assist users in assessing the valuation techniques and inputs used to ascertain fair value measurements used for asset and liability measurements.

Fair value hierarchy and other information is provided in notes 11 and 12.

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 period ending 30 June 2014. The Legislative Council 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 Legislative Council.

4. Employee benefits	2014	2013
	$'000	$'000
Salaries and wages	1 383	1 398
Employee on-costs - superannuation	360	345
Employee on-costs - other	128	129
Workers compensation	1	1
Total employee benefits	1 872	1 873

Remuneration of employees	2014	2013
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
$161 500 - $171 499	1	1
$221 500- $231 499	1	1
Total	2	2

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, salary sacrifice benefits and fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received by these employees was $393 000 ($389 000).

5. Members' salaries and allowances

	2014	2013
	$'000	$'000
Members' salaries and allowances	4 119	3 904
Superannuation	790	775
Total members' salaries and allowances	4 909	4 679

Members' salaries, electorate allowances and additional salaries of $4.1 million ($3.9 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 $545 000 ($699 000) and superannuation of $131 000 ($155 000) are not reported in these financial statements but in the financial statements of each Minister's respective Department.

6. Supplies and services

	2014	2013
	$'000	$'000
Publications	36	17
Printing	254	311
Information technology	43	66
Lease	57	51
Members' global allowance	364	304
Security	95	95
Vehicle hire	13	18
Members' travel, accommodation and related expenses	233	238
Travelling expenses	56	39
FBT	71	86
Stationery	8	16
Telephone	3	5
Consultants fees	95	27
Advertisements	25	21
Other	60	63
Total supplies and services	1 413	1 357

The number and dollar amount of consultancies paid/payable (included in supplies and services expenses) that fell within the following bands:	2014 Number	2014 $'000	2013 Number	2013 $'000
Below $10 000	6	23	6	12
Between $10 000 and $50 000	1	18	1	15
Between $50 001 and $100 000	1	54	-	-
Total paid/payable to consultants engaged	8	95	7	27

Not included in the above table are consultancies for $0 ($2000) which were capitalised.

7. Depreciation

	2014	2013
	$'000	$'000
Plant and equipment	15	6
Fixtures and fittings	16	5
Computer equipment	162	133
Total depreciation	193	144

8. Revenues from SA Government

	2014	2013
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	4 394	4 439
Appropriations received under the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*	4 118	3 904
Total revenues from SA Government	8 512	8 343

9. Cash and cash equivalents

	2014	2013
Deposits with the Treasurer	1 222	1 031
Total cash and cash equivalents	1 222	1 031

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

10. Receivables

	2014 $'000	2013 $'000
Receivables	3	1
Prepayments	17	12
Other	16	-
Total current receivables	36	13

11. Property, plant and equipment

	2014 $'000	2013 $'000
Plant and equipment:		
Fair value	83	74
Accumulated depreciation	(22)	(11)
Total plant and equipment	61	63
Fixtures and fittings:		
Fair value	648	648
Accumulated depreciation	(32)	(16)
Total fixtures and fittings	616	632
Computer equipment:		
At cost (deemed fair value)	661	650
Accumulated depreciation	(461)	(299)
Total computer equipment	200	351
Works of art:		
Independent valuation	399	399
Total works of art	399	399
Capital works in progress:		
Capital works in progress	-	147
Total capital works in progress	-	147
Total property, plant and equipment	1 276	1 592

Valuation of assets

An independent valuation of the 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.

An independent valuation of the works of art, fixtures and fittings was conducted by Mr Stephen Sinclair, a recognised expert in the industry, at 30 June 2011. 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.

Asset movement reconciliation

2014	Plant and equipment $'000	Fixtures and fittings $'000	Computer equipment $'000	Works of art $'000	Capital works in progress $'000	Total $'000
Carrying amount at 1 July	63	632	351	399	147	1 592
Additions	16	-	11	-	59	86
Depreciation	(15)	(16)	(162)	-	-	(193)
Assets provided for nil consideration	-	-	-	-	(206)	(206)
Disposals	(3)	-	-	-	-	(3)
Carrying amount at 30 June	61	616	200	399	-	1 276

2013						
Carrying amount at 1 July	22	513	284	399	391	1 609
Additions	47	124	-	-	130	301
Additions - transfers to (from) CWIP	-	-	200	-	(200)	-
Depreciation	(6)	(5)	(133)	-	-	(144)
Assets provided for nil consideration	-	-	-	-	(174)	(174)
Carrying amount at 30 June	63	632	351	399	147	1 592

12. Fair value measurement

Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Legislative Council categorises non-financial assets measured at fair value into hierarchy based on the level of inputs use in measurement.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2014.

The Legislative Council had no valuations categorised into level 1.

Fair value measurements		Level 2	Level 3	Total
2014	Note	$'000	$'000	$'000
Recurring fair value measurements:				
Plant and equipment	11	-	61	61
Fixtures and fittings	11	-	616	616
Computing equipment	11	-	200	200
Works of art	11	399	-	399
Total recurring fair value measurements		399	877	1 276
2013				
Recurring fair value measurements:				
Plant and equipment	11	-	63	63
Fixtures and fittings	11	-	632	632
Computing equipment	11	-	351	351
Works of art	11	399	-	399
Total recurring fair value measurements		399	1 046	1 445

Valuation techniques and inputs

Valuation techniques used to derive levels 2 and 3 fair values are at note 11. There were no changes in valuation techniques during 2014.

13. Payables

Payables	2014	2013
Current:	$'000	$'000
Creditors	35	14
Accrued expenses	78	65
Employee on-costs	73	75
Total current payables	186	154
Non-current:		
Employee on-costs	60	55
Total non-current payables	60	55
Total payables	246	209

14. Employee benefits

Current:		
Annual leave	157	121
LSL	16	10
SERL	14	17
Accrued salaries and wages	5	-
Total current employee benefits	192	148
Non-current:		
Annual leave	199	286
LSL	980	994
Total non-current employee benefits	1 179	1 280
Total employee benefits	1 371	1 428

AASB 119 contains the calculation methodology for LSL liability. The actuarial assessment performed by DTF has provided a set level of liability for the measurement of LSL.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has decreased from 2013 (3.75%) to 2014 (3.5%).

14. Employee benefits (continued)

The net financial effect of the changes in methodology and actuarial assumptions in the current financial year is immaterial. The impact on future periods is impracticable to estimate as the LSL liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

The actuarial assessment performed by DTF left the salary inflation rate at 4%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

15. Provisions

	2014	2013
Current:	$'000	$'000
Provision for workers compensation	1	1
Total current provisions	1	1
Non-current:		
Provision for workers compensation	5	5
Total non-current provisions	5	5
Total provisions for workers compensation	6	6

Provision movement

	2014	2013
Carrying amount at 1 July	6	6
Carrying amount at 30 June	6	6

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.

16. Unrecognised contractual commitments

Operating lease commitments

Commitments in relation to operating leases contracted at the reporting date but not recognised as liabilities are payable as follows:	2014 $'000	2013 $'000
Within one year	46	45
Later than one year but no longer than five years	69	115
Total operating lease commitments	115	160

The Legislative Council's operating leases are for office accommodation. The leases are non-cancellable with terms ranging up to four years with some leases having the right of renewal. Rent is payable in arrears.

17. Events after the reporting period

There have been no events after the reporting period.

18. Contingent assets and liabilities

The Legislative Council is not aware of any contingent assets or liabilities.

19. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department are the responsibility of the Joint Parliamentary Service.

20. Cash flow reconciliation

Reconciliation of cash and cash equivalents at 30 June:	2014 $'000	2013 $'000
Cash and cash equivalents disclosed in the Statement of Financial Position	1 222	1 031
Balance as per the Statement of Cash Flows	1 222	1 031

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services

	2014	2013
Net cash provided by (used in) operating activities	277	486
Revenues from SA Government	(4 394)	(4 439)
Non-cash items:		
Depreciation	(193)	(144)
Gain (Loss) on sale or disposal of non-current assets	(3)	-
Assets provided for nil consideration to the Joint Parliamentary Service	(206)	(174)
Members' salaries and allowances	(4 118)	(3 904)
Movements in assets/liabilities:		
Receivables	23	(16)
Payables	(37)	(8)
Employee benefits	57	(27)
Net cost of providing services	(8 594)	(8 226)

21. Transactions with SA Government

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.

	Note	SA Government 2014 $'000	SA Government 2013 $'000	Non-SA Government 2014 $'000	Non-SA Government 2013 $'000	Total 2014 $'000	Total 2013 $'000
Expenses							
Employee benefits	4	489	475	1 383	1 398	1 872	1 873
Members salaries and allowances	5	790	775	4 119	3 904	4 909	4 679
Supplies and services:	6						
Publications		-	-	36	17	36	17
Printing		250	306	4	5	254	311
Information technology		-	-	43	66	43	66
Lease		-	-	57	51	57	51
Members global allowance		34	34	330	270	364	304
Security		-	-	95	95	95	95
Vehicle hire		-	-	13	18	13	18
Members travel, accommodation and related expenses		-	-	233	238	233	238
Travelling expenses		-	-	56	39	56	39
FBT		-	-	71	86	71	86
Stationery		-	-	8	16	8	16
Telephone		-	-	3	5	3	5
Consultants fees		-	-	95	27	95	27
Advertisements		-	-	25	21	25	21
Other		-	-	60	63	60	63
Depreciation	7	-	-	193	144	193	144
Assets provided for nil consideration	11	206	174	-	-	206	174
Total expenses		1 769	1 764	6 824	6 463	8 593	8 227
Income							
Other		-	-	2	1	2	1
Revenues from SA Government	8	8 512	8 343	-	-	8 512	8 343
Total income		8 512	8 343	2	1	8 514	8 344
Financial assets							
Receivables:	10						
Receivables		-	-	3	1	3	1
Prepayments		-	-	17	12	17	12
Other		-	-	16	-	16	-
Total financial assets		-	-	36	13	36	13
Financial liabilities							
Payables:	13						
Creditors		-	-	35	14	35	14
Accrued expenses		-	-	78	65	78	65
Employment on-costs		12	10	121	120	133	130
Total financial liabilities		12	10	234	199	246	209

22. Financial instruments/Financial risk management

22.1 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.

Financial assets	Note	2014 Carrying amount $'000	2014 Fair value $'000	2013 Carrying amount $'000	2013 Fair value $'000
Cash and cash equivalents:					
Cash and cash equivalents	9	1 222	1 222	1 031	1 031
Loans and receivables:					
Receivables(1)(2)	10	3	3	1	1
		1 225	1 225	1 032	1 032

22.1 Categorisation of financial instruments (continued)		2014		2013	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities	Note	$'000	$'000	$'000	$'000
Financial liabilities at cost:					
Payables[(1)]	13	84	84	53	53
		84	84	53	53

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables.

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 10 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

Fair value

The Legislative Council does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 2, 10 and 13).

Credit risk

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

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

Liquidity risk

Liquidity risk arises where the Legislative Council is unable to meet its financial obligations as they are due to be settled. The Legislative Council is funded principally from appropriation by the SA Government. The Legislative Council 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 Legislative Council 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 Legislative Council's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Market risk

The Legislative Council has no market risk exposure to foreign currency or other price risks or interest rate risks.

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 immaterial.

Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Expenses:			
Employee benefits	4	5 931	5 632
Supplies and services	5	2 813	4 218
Depreciation	7	1 579	1 533
Net loss on disposal of non-current assets	10	-	100
Total expenses		10 323	11 483
Income:			
Assets acquired at nil consideration from House of Assembly	10	364	347
Assets acquired at nil consideration from Legislative Council	10	206	174
Other income		27	24
Total income		597	545
Net cost of providing services		9 726	10 938
Revenues from SA Government	8	13 114	14 701
Net result		3 388	3 763
Total comprehensive result		3 388	3 763

Statement of Financial Position
as at 30 June 2014

	Note	2014 $'000	2013 $'000
Current assets:			
Receivables	9	267	369
Total current assets		267	369
Non-current assets:			
Receivables	9	29	40
Property, plant and equipment	10	96 295	90 526
Total non-current assets		96 324	90 566
Total assets		96 591	90 935
Current liabilities:			
Payables	12	406	1 190
Employee benefits	13	715	676
Provisions	14	20	24
Total current liabilities		1 141	1 890
Non-current liabilities:			
Payables	12	86	71
Employee benefits	13	1 416	1 296
Provisions	14	84	105
Total non-current liabilities		1 586	1 472
Total liabilities		2 727	3 362
Net assets		93 864	87 573
Equity:			
Retained earnings		76 892	73 504
Revaluation surplus		14 069	14 069
Contributed capital		2 903	-
Total equity		93 864	87 573
Unrecognised contractual commitments	15		
Contingent assets and liabilities	18		

Statement of Changes in Equity
for the year ended 30 June 2014

	Contributed capital $'000	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2012	-	14 069	69 741	83 810
Net result for 2012-13	-	-	3 763	3 763
Total comprehensive result 2012-13	-	-	3 763	3 763
Balance at 30 June 2013	-	14 069	73 504	87 573
Net result for 2013-14	-	-	3 388	6 291
Total comprehensive result 2013-14	-	-	3 388	6 291
Equity contribution received from SA Government	2 903	-	-	2 903
Balance at 30 June 2014	2 903	14 069	76 892	93 864

Statement of Cash Flows
for the year ended 30 June 2014

	Note	2014 Inflows (Outflows) $'000	2013 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefits		(5 796)	(5 699)
Payments for supplies and services		(4 523)	(4 402)
Payments for Paid Parental Leave Scheme		(22)	-
Cash used in operations		(10 341)	(10 101)
Cash inflows:			
GST recovered from ATO		1 052	950
Receipts for Paid Parental Leave Scheme		22	-
Other receipts		28	26
Cash generated from operations		1 102	976
Cash flows from SA Government:			
Other receipts		16 017	14 701
Cash generated from SA Government		16 017	14 701
Net cash provided by (used in) operating activities	16	6 778	5 576
Cash flows from investing activities:			
Purchase of property, plant and equipment		(6 778)	(7 698)
Net cash provided by (used in) investing activities		(6 778)	(7 698)
Net increase (decrease) in cash and cash equivalents		-	(2 122)
Cash and cash equivalents at 1 July		-	2 122
Cash and cash equivalents at 30 June		-	-

Notes to and forming part of the financial statements

1. Objective of the Joint Parliamentary Service

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 21. The Joint Parliamentary Service receives assets from the House of Assembly and the Legislative Council for nil consideration.

2. Summary of significant accounting policies

(a) Statement of compliance

The Joint Parliamentary Service has prepared these financial statements in compliance with section 23 of the PFAA.

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

The Joint Parliamentary Service has applied AASs that are applicable to not-for-profit entities, as the Joint Parliamentary Service is a not-for-profit entity.

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 2014 (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 judgement in the process of applying the Joint Parliamentary Service's accounting policies. The areas involving a higher degree of judgement 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 this financial report:
  - (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.

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 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 2014 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 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.

(d) Rounding

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

(e) 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:

- 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.

(f) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to the Joint Parliamentary Service 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.

The following are specific recognition criteria:

Revenues 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.

(g) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Joint Parliamentary Service 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.

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 Joint Parliamentary Service to the superannuation plan in respect of current services of current Joint Parliamentary Service staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

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

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

Land is not depreciated.

Depreciation 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*
Buildings	100 years
Plant and equipment	5-30 years
Fixtures and fittings	3-10 years
Computer equipment	3-5 years

The 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 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.

Works of art controlled by the Joint Parliamentary Service 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.

(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 Joint Parliamentary Service 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 asset line items combine amounts expected to be settled within 12 months and more than 12 months, the Joint Parliamentary Service 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 include 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 GST input tax credits recoverable, prepayments and accruals.

Receivables are generally settled 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 Joint Parliamentary Service 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 fair value in the Statement of Financial Position.

All non-current tangible assets with a value equal to or in excess of $5000 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 for the Joint Parliamentary Service.

Art work on loan from the Art Gallery of South Australia is not recognised in the financial statements.

Expenditure on assets not fully constructed at 30 June is disclosed separately as capital works in progress. Capital works in progress 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 an income in the period contributed.

Revaluation of non-current assets
All non-current tangible assets are valued at 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 six 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.

Any revaluation increment is credited to the 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 revaluation surplus to the extent of the credit balance existing in 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 asset.

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

An independent valuation of the land, buildings, plant and equipment was conducted as at 30 June 2011 by Fred Taormina BAppSc(Val) AAPI, Certified Practising Valuer on behalf of Valcorp Pty Ltd. The valuation at 30 June 2011 was prepared on a fair value basis.

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 this industry. The valuation at 30 June 2011 was a desktop valuation that updated a previous valuation determined 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.

Impairment
All non-current assets are tested for 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.

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

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

The Joint Parliamentary Service classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation.

Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

Level 3: not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed by the Chief Finance Officer at each reporting date.

Non-financial assets
In determining fair value, the Joint Parliamentary Service has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The Joint Parliamentary Service's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible within the next five years. As the Joint Parliamentary Service did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than $1 million or had an estimated useful life that was less than three years is deemed to approximate fair value.

Refer notes 10 and 11 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

Financial assets/liabilities
The Joint Parliamentary Service does not recognise any financial assets or financial liabilities at fair value.

(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 liability line items combine amounts expected to be settled within 12 months and more than 12 months, the Joint Parliamentary Service has separately disclosed the amounts expected to be settled after more than 12 months.

Payables
Payables include creditors, accrued expenses, GST payable 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 Joint Parliamentary Service.

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.

Payables (continued)
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 benefits on-costs include payroll tax, workers compensation and superannuation contributions in respect to outstanding liabilities for salaries and wages, LSL, annual leave and SERL.

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.

Leases
The Joint Parliamentary Service leases office premises. Lease payments are increased annually in accordance with movements in the CPI.

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 asset.

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, SERL and sick leave*
  The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

  The annual leave liability and the SERL liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

- *LSL*
  The liability for LSL is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

  The estimated liability for LSL is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

  The unconditional portion of the LSL provision is classified as current as the Joint Parliamentary Service does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of LSL relates to an unconditional legal entitlement to payment arising after 10 years of service.

Provisions
Provisions are recognised when the Joint Parliamentary Service 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 Joint Parliamentary Service 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 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.

Provisions (continued)
The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2014 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 Joint Parliamentary Service is responsible for the payment of workers compensation claims.

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).

(k) Unrecognised contractual commitments and contingent assets and liabilities
Commitments include operating lease 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 and policies
The Joint Parliamentary Service did not voluntarily change any of its accounting policies during 2013-14.

In accordance with the new AASB 13, which became effective for the first time in 2013-14, the Joint Parliamentary Service has:

- reviewed its fair value valuation techniques (both internal estimates and independent valuation appraisal) for non-financial assets to ensure they are consistent with the standard. Previously, the Joint Parliamentary Service has used the cost approach or the market approach to determine fair value. The Joint Parliamentary Service will continue to measure its non-financial assets using either the cost or market approach. The application of AASB 13 has not had a material impact on the fair value measurements
- included additional disclosures where required to assist users in assessing the valuation techniques and inputs used to ascertain fair value measurements used for asset and liability measurements.

Fair value hierarchy and other information is provided in notes 10 and 11.

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 period ending 30 June 2014. The Joint Parliamentary Service 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 Joint Parliamentary Service.

4. Employee benefits	2014	2013
	$'000	$'000
Salaries and wages	5 098	4 818
Employee on-costs - superannuation	556	542
Employee on-costs - other	295	265
Workers compensation	(18)	7
Total employee benefits	5 931	5 632

Remuneration of employees	2014	2013
The number of employees whose remuneration received or receivable falls within the following band:	Number	Number
$141 500 - $151 499	-	1
$151 500 - $161 499	1	-
Total	1	1

4. Employee benefits (continued)

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, salary sacrifice benefits and fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received by this employee was $152 000 ($149 000).

5. Supplies and services

	2014 $'000	2013 $'000
Building maintenance	428	473
Utilities	505	471
Cleaning	257	259
Minor works and equipment	118	997
Telephones	220	214
Printing and publishing	315	297
Insurance	57	59
Information technology	285	733
Lease	54	48
Audit fees	79	78
Shared Services	97	88
Vehicle hire	22	28
Staff training and development	33	34
Agency staff hire	57	112
FBT	50	56
Consultants fees	-	23
OHS&W compliance	15	28
Other	221	220
Total supplies and services	2 813	4 218

The number and dollar amount of consultancies paid/payable (included in supplies and services expenses) that fell within the following band:	2014 Number	2014 $'000	2013 Number	2013 $'000
Below $10 000	-	-	6	23
Total paid/payable to consultants engaged	-	-	6	23

Not included in the above table are consultancies for $43 000 ($8000) which were capitalised.

6. Auditor's remuneration

	2014 $'000	2013 $'000
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	79	78
Total auditor's remuneration	79	78

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

Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of supplies and services (refer note 5).

7. Depreciation

Buildings	486	485
Plant and equipment	83	47
Fixtures and fittings	18	18
Computer equipment	992	983
Total depreciation	1 579	1 533

8. Revenues from SA Government

Appropriations from Consolidated Account pursuant to the *Appropriation Act*	13 114	14 445
Transfers from contingencies	-	256
Total revenues from SA Government	13 114	14 701

9. Receivables

	2014	2013
	$'000	$'000
Current:		
Receivables	161	289
Prepayments	100	72
Other	6	8
Total current receivables	267	369
Non-current:		
Prepayments	29	40
Total non-current receivables	29	40
Total receivables	296	409

10. Property, plant and equipment

	2014	2013
Land:		
Fair value	26 675	26 675
Total land	26 675	26 675
Buildings:		
Fair value	62 218	48 530
Accumulated depreciation	(1 456)	(970)
Total buildings	60 762	47 560
Plant and equipment:		
Fair value	2 811	2 104
Accumulated depreciation	(305)	(238)
Total plant and equipment	2 506	1 866
Fixtures and fittings:		
Fair value	869	869
Accumulated depreciation	(54)	(36)
Total fixtures and fittings	815	833
Computer equipment:		
At cost (deemed fair value)	8 438	8 438
Accumulated depreciation	(5 493)	(4 501)
Total computer equipment	2 945	3 937
Library:		
Independent valuation	1 495	1 495
Total library	1 495	1 495
Capital work in progress:		
Capital work in progress	1 097	8 160
Total capital work in progress	1 097	8 160
Total property, plant and equipment	96 295	90 526

Valuation of assets

An independent valuation of the land, buildings, plant and equipment was conducted as at 30 June 2011 by Fred Taormina BAppSc(Val) AAPI Certified Practising Valuer on behalf of Valcorp Pty Ltd. The valuation at 30 June 2011 was prepared on a fair value basis.

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 this industry. The valuation at 30 June 2011 was a desk top valuation that updated a previous valuation determined 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.

Asset movement reconciliation

2014	Land $'000	Buildings $'000	Plant and equipment $'000	Fixtures and fittings $'000	Computer equipment $'000	Library $'000	Capital works in progress $'000	Total $'000
Carrying amount at 1 July	26 675	47 560	1 866	833	3 937	1 495	8 160	90 526
Additions	-	-	6	-	-	-	6 772	6 778
Additions - transfers to (from) CWIP	-	13 688	717	-	-	-	(14 405)	-
Depreciation	-	(486)	(83)	(18)	(992)	-	-	(1 579)
Assets acquired at nil consideration	-	-	-	-	-	-	570	570
Carrying amount at 30 June	26 675	60 762	2 506	815	2 945	1 495	1 097	96 295
2013								
Carrying amount at 1 July	26 675	48 045	756	851	4 825	1 495	1 293	83 940
Additions	-	-	-	-	103	-	7 595	7 698
Additions - transfers to (from) CWIP	-	-	1 249	-	-	-	(1 249)	-
Depreciation	-	(485)	(47)	(18)	(983)	-	-	(1 533)
Assets acquired at nil consideration	-	-	-	-	-	-	521	521
Disposals	-	-	(92)	-	(8)	-	-	(100)
Carrying amount at 30 June	26 675	47 560	1 866	833	3 937	1 495	8 160	90 526

11. Fair value measurement

Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Joint Parliamentary Service categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2014.

The Joint Parliamentary Service had no valuations categorised into level 1.

Fair value measurements

2014 Recurring fair value measurements:	Note	Level 2 $'000	Level 3 $'000	Total $'000
Land	10	-	26 675	26 675
Buildings	10	-	60 762	60 762
Plant and equipment	10	-	2 506	2 506
Fixtures and fittings	10	-	815	815
Computer equipment	10	-	2 945	2 945
Library	10	1 495	-	1 495
Total recurring fair value measurements		1 495	93 703	95 198
2013				
Recurring fair value measurements:				
Land	10	-	26 675	26 675
Buildings	10	-	47 560	47 560
Plant and equipment	10	-	1 866	1 866
Fixtures and fittings	10	-	833	833
Computer equipment	10	-	3 937	3 937
Library	10	1 495	-	1 495
Total recurring fair value measurements		1 495	80 871	82 366

Valuation techniques and inputs

Valuation techniques used to derive levels 2 and 3 fair values are at note 10. There were no changes in valuation techniques during 2014.

Valuation techniques and inputs (continued)

Description	*Valuation technique*	*Unobservable inputs*
Land	Market approach	Price per square metre
	Market approach	Adjusted market price
Buildings	Depreciated replacement cost	Current replacement cost

Reconciliation of fair value measurements - level 3

Refer to asset movement reconciliation in note 10.

12. Payables

	2014	2013
Current:	$'000	$'000
Creditors	39	40
Accrued expenses	246	1 035
Employee on-costs	121	115
Total current payables	406	1 190
Non-current:		
Employee on-costs	86	71
Total non-current payables	86	71
Total payables	492	1 261

13. Employee benefits

Current:		
Annual leave	469	476
LSL	175	150
SERL	38	30
Accrued salaries and wages	33	20
Total current employee benefits	715	676
Non-current:		
LSL	1 416	1 296
Total non-current employee benefits	1 416	1 296
Total employee benefits	2 131	1 972

AASB 119 contains the calculation methodology for LSL liability. The actuarial assessment performed by DTF has provided a set level of liability for the measurement of LSL.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has decreased from 2013 (3.75%) to 2014 (3.5%).

The net financial effect of the changes in methodology and actuarial assumptions in the current financial year is immaterial. The impact on future periods is impracticable to estimate as the LSL liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

The actuarial assessment performed by DTF left the salary inflation rate at 4%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

14. Provisions

	2014	2013
Current:	$'000	$'000
Provision for workers compensation	20	24
Total current provisions	20	24
Non-current:		
Provision for workers compensation	84	105
Total non-current provisions	84	105
Total provisions	104	129

Provision movement	2014 $'000	2013 $'000
Carrying amount at 1 July	129	149
Additional provisions recognised	(23)	1
Reductions arising from payments	2	21
Carrying amount at 30 June	104	129

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.

15. Unrecognised contractual commitments

Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:	2014 $'000	2013 $'000
Within one year	57	43
Later than one year but not longer than five years	66	110
Total operating lease commitments	123	153

The Joint Parliamentary Service's operating leases are for office accommodation and equipment. The leases are non-cancellable with terms ranging up to four years with some leases having the right of renewal. Rent is payable in arrears.

Expenditure commitments - other Other commitments contracted but not recognised as liabilities are payable as follows:	2014 $'000	2013 $'000
Within one year	17	59
Later than one year but no longer than five years	32	82
Total expenditure commitments - other	49	141

The Joint Parliamentary Service's other commitments are for agreements for computer and software related contracts.

16. Cash flow reconciliation

Reconciliation of cash and cash equivalents at 30 June:		
Cash and cash equivalents disclosed in the Statement of Financial Position	-	-
Balance as per the Statement of Cash Flows	-	-

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services		
Net cash provided by (used in) operating activities	6 778	5 576
Revenues from SA Government	(16 017)	(14 701)
Non-cash items:		
Depreciation expense of non-current assets	(1 579)	(1 533)
Gain (Loss) on sale or disposal of non-current assets	-	(100)
Assets acquired at nil consideration	570	521
Movements in assets/liabilities:		
Receivables	(113)	131
Payables	769	(899)
Employee benefits	(159)	47
Provisions	25	20
Net cost of providing services	(9 726)	(10 938)

17. Events after the reporting date

There have been no events after the reporting period.

18. Contingent assets and liabilities

The Joint Parliamentary Service is not aware of any contingent assets or liabilities.

19. Transactions with SA Government

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.

19. Transactions with SA Government (continued)

		SA Government		Non-SA Government		Total	
		2014	2013	2014	2013	2014	2013
	Note	$'000	$'000	$'000	$'000	$'000	$'000
Expenses							
Employee benefits	4	833	814	5 098	4 818	5 931	5 632
Supplies and services:	5						
Building maintenance		278	301	150	172	428	473
Utilities		64	90	441	381	505	471
Cleaning		219	236	38	23	257	259
Minor works and equipment		-	892	118	105	118	997
Telephone		-	-	220	214	220	214
Printing and publishing		296	284	19	13	315	297
Insurance		-	-	57	59	57	59
Information technology		11	14	274	719	285	733
Lease		-	-	54	48	54	48
Audit fees		-	-	79	78	79	78
Shared Services		-	-	97	88	97	88
Vehicle hire		-	-	22	28	22	28
Staff training and development		-	-	33	34	33	34
Agency staff hire		-	-	57	112	57	112
FBT		-	-	50	56	50	56
Consultants fees		-	-	-	23	-	23
OHS&W and compliance		-	-	15	28	15	28
Other		39	-	182	220	221	220
Depreciation	7	-	-	1 579	1 533	1 579	1 533
Total expenses		1 740	2 631	8 583	8 752	10 323	11 383
Income							
Assets acquired at nil consideration	10	570	521	-	-	570	521
Other		-	-	27	24	27	24
Revenues from SA Government	8	13 114	14 701	-	-	13 114	14 701
Total income		13 684	15 222	27	24	13 711	15 246
Financial assets							
Receivables:	9						
Receivables		-	-	161	289	161	289
Prepayments		-	-	100	72	100	72
Other		-	-	6	8	6	8
Total financial assets		-	-	267	369	267	369
Financial liabilities							
Payables:	12						
Creditors		-	-	39	40	39	40
Accrued expenses		149	912	97	123	246	1 035
Employment on-costs		27	29	180	157	207	186
Total financial liabilities		176	941	316	320	492	1 261

20. Financial instruments/Financial risk management

20.1 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.

		2014		2013	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	Note	$'000	$'000	$'000	$'000
Loans and receivables:					
Receivables[(1)(2)]	9	6	6	8	8
		6	6	8	8
Financial liabilities					
Financial liabilities at cost:					
Payables[(1)]	12	191	191	948	948
		191	191	948	948

20.1 Categorisation of financial instruments (continued)

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables.

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 9 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

Fair value

The Joint Parliamentary Service does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 2, 9 and 12).

Credit risk

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

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

Liquidity risk

Liquidity risk arises where the Joint Parliamentary Service is unable to meet its financial obligations as they are due to be settled. The Joint Parliamentary Service is funded principally from appropriation by the SA Government. The Joint Parliamentary Service 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 Joint Parliamentary Service 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 Joint Parliamentary Service's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Market risk

The Joint Parliamentary Service has no market risk exposure to foreign currency or other price risks or interest rate risks.

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 immaterial.

21. 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 Expenses and Income

	2014	2013
Administered expenses:	$'000	$'000
Members' salaries	11 545	11 000
Total administered expenses	11 545	11 000
Administered income:		
Recurrent appropriations	11 545	11 000
Total administered income	11 545	11 000
Net cost of providing services	-	-

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 Public Library Services. 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

Section 31(1)(b) of the PFAA and section 19(3) of the *Libraries Act 1982* provide for the Auditor-General to audit the accounts of the Board for each financial year.

Assessment of controls

Section 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 2013-14, specific areas of audit attention included:

- revenue and receivables
- expenditure and payables
- employee expenses and liabilities
- fixed assets and depreciation
- general ledger and cash
- governance and financial compliance.

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 2014, 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 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 raised in a management letter to the Director of the State Library and a satisfactory response was received.

Audit recommended measures to improve controls for the review of user access to the Masterpiece, Basware and P2 systems to ensure user access remains accurate and valid.

The Board’s response detailed action planned to address all the matters raised.

Shared Services SA – financial systems and transaction processing environments

SSSA processes financial transactions on behalf of the Board under service level determinations. The main systems and control environments include accounts payable, payroll and general ledger financial functions.

Last year’s Report made specific comment on the progress being taken by SSSA to remediate key control weaknesses raised in prior years for the systems and control environments, in order to achieve a satisfactory ongoing standard of control operation over financial transaction processing.

As discussed in the commentary under ‘Department of the Premier and Cabinet’ elsewhere in Part B of this Report, Audit review and evaluation of controls for the SSSA main accounts payable and payroll systems and environments concluded that controls met a generally satisfactory standard for 2013-14. Notwithstanding this overall conclusion, there were some specific matters that were raised with SSSA for corrective action and review for process and procedural improvement. The matters did not relate to Board transaction processing.

Interpretation and analysis of the financial report

Highlights of the financial report

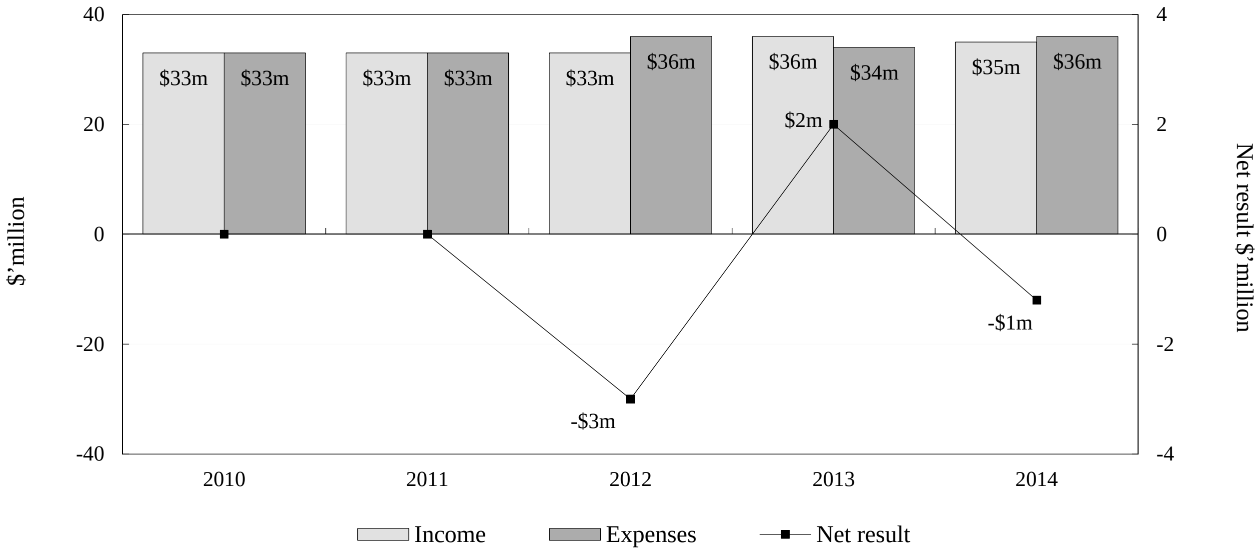
	2014 $’million	2013 $’million
Expenses		
Staff benefits	13	12
Subsidies to public libraries	12	13
Other expenses	11	9
Total expenses	36	34
Income		
State Government grants	33	34
Other income	2	2
Total income	35	36
Net result	(1)	2
Other comprehensive income	1	17
Total comprehensive result	-	19

	2014 $'million	2013 $'million
Net cash provided by (used in) operating activities	1	3
Net cash provided by (used in) investing activities	(2)	(4)
Assets		
Current assets	7	8
Non-current assets	185	184
Total assets	192	192
Liabilities		
Current liabilities	2	2
Non-current liabilities	3	3
Total liabilities	5	5
Total equity	187	187

Statement of Comprehensive Income

Net result

The following chart shows income, expenses and net results for the five years to 2014.



The chart shows that the level of activity has remained consistent over the five year period. In 2012 a $2.3 million loss on disposal of land and buildings transferred to the Minister for the Arts was recorded. This loss was the main contribution to the deficit in 2012.

The main expenses are for staff benefits of $12.9 million ($11.7 million) and subsidies to public libraries of $11.7 million ($12.7 million).

The Board is dependent on revenues from the SA Government which amounted to $32.6 million ($33.9 million) and represents 94% (93%) of total income.

Statement of Financial Position

Current assets

The Board's main current asset is cash deposits with the Treasurer of $6.4 million ($7.3 million), representing 88% (89%) of current assets.

Non-current assets

Total non-current assets of the Board amounted to $184.6 million ($183.6 million) comprising mainly research and heritage collections of $111.4 million ($111 million) and land, buildings and improvements of $62.7 million ($62 million).

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2014.

	2014 $'million	2013 $'million	2012 $'million	2011 $'million
Net cash flows				
Operating	1	3	2	2
Investing	(2)	(4)	-	(1)
Change in cash	(1)	(1)	2	1
Cash at 30 June	6	7	8	6

Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Expenses:			
Staff benefits	4	12 943	11 695
Supplies and services	6	6 672	5 976
Accommodation and facilities	7	2 635	2 547
Depreciation and amortisation	8	1 928	1 613
Subsidies to public libraries	9	11 708	12 654
Total expenses		35 886	34 485
Income:			
Fees and charges	11	323	473
Bequests and donations		104	208
Council contributions		76	102
Rent and facilities hire	12	289	393
Resources received free of charge	13	343	282
Interest and investment income	14	637	659
Net gain (loss) from the disposal of investments	10	147	(1)
Recoveries	15	54	128
Other	16	146	168
Total income		2 119	2 412
Net cost of providing services		33 767	32 073
Revenues from (Payments to) SA Government:			
Recurrent operating grant		32 234	32 837
Capital grant		329	1 039
Total revenues from (payments to) SA Government		32 563	33 876
Net result		(1 204)	1 803
Other comprehensive income:			
Items that will not be reclassified to net result:			
Change in property, plant and equipment revaluation surplus	19	1 275	16 606
Total other comprehensive income		1 275	16 606
Total comprehensive result		71	18 409

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

Statement of Financial Position
as at 30 June 2014

	Note	2014 $'000	2013 $'000
Current assets:			
Cash	18	6 411	7 284
Receivables	19	875	927
Total current assets		7 286	8 211
Non-current assets:			
Receivables	19	5	14
Property, plant and equipment	20	65 394	65 453
Intangible assets	21	11	17
Research and heritage collections	22	111 422	111 035
Investments	24	7 815	7 086
Total non-current assets		184 647	183 605
Total assets		191 933	191 816
Current liabilities:			
Payables	25	996	1 179
Staff benefits	26	1 240	1 059
Provisions	27	32	30
Total current liabilities		2 268	2 268
Non-current liabilities:			
Payables	25	231	228
Staff benefits	26	2 488	2 472
Provisions	27	146	119
Other	28	10	10
Total non-current liabilities		2 875	2 829
Total liabilities		5 143	5 097
Net assets		186 790	186 719
Equity:			
Retained earnings		88 812	90 016
Revaluation surplus		97 978	96 703
Total equity		186 790	186 719

Total equity is attributable to the SA Government as owner

	Note
Unrecognised contractual commitments	29
Contingent assets and liabilities	30

Statement of Changes in Equity
for the year ended 30 June 2014

	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2012	80 097	88 213	168 310
Net result for 2012-13	-	1 803	1 803
Loss on revaluation of land during 2012-13	(2 350)	-	(2 350)
Gain on revaluation of buildings during 2012-13	18 956	-	18 956
Total comprehensive result for 2012-13	16 606	1 803	18 409
Balance at 30 June 2013	96 703	90 016	186 719
Net result for 2013-14	-	(1 204)	(1 204)
Gain on revaluation of land during 2013-14	380	-	380
Gain on revaluation of buildings during 2013-14	895	-	895
Total comprehensive result for 2013-14	1 275	(1 204)	71
Balance at 30 June 2014	97 978	88 812	186 790

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

Statement of Cash Flows
for the year ended 30 June 2014

		2014 Inflows (Outflows)	2013 Inflows (Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Cash outflows:			
Staff benefits		(12 690)	(11 720)
Supplies and services		(6 677)	(5 766)
Accommodation and facilities		(2 635)	(2 547)
Subsidies to public libraries		(11 708)	(12 527)
Cash used in operations		(33 710)	(32 560)
Cash inflows:			
Fees and charges		331	429
Bequests and donations		63	189
Council contributions		75	107
Rent and facilities hire		299	364
Interest and investment income		618	691
Recoveries		70	120
Other		104	163
Cash generated from operations		1 560	2 063
Cash flows from SA Government:			
Recurrent operating grant		32 523	32 548
Capital grant		329	1 039
Cash generated from SA Government		32 852	33 587
Net cash provided by (used in) operating activities	31	702	3 090
Cash flows from investing activities:			
Cash outflows:			
Purchase of heritage collections		(409)	(582)
Purchase of investments		(1 729)	(1 682)
Purchase of property, plant and equipment		(299)	(1 654)
Purchase of land and buildings		(285)	(98)
Cash used in investing activities		(2 722)	(4 016)
Cash inflows:			
Proceeds from the sale/maturity of investments		1 147	400
Cash generated from investing activities		1 147	400
Net cash provided by (used in) investing activities		(1 575)	(3 616)
Net increase (decrease) in cash		(873)	(526)
Cash at 1 July		7 284	7 810
Cash at 30 June	31	6 411	7 284

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2014

	2014			2013		
(Activities - refer note 3)	1	2	Total	1	2	Total
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000
Staff benefits	10 502	2 441	12 943	9 597	2 098	11 695
Supplies and services	2 729	3 943	6 672	2 568	3 408	5 976
Accommodation and facilities	2 624	11	2 635	2 537	10	2 547
Depreciation and amortisation	1 909	19	1 928	1 593	20	1 613
Subsidies to public libraries	-	11 708	11 708	-	12 654	12 654
Total expenses	17 764	18 122	35 886	16 295	18 190	34 485
Income:						
Fees and charges	309	14	323	473	-	473
Bequests and donations	104	-	104	208	-	208
Council contributions	-	76	76	-	102	102
Net gain (loss) from the disposal of investments	147	-	147	(1)	-	(1)
Rent and facilities hire	289	-	289	393	-	393
Resources received free of charge	304	39	343	280	2	282
Interest and investment income	550	87	637	552	107	659
Recoveries	54	-	54	104	24	128
Other	118	28	146	165	3	168
Total income	1 875	244	2 119	2 174	238	2 412
Net cost of providing services	15 889	17 878	33 767	14 121	17 952	32 073
Revenues from SA Government:						
Recurrent operating grant	14 614	17 620	32 234	14 764	18 073	32 837
Capital grant	329	-	329	1 039	-	1 039
Total revenues from SA Government	14 943	17 620	32 563	15 803	18 073	33 876
Net result	(946)	(258)	(1 204)	1 682	121	1 803

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2014

	2014			2013		
(Activities - refer note 3)	1	2	Total	1	2	Total
Assets:	$'000	$'000	$'000	$'000	$'000	$'000
Assets	188 463	3 470	191 933	188 364	3 452	191 816
Total assets	188 463	3 470	191 933	188 364	3 452	191 816
Liabilities:						
Liabilities	4 028	1 115	5 143	4 211	886	5 097
Total liabilities	4 028	1 115	5 143	4 211	886	5 097

Notes to and forming part of the financial statements

1. Objectives of the Libraries Board of South Australia (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 policies and guidelines for the provision of public library services
- establish, maintain and expand collections of library materials
- administer the State Library of South Australia
- 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 Board has prepared these financial statements in compliance with section 23 of the PFAA.

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

The Board has applied AASs that are applicable to not-for-profit entities, as the Board is a not-for-profit entity.

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 2014. 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.

2.2 Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Board’s accounting policies. The areas involving a higher degree of judgement 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, 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.

2.2 Basis of preparation (continued)

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 2014 and comparative information presented for the year ended 30 June 2013.

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 revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend income is recognised when the right to receive a dividend has been established. Donations, bequests, grants and sponsorships are recognised as income in the period in which the Board obtains control over the income. 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 receives 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 $76 000 ($102 000).

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 13) and a corresponding amount included as conservation work expenditure in supplies and services (note 6).

Under an arrangement with SSSA, 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 13) and a corresponding amount included as a business services charge in supplies and services (note 6).

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 controlled by the Board and are recorded in the cash balance as at 30 June 2014. The total of these trust accounts is $72 000 ($34 000).

2.7 Receivables

Receivables include amounts receivable from trade debtors, 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.

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

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 as 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 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 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 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 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 2014 by Valcorp Australia Pty Ltd. The valuation of land and buildings as at 30 June 2014 was prepared on a fair value basis in accordance with AASB 116 and AASB 13.

Land and buildings (continued)
The valuer used depreciated replacement cost (DRC) for buildings. The DRC considered the need for ongoing provision of government services; specialised nature of the assets; including the restricted use of the assets; the size, condition, location and current use of the assets. The valuation was based on a combination of internal records, specialised knowledge and the acquisition/transfer costs.

The valuation of land was based on recent market transactions for similar land in the area and includes adjustment for factors specific to the land being valued such as size, location and current use.

Plant and equipment
All items of plant and equipment including computer equipment and compactus and shelving on acquisition, had a fair value at the time of the acquisition that was less than $1 million or had an estimated useful life that was less than three years and have not been revalued in accordance with APF III. The carrying value of these items is deemed to approximate fair value. These assets are classified in level 3 as there have been no subsequent adjustments to their value, except for management assumptions about the assets' condition and remaining useful life.

Public library service collections
The film collection is valued at zero value on the basis that this collection is not being added to, is rarely used and may not be disposed of under the terms of its original acquisition.

Research and heritage collections
The research and heritage collections valuations are independently revalued every five years. The collections were previously valued as at 30 June 2011 by the following specialist valuers:

Rare books	J Burdon
Framed works	D Hyles
Published and archival collections	K Adam
Miscellaneous	I & M Armstrong
Archival collections (records groups)	J Thompson

These valuers specialise in the valuation of heritage assets. In instances where there were sufficient observable transactions of similar assets to the subject asset (generally in second-hand markets), the market approach has been utilised to determine fair value. Inputs to the fair value measurement are considered level 2 in the fair value hierarchy as they have been observed from the market and the valuer has made relatively minor adjustments for differences in asset characteristics. Where possible, the valuations were based on recent market transactions for similar cultural and heritage assets and may include adjustment for factors specific to each asset including size, rarity, quality, condition, historical significance and associated restrictions.

Where the frequency of available market transactions has not permitted the use of observable inputs, the valuers have used significant professional judgement in determining the fair value measurements. These assets are therefore considered to be in level 3 of the fair value hierarchy.

Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the replacement cost approach. Under this approach the estimated cost to replace the asset is calculated and then adjusted to take into account its obsolescence. Asset obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration.

Collections which have been valued are: rare and special collections, private records 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.

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

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

Fair value measurement (continued)

Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

Level 3: not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed by the Board/Finance Committee at each reporting date.

Non-financial assets
In determining fair value, the Board has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset) and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The Board's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the Board did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

Refer note 23 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

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 revaluation surplus.

There were no indications of impairment of property, plant and equipment and intangibles as at 30 June 2014.

2.12 Depreciation and amortisation of non-current assets

All non-current assets, having a limited useful life, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential. Assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, on an annual basis. Land and heritage collections are not depreciated. Depreciation 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)*
Property, plant and equipment:	
Buildings and improvements	20-100
Plant and equipment	5-20
Computer equipment	3-5
Compactus and lifts	30
Intangibles	5

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, LSL, annual leave and SERL.

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, annual leave and SERL

Liabilities for salaries, wages, annual leave and SERL 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.

LSL

The liability for LSL is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for LSL is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

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

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2014 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.

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 has 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.

2.18 Taxation (continued)

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 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.

2.23 New and revised accounting standards

The Board did not voluntarily change any of its accounting policies during 2013-14.

In accordance with the new AASB 13, which became effective for the first time in 2013-14, the Board has:

- reviewed its fair value valuation techniques (both internal estimates and independent valuation appraisal) for non-financial assets to ensure they are consistent with the standard. Previously, the Board has used the cost approach or the market approach to determine fair value. The Board will continue to measure its non-financial assets using either the cost or market approach. The application of AASB 13 has not had a material impact on the fair value measurements

- included additional disclosures where required to assist users in assessing the valuation techniques and inputs used to ascertain fair value measurements used for asset and liability measurements.

Fair value hierarchy and other information is provided in note 23.

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 2014. 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.

2.24 Events after the reporting period

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.

3. Activities of the Board

The identity and purpose of each major activity undertaken by the Board during the year ended 30 June 2014 is summarised below (refer to the disaggregated disclosures schedules - expenses and income and assets and liabilities).

3. Activities of the Board (continued)

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.

4. Staff benefits

	2014	2013
	$'000	$'000
Salaries and wages	9 406	9 379
Annual leave	926	48
Board fees	47	100
LSL	382	183
Payroll tax	622	631
Retention leave	46	-
Superannuation	1 187	1 079
Other staff related expenses	327	275
Total staff benefits	12 943	11 695

Remuneration of staff

	2014	2013
The number of staff whose remuneration received or receivable falls within the following bands:	Number	Number
$151 500 - $161 499	-	1
$171 500 - $181 499	-	1
$181 500 - $191 499	1	-
$191 500 - $201 499	-	1
$201 500 - $211 499	1	-
Total	2	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 salary sacrifice benefits. The total remuneration received by these staff for the year was $396 000 ($537 000).

TVSPs

There were no TVSPs paid in 2013-14 or 2012-13.

5. Remuneration of board members

Members that were entitled to receive remuneration for membership during the 2013-14 financial year were:

Libraries Board

Mr J Bruce (Chairman)
Ms V Ciccarello
Mr A Luckhurst-Smith
Mrs A Short
Ms J Wisdom
Mrs F Adler (term expired 23 April 2014)
Mr S G Hicks (appointed 15 May 2014)
Ms H Nichols
Ms L Spurling

	2014	2013
The number of board members whose remuneration received or receivable falls within the following bands:	Number	Number
$0 - $9 999	9	-
$10 000 - $19 999	-	8
Total	9	8

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 $51 000 ($109 000).

Amounts paid to superannuation plans for board members were $4000 ($9000).

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.

6. Supplies and services

	2014 $'000	2013 $'000
Business services charge	221	165
Cataloguing and end processing	459	511
Communications	934	926
Consultants' fees	30	22
Contractors	218	319
Electronic resources	437	315
Freight, courier, postage	1 210	693
Information technology	1 343	1 285
Insurance and risk management	169	171
Maintenance	126	183
Marketing and promotion	144	140
Minor equipment purchases and leasing	270	318
Preservation activities	197	195
Travel and accommodation	113	165
Other	801	568
Total supplies and services	6 672	5 976

Supplies and services provided by entities within the SA Government:		
Business services charge	221	165
Communications	94	154
Information technology	51	47
Insurance and risk management	169	171
Maintenance	64	122
Marketing and promotion	8	6
Minor equipment purchases and leasing	5	23
Preservation activities	121	117
Travel and accommodation	-	2
Other	177	129
Total supplies and services - SA Government entities	910	936

Payments to consultants

The number and dollar amount of consultancies paid/payable that fell within the following bands:	2014 Number	2014 $'000	2013 Number	2013 $'000
Below $10 000	7	3	2	1
Between $10 000 - $50 000	2	27	1	21
Total paid/payable to the consultants engaged	9	30	3	22

7. Accommodation and facilities

	2014 $'000	2013 $'000
Accommodation	1 269	1 204
Facilities	906	899
Security	460	444
Total accommodation and facilities	2 635	2 547

Accommodation and facilities provided by entities within the SA Government:		
Accommodation	427	410
Facilities	483	451
Security	1	1
Total accommodation and facilities - SA Government entities	911	862

8. Depreciation and amortisation

Buildings and improvements	1 678	1 369
Compactus and lifts	78	77
Computer equipment	80	42
Intangibles	6	6
Plant and equipment	86	119
Total depreciation and amortisation	1 928	1 613

		2014	2013
9.	**Subsidies to public libraries**	$'000	$'000
	Library materials local purchase contribution	731	837
	Library materials contribution	5 985	6 337
	Operating contribution	4 941	5 429
	Community information contribution	31	32
	Community information access	20	19
	Total subsidies to public libraries	11 708	12 654
10.	**Net gain (loss) from disposal of investments**		
	Investments:		
	Proceeds from the sale of investments	1 147	400
	Net book value of investments disposed	(1 000)	(401)
	Net gain (loss) from sale of investments	147	(1)
11.	**Fees and charges**		
	Fees for services	57	81
	Lecturing services	129	191
	Microfilming services	11	72
	Photocopying services	60	65
	Other fees and charges	66	64
	Total fees and charges	323	473
	Fees and charges received/receivable from entities within the SA Government:		
	Fees for services	7	38
	Other fees and charges	4	7
	Total fees and charges - SA Government entities	11	45
12.	**Rent and facilities hire**		
	Rent and facilities hire - SA Government	2	176
	Rent and facilities hire - external to SA Government	287	217
	Total rent and facilities hire	289	393
13.	**Resources received free of charge**		
	Resources received free of charge from entities within the SA Government:		
	Conservation services	122	117
	Business services	221	165
	Total resources received free of charge	343	282
14.	**Interest and investment income**		
	Interest from entities within the SA Government	186	220
	Interest and investment income from entities external to the SA Government	451	439
	Total interest and investment income	637	659
15.	**Recoveries revenue**		
	Recoveries revenue from entities within the SA Government	-	34
	Recoveries revenue from entities external to the SA Government	54	94
	Total recoveries revenue	54	128
16.	**Other income**		
	Salary recoups	15	44
	Other receipts	131	124
	Total other income	146	168
	Other income received/receivable from entities within the SA Government:		
	Salary recoups	3	27
	Other receipts	38	42
	Total other income - SA Government entities	41	69
17.	**Auditor's remuneration**		
	Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	49	45
	Total audit fees	49	45

17. Auditor's remuneration (continued)

Other services

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

18. Cash

	2014	2013
	$'000	$'000
Deposits with the Treasurer	6 403	7 276
Cash on hand	8	8
Total cash	6 411	7 284

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 the PFAA, and funds held in the Premier and Cabinet Operating Account, an account held with the Treasurer of South Australia pursuant to section 8 of the 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 'Libraries Board of South Australia'. In 2013-14 Deposits with the Treasurer were bearing a floating interest rate between 2.35% and 2.53% (2.79% and 3.36%).

19. Receivables

	2014	2013
Current:	$'000	$'000
Prepayments	545	350
Receivables	183	160
Accrued income	147	417
Total receivables	875	927
Non-current:		
Prepayments	3	11
Receivables	2	3
Total non-current receivables	5	14
Total receivables	880	941
Receivables from SA Government entities:		
Receivables	36	54
Accrued income	14	307
Total receivables - SA Government entities	50	361

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 32.

(b) Categorisation of financial instruments and risk exposure information - refer note 32.

20. Property, plant and equipment

	2014	2013
Land, buildings and improvements:	$'000	$'000
Land at valuation	4 530	4 150
Buildings and improvements at valuation	114 097	111 479
Accumulated depreciation	(55 889)	(53 612)
Total land, buildings and improvements	62 738	62 017
Work in progress:		
Work in progress at cost	143	967
Total work in progress	143	967

20. Property, plant and equipment (continued)

	2014	2013
	$'000	$'000
Compactus and lifts:		
Compactus and lifts at cost (deemed fair value)	2 430	2 411
Accumulated depreciation	(850)	(772)
Total compactus and lifts	1 580	1 639
Plant and equipment:		
Plant and equipment at cost (deemed fair value)	2 131	2 072
Accumulated depreciation	(1 525)	(1 439)
Total plant and equipment	606	633
Computer equipment:		
Computer equipment at cost (deemed fair value)	872	768
Accumulated depreciation	(545)	(571)
Total computer equipment	327	197
Total property, plant and equipment	65 394	65 453

Movement reconciliation of property, plant and equipment

2014	Land $'000	Buildings & imprvmnts $'000	Works in progress $'000	Compactus and lifts $'000	Plant and equipment $'000
Carrying amount at 1 July	4 150	57 867	967	1 639	633
Additions	-	257	143	19	59
Depreciation and amortisation	-	(1 678)	-	(78)	(86)
Transfers from capital work in progress	-	867	(967)	-	-
Revaluation increment (decrement)	380	895	-	-	-
Carrying amount at 30 June	4 530	58 208	143	1 580	606

	Computer equipment $'000	Tangible assets total $'000	Computer software $'000	Intangible assets total $'000
Carrying amount at 1 July	197	65 453	17	17
Additions	110	588	-	-
Depreciation and amortisation	(80)	(1 922)	(6)	(6)
Transfers from capital work in progress	100	-	-	-
Revaluation increment (decrement)	-	1 275	-	-
Carrying amount at 30 June	327	65 394	11	11

2013	Land $'000	Buildings & imprvmnts $'000	Works in progress $'000	Compactus and lifts $'000	Plant and equipment $'000
Carrying amount at 1 July	6 500	39 981	-	1 688	338
Additions	-	126	1 140	28	414
Depreciation and amortisation	-	(1 369)	-	(77)	(119)
Transfers from capital work in progress	-	173	(173)	-	-
Revaluation increment (decrement)	(2 350)	18 956	-	-	-
Carrying amount at 30 June	4 150	57 867	967	1 639	633

	Computer equipment $'000	Tangible assets total $'000	Computer software $'000	Intangible assets total $'000
Carrying amount at 1 July	121	48 628	23	23
Additions	118	1 826	-	-
Depreciation and amortisation	(42)	(1 607)	(6)	(6)
Transfers from capital work in progress	-	-	-	-
Revaluation increment (decrement)	-	16 606	-	-
Carrying amount at 30 June	197	65 453	17	17

21. Intangible assets

	2014	2013
	$'000	$'000
Intangibles:		
Computer software	44	44
Accumulated amortisation	(33)	(27)
Total intangibles	11	17

22. Research and heritage collections

	2014 At valuation $'000	2014 At cost $'000	2014 Total $'000	2013 At valuation $'000	2013 At cost $'000	2013 Total $'000
Family history collection	-	3	3	-	2	2
Maps	760	13	773	760	9	769
Microfilm serials	1 584	96	1 680	1 584	57	1 641
Monographs	14 258	243	14 501	14 258	182	14 440
Mortlock audiovisual	2 135	36	2 171	2 135	29	2 164
Mortlock use collections	2 141	73	2 214	2 141	47	2 188
Newspapers purchased	281	202	483	281	168	449
Periodicals	2 995	377	3 372	2 995	265	3 260
Private archives	65 301	222	65 523	65 301	156	65 457
Purchased databases	-	110	110	-	100	100
Rare books and named collections	20 529	63	20 592	20 529	36	20 565
Total research and heritage collections	109 984	1 438	111 422	109 984	1 051	111 035

Reconciliation of carrying amounts of research and heritage collections

	Balance 01.07.13 $'000	Additions $'000	Balance 30.06.14 $'000	Balance 01.07.12 $'000	Additions $'000	Balance 30.06.13 $'000
Family history collection	2	1	3	1	1	2
Maps	769	4	773	767	2	769
Microfilm serials	1 641	39	1 680	1 627	14	1 641
Monographs	14 440	61	14 501	14 359	81	14 440
Mortlock audio visual	2 164	7	2 171	2 158	6	2 164
Mortlock use collections	2 188	26	2 214	2 162	26	2 188
Newspapers purchased	449	34	483	371	78	449
Periodicals	3 260	112	3 372	3 139	121	3 260
Private archives	65 457	66	65 523	65 327	130	65 457
Purchased databases	100	10	110	27	73	100
Rare books and named collections	20 565	27	20 592	20 548	17	20 565
Total carrying amounts of research and heritage collections	111 035	387	111 422	110 486	549	111 035

23. Fair value measurement

Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Board categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2014:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Board had no valuations categorised into level 1.

Fair value measurements as at 30 June

2014	Level 2	Level 3	Total
Recurring fair value measurements:	$'000	$'000	$'000
Land	-	4 530	4 530
Buildings	-	58 208	58 208
Plant and equipment	-	606	606
Compactus and lifts	-	1 580	1 580
Heritage collections	1 082	110 340	111 422
Total recurring fair value measurements	1 082	175 264	176 346

Fair value measurements as at 30 June (continued)

The Board did not measure any non-financial assets at fair value on a non-recurring basis as at 30 June 2014.

Comparative information for non-financial assets has not been provided as permitted by the transitional provisions of the new standard.

There were no transfers of assets between level 1 and 2 fair value hierarchy levels in 2014. The Board's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

The Board's assets are held for preservation, cultural and heritage purposes and not held to derive a profit. The current use of all controlled assets is considered their highest and best use.

Valuation technique and inputs

Valuation techniques used to derive level 2 and 3 fair values are at note 2.10.

There were no changes in valuation techniques during 2014. The following table details quantitative information about fair value measurements using significant unobservable inputs (level 3).

2014	*Valuation technique*	*Unobservable inputs*	*Range (weighted average)*
Recurring fair value measurements:			
Land	Market approach	Valuer's adjustment to market price	72.7%
Buildings	DRC	Current market replacement cost	1200-4360 $/m^2$
Buildings	DRC	Useful life	12-100 years
Plant and equipment	DRC	Cost	
Plant and equipment	DRC	Useful life	5-20 years
Compactus and lifts	DRC	Cost	
Compactus and lifts	DRC	Useful life	30 years
Research and heritage collections	Market approach	Valuers' adjustment to market price	(30%)-30%
Research and heritage collections	Market approach (statistical model)	Sampling sizes, homogeneity, valuers' judgement on valued assets	Refer below
Research and heritage collections	Replacement cost	Replacement cost (price per item)	
		Obsolescence of asset	20%-1% p.a.

Significant level 3 inputs utilised by the entity are derived and evaluated as follows:

Land

Fair value of land with restricted use was determined using an adjusted market price of surrounding unrestricted land.

Buildings

Buildings have been estimated by the written down replacement cost of a modern equivalent or reproduced comparable asset and not the replacement cost of the existing asset on a like with like materials basis of a modern equivalent or reproduced comparable asset.

Plant and equipment, compactus and lifts

As per APF III, APS 3.3 assets below the revaluation threshold are deemed to have been revalued to their fair values immediately following recognition at cost.

Key assumptions were the total useful life applied to plant and equipment.

Research and heritage collections - market approach
Where the frequency of available market transactions has not permitted the use of observable inputs, the valuers have used significant professional judgement on local and international market conditions in determining the fair value measurements.

Collections which have been valued under this model are rare books and named collections and private records.

Research and heritage collections - market approach (statistical model)
Due to the size and nature of the collections the Board separates the collections in to four collection groups and 46 strata. For nine strata the Board employs a statistical sampling methodology developed by the University of Western Australia, Statistical Consulting Group. All holdings were divided into homogenous groups (strata) according to category. Sample sizes were selected for each strata so that the overall relative standard error (RSE) was in the range of 5% to 10% with the smallest possible overall sample size, using estimates of variances from the 2011 survey. This resulted in an RSE of 2.2% (with a 95% confidence interval) for the overall collection in 2011.

Collections which have been valued under this model are maps, rare books and named collections and private records.

Research and heritage collections - replacement cost
Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the replacement cost approach. Under this approach the estimated cost to replace the asset is calculated and then adjusted to take into account its obsolescence. Asset obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration.

The weighted average is determined by assessing the fair value measurement as a proportion of the total fair value for the class against the total useful life of each asset.

Collections which have been valued under this model are private records and artworks, family history collection, maps, microfilm serials, monographs, Mortlock audio-visual, Mortlock use collections, newspapers purchased, periodicals, purchased databases, rare books and named collections.

Reconciliation for recurring level 3 fair value measurements

	Land	Buildings	Plant and equipment	Compactus and lifts	Heritage collections	Total
2014	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 July	4 150	57 867	633	1 639	109 953	174 242
Acquisitions	-	1 124	59	19	346	1 548
Donated assets	-	-	-	-	41	41
Total gains (losses) for the period recognised in net result:*						
Depreciation	-	(1 678)	(86)	(78)	-	(1 842)
	-	(1 678)	(86)	(78)	-	(1 842)
Total gains (losses) for the period recognised in other comprehensive income:*						
Revaluation increment	380	895	-	-	-	1 275
	380	895	-	-	-	1 275
Closing balance at 30 June	4 530	58 208	606	1 580	110 340	175 264

* All gains or losses relate to assets held at the end of the reporting period and are unrealised.

24. Investments

	2014	2013
Non-current:	$'000	$'000
Shares and other direct investments in companies	7 815	7 086
Total non-current investments	7 815	7 086
Total investments	7 815	7 086

The market value of investments as at 30 June 2014 is $8.7 million ($7.4 million).

25. Payables

Current:		
Creditors and accruals	830	1 038
Staff on-costs	166	141
Total current payables	996	1 179

25. Payables (continued)

	2014	2013
Non-current:	$'000	$'000
Staff on-costs	231	228
Total non-current payables	231	228
Total payables	1 227	1 407

Payables to SA Government entities:		
Creditors and accruals	131	297
Staff on-costs	194	184
Total payables - SA Government entities	325	481

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken as leave has remained at the 2013 rate of 40%, and the average factor for the calculation of employer superannuation on-cost is 10.3% (10.2%). These rates are used in the employment on-cost calculation.

The financial effect of the change in superannuation on-cost rate on staff on-costs and staff benefits expense is immaterial.

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 32.
(b) Categorisation of financial instruments and risk exposure information - refer note 32.

26. Staff benefits

	2014	2013
Current:	$'000	$'000
Annual leave	629	584
LSL	459	382
SERL	114	93
Accrued salaries and wages	38	-
Total current staff benefits	1 240	1 059
Non-current:		
LSL	2 488	2 472
Total non-current staff benefits	2 488	2 472
Total staff benefits	3 728	3 531

AASB 119 contains the calculation methodology for LSL liability. The actuarial assessment performed by DTF has provided a set level of liability for the measurement of LSL.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has decreased from 2013 (3.75%) to 2014 (3.5%).

This decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in an increase in the reported LSL liability.

The salary inflation rate applied to annual leave remains constant at 4%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

27. Provisions

	2014	2013
Current:	$'000	$'000
Provision for workers compensation	32	30
Total current provisions	32	30
Non-current:		
Provision for workers compensation	146	119
Total non-current provisions	146	119
Total provisions	178	149

27. Provisions (continued)

	2014 $'000	2013 $'000
Carrying amount at 1 July	149	149
Increase (Decrease) in provision recognised	29	-
Carrying amount at 30 June	178	149

28. Other liabilities

Non-current:		
Contractual security deposit	10	10
Total non-current other liabilities	10	10
Total other liabilities	10	10

29. 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:

Not later than one year	32	24
Later than one year and not later than five years	34	11
Total operating lease commitments	66	35

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 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:

	2014 $'000	2013 $'000
Not later than one year	1 344	1 416
Total public libraries commitments	1 344	1 416

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	74	-
Total capital commitments	74	-

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	349	387
Later than one year and not later than five years	539	192
Total remuneration commitments	888	579

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, cleaning and other.

Not later than one year	2 119	1 736
Later than one year and not later than five years	968	1 507
Total other commitments	3 087	3 243

30. Contingent assets and liabilities

The Board is not aware of any contingent assets or liabilities as at 30 June 2014.

31. Cash flow reconciliation

	2014	2013
Reconciliation of cash at 30 June:	$'000	$'000
Cash as disclosed in the Statement of Financial Position	6 411	7 284
Balance as per Statement of Cash Flows	6 411	7 284

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services

	2014	2013
Net cash provided by (used in) operating activities	702	3 090
Revenues from SA Government	(32 563)	(33 876)
Non-cash items:		
Amortisation of intangibles	(6)	(6)
Depreciation of property, plant and equipment	(1 922)	(1 607)
Donations of heritage assets	41	20
Gain (Loss) on sale of investments	147	(1)
Movements in assets/liabilities:		
Receivables	(61)	460
Payables	121	(189)
Staff benefits	(197)	36
Provisions	(29)	-
Net cost of providing services	(33 767)	(32 073)

32. Financial instruments/Financial risk management

32.1 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.

		2014		2013	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash and cash equivalents:					
Cash	18	6 411	6 411	7 284	7 284
Loans and receivables:					
Receivables(1)(2)	19	332	332	580	580
Available-for-sale financial assets:					
Investments	24	7 815	8 729	7 086	7 408
Financial liabilities					
Financial liabilities at cost:					
Payables(1)	25	781	781	993	993
Other	28	10	10	10	10

(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 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.

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 19 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefits of these assets is in the receipt of goods and services rather than the right to receive cash or another financial asset.

Fair value
The Board does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these. These fair value estimates are included in level 2 as all significant inputs required are observable.
- Investments are initially recognised at fair value (cost) and then subsequently held at amortised cost. These fair value estimates are included in level 1 as all inputs are observable.

Foreign currency risk
Foreign currency risk arises from changes in the value of assets and liabilities denominated in foreign currency as exchange rates fluctuate.

The Board is exposed to currency risk on purchases of books and materials made, in currencies other than Australian dollars. The Board does not hedge any future foreign currency purchases when contracted.

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 carrying amount of financial assets as detailed in note 32.1 represents the Board's maximum exposure to credit risk.

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. There is no evidence to indicate that the financial assets are impaired.

32.2 Ageing analysis of financial assets
The following table discloses the ageing of financial assets past due:

	Past due by			
2014	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
Not impaired:	$'000	$'000	$'000	$'000
Receivables	140	1	-	141
2013				
Not impaired:				
Receivables	1	1	3	5

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

		Contractual maturities		
2014	Carrying amount	Less than 1 year	1-5 years	More than 5 years
Financial assets:	$'000	$'000	$'000	$'000
Cash	6 411	6 411	-	-
Receivables	332	330	2	-
Investments	7 815	-	-	7 815
Total financial assets	14 558	6 741	2	7 815
Financial liabilities:				
Payables	781	781	-	-
Other	10	-	10	-
Total financial liabilities	791	781	10	-

32.3 Maturity analysis of financial assets and liabilities (continued)

		Contractual maturities		
	Carrying	Less than		More than
2013	amount	1 year	1-5 years	5 years
Financial assets:	$'000	$'000	$'000	$'000
Cash	7 284	7 284	-	-
Receivables	580	577	3	-
Investments	7 086	-	-	7 086
Total financial assets	14 950	7 861	3	7 086
Financial liabilities:				
Payables	993	993	-	-
Other	10	-	10	-
Total financial liabilities	1 003	993	10	-

Liquidity risk

Liquidity risk arises where the Board is unable to meet its financial obligations as they are due to be settled. The Board is funded principally from grants from the SA Government. The Board 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 Board 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 Board'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 32.1 represent the Board's maximum exposure to financial liabilities.

33. Events after balance date

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.

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 section 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

Section 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of a public authority. In addition, section 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

Section 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 2013-14, areas of review included:

- investments
- borrowings
- deposits
- derivatives
- payroll
- bonus payments to councils and local government bodies.

To comply with TIs 2 and 28 the Authority engages external parties to execute a financial management compliance program (FMCP). The FMCP checks compliance with documented policies, procedures and internal controls.

The FMCP executed by the external parties for 2013-14 was considered and reviewed to assist in the planning, conduct and assessment of specific areas of the audit review of the Authority's operations.

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 Local Government Finance Authority of South Australia as at 30 June 2014, 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 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, 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

Matters noted during the course of the audit, which were not material in nature, were communicated in a management letter to the officers responsible for governance of the Authority. A satisfactory response was received from the Authority.

Information technology review

During 2013-14 the external parties engaged to undertake the FMCP conducted a review of the Authority's information technology environment. The review identified:

- a lack of documentation surrounding IT strategy, structure, policies, procedures and responsibilities
- no formal contract/engagement letter with IT service providers.

The Authority is addressing these matters. It advised that most of the review recommendations concerning documentation requirements are being addressed with the assistance of the external IT service provider. It is anticipated that documentation will be completed by 31 October 2014.

Interpretation and analysis of the financial report

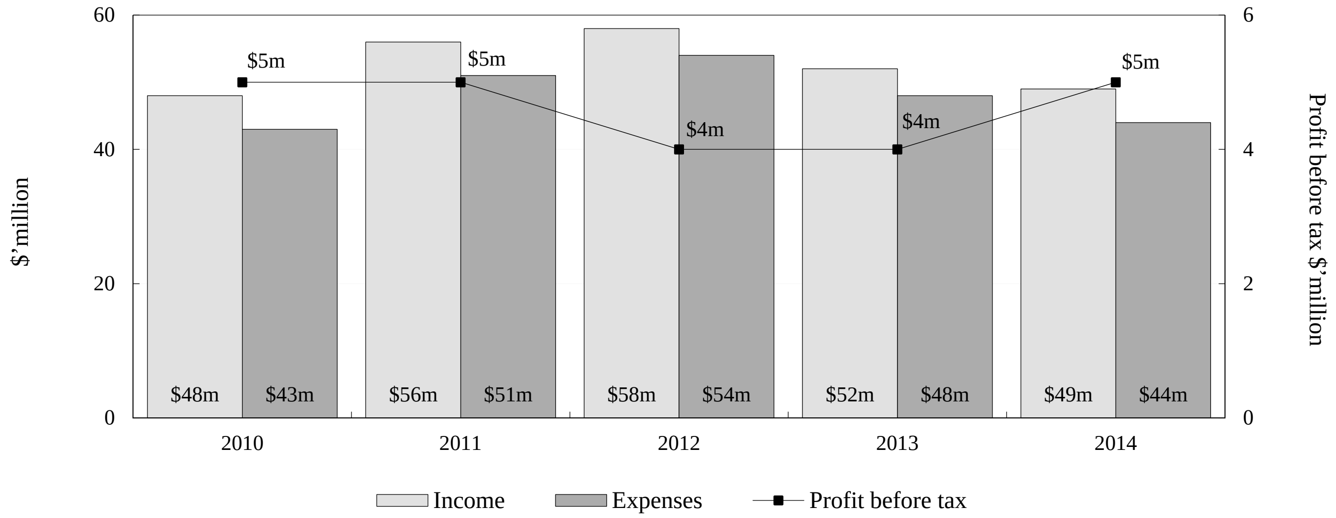
Highlights of the financial report

	2014 $'million	2013 $'million
Income		
Interest and other income	49	52

	2014 $'million	2013 $'million
Expenses		
Interest expense	41	45
Guarantee fee and administration expenses	3	3
Total expenses	44	48
Profit before income tax equivalents	5	4
Income tax equivalents	1	1
Total comprehensive result	4	3
Net cash provided by (used in) operating activities	3	3
Assets		
Net loans and advances	669	630
Other assets	68	89
Total assets	737	719
Liabilities		
Deposits and borrowings	640	628
Other liabilities	39	34
Total liabilities	679	662
Total equity	58	57

Statement of Comprehensive Income

The following chart shows the income, expenses and profit before income tax expense for the five years to 2014.



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 decreased by $3.4 million from the previous year reflecting:

- a $3 million decrease in interest rate swap interest due to lower average daily swaps and interest rates
- a $1.4 million decrease in debenture loan interest due to lower average daily loan balances and interest rates

- a $909 000 increase in cash advance interest due to lower interest rates offset by higher average daily cash advances.

Interest income from investments increased by $624 000 to $2.9 million due to higher average daily investment balances offset by lower interest rates.

Expenses

The Authority's main operating expense is interest expense with guarantee fees and administration expenses being less significant.

Interest expense decreased by $3.6 million from the previous year due mainly to:

- a $3 million decrease in deposit interest due to lower average daily deposits and interest rates
- a $1.4 million decrease in interest rate swap interest due to lower average daily swaps and interest rates
- a $636 000 increase in short-term borrowing interest due to lower interest rates offset by higher average daily borrowings.

Profit before tax

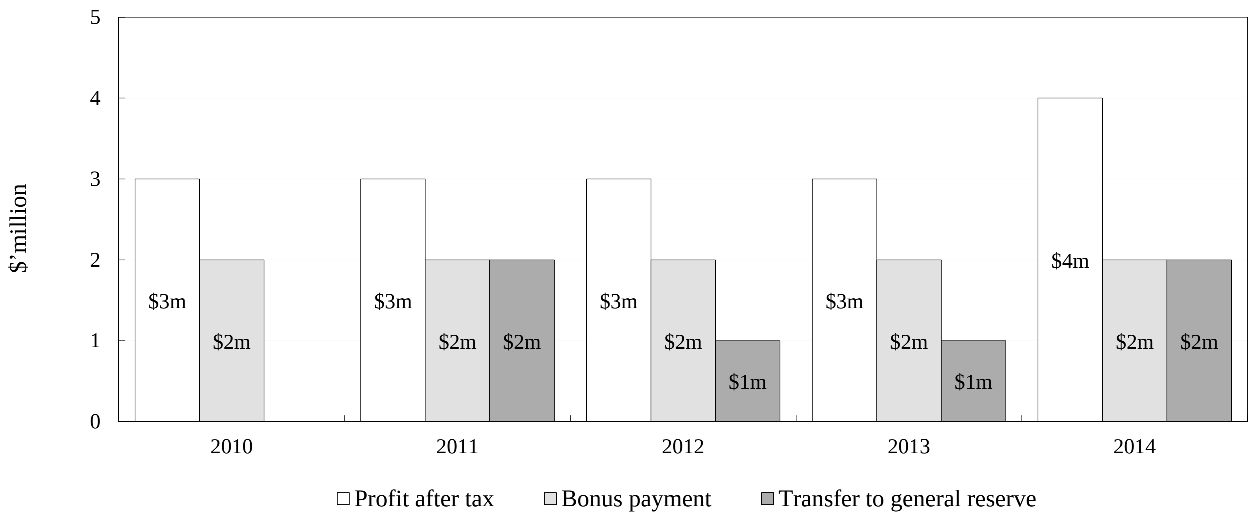
Profit before tax increased by $772 000 to $5.1 million. The improvement results from a $2.8 million decrease in income offset by a $3.6 million decrease in expenses, the main elements being previously discussed.

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 '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 Finance in accordance with section 31A of the LGFA Act. For this financial year, the amount payable for income tax equivalent was $1.5 million.

Net profit and distributions

In 2014 the Authority achieved a profit after tax of $3.6 million ($3 million) which was available for distribution or transfer to a general reserve. The profit and principal distributions for the past five years are presented in the following chart.



Under section 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 2014 the Authority provided $2 million ($1.7 million) for bonus payments.

The Authority also made a transfer to a general reserve of $1.5 million ($1.3 million).

Statement of Financial Position

Assets and liabilities

The Statement of Financial Position shows net assets of $58.4 million ($56.8 million).

Total assets increased by $17.9 million from the previous year due mainly to:

- a $38.9 million increase in net loans and advances, comprising an increase of $23 million in advances, a $12.1 million increase in term loans and a net movement in the fair value adjustment for certain hedged loan assets of $3.7 million (refer note 9 to the financial statements)
- a $21.3 million decrease in investment securities.

Total liabilities increased by $16.3 million from the previous year due mainly to:

- a $67.4 million increase in borrowings
- a $4.3 million increase in derivatives, due mainly to a net movement in the fair value adjustment for derivative liabilities of $3.9 million (refer note 14 to the financial statements)
- a $55.6 million decrease in deposits from customers.

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 interest rate 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 2014

	Note	2014 $'000	2013 $'000
Income:			
Interest on investments	2(c)	2 898	2 274
Interest on loans and advances	2(c)	45 922	49 280
Other income	2(f),2(h),3	491	598
Total income		49 311	52 152
Expenses:			
Interest on deposits from councils and local government bodies	2(d)	12 282	15 313
Interest on borrowings	2(d)	28 795	29 410
Fees for the guarantee of the Treasurer of South Australia on liabilities	23	1 235	1 135
Administration expenses	4	1 877	1 944
Total expenses		44 189	47 802
Profit before income tax equivalents		5 122	4 350
Income tax equivalent expense	2(e)	1 537	1 305
Profit after income tax equivalents		3 585	3 045
Total comprehensive result		3 585	3 045

Profit after income tax equivalents and total comprehensive result are attributable to the owners

Statement of Financial Position
as at 30 June 2014

	Note	2014 $'000	2013 $'000
Assets:			
Cash and liquid assets	5	27	7
Accrued interest receivable	6	4 139	3 743
Investment securities	2(f),7	61 532	82 790
Other assets	8	218	111
Net loans and advances	2(g),9	668 840	629 988
Property, plant and equipment	2(j),10	2 138	2 336
Total assets		736 894	718 975
Liabilities:			
Deposits from councils and local government bodies	2(k),11	372 702	428 315
Accrued interest payable	12	3 522	3 800
Borrowings	13	267 398	200 002
Derivatives	2(i),14	31 415	27 078
Provisions	2(l),15	3 211	2 757
Other liabilities	16	275	237
Total liabilities		678 523	662 189
Net assets		58 371	56 786
Equity:			
General reserve	2(m)	57 800	56 300
Retained profits		571	486
Total equity		58 371	56 786

Total equity is attributable to the owners

Contingent assets and liabilities 21

Statement of Changes in Equity
for the year ended 30 June 2014

	General reserve $'000	Retained profits $'000	Total $'000
Balance at 30 June 2012	55 000	481	55 481
Profit after income tax equivalents for 2012-13	-	3 045	3 045
Total comprehensive result for 2012-13	-	3 045	3 045
Transfer to bonus payment provision	-	(1 740)	(1 740)
Transfer to general reserve	1 300	(1 300)	-
Balance at 30 June 2013	56 300	486	56 786
Profit after income tax equivalents for 2013-14	-	3 585	3 585
Total comprehensive result for 2013-14	-	3 585	3 585
Transfer to bonus payment provision	-	(2 000)	(2 000)
Transfer to general reserve	1 500	(1 500)	-
Balance at 30 June 2014	57 800	571	58 371

All changes in equity are attributable to the owners

Statement of Cash Flows
for the year ended 30 June 2014

	Note	2014 Inflows (Outflows) $'000	2013 Inflows (Outflows) $'000
Cash flows from operating activities:			
Interest and bill discounts received		48 760	52 739
Interest paid		(41 461)	(45 732)
Fees paid re: guarantee provided by the Treasurer of South Australia		(1 232)	(1 129)
Cash payments to suppliers and employees		(1 575)	(1 859)
Fees received		113	140
Income tax equivalents paid		(1 392)	(995)
Net cash provided by (used in) operating activities	18(c)	3 213	3 164
Cash flows from investing activities:			
Loans to councils and local government bodies		(35 172)	(10 436)
Investment securities		21 594	(42 000)
Payments for property, plant and equipment		(31)	(2 210)
Proceeds from sale of property, plant and equipment		60	27
Net cash provided by (used in) investing activities		(13 549)	(54 619)
Cash flows from financing activities:			
Promissory notes		131	(5 232)
Deposits from councils and local government bodies		(55 613)	32 166
Short-term money market facilities		76 865	26 515
Fixed-term borrowings		(9 600)	-
Bonus payments to councils and local government bodies		(1 740)	(1 740)
Other		313	(221)
Net cash provided by (used in) financing activities		10 356	51 488
Net increase (decrease) in cash held		20	33
Cash (Bank overdraft) at 1 July		7	(26)
Cash (Bank overdraft) at 30 June	18(a)	27	7

Notes to and forming part of the financial statements

1. Objectives of the Local Government Finance Authority of South Australia (the Authority)

The Authority is a public authority and 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.

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 have been 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 (refer 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 that are not classified as effective hedging instruments under this category (refer 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 (refer note 2(i)) and the corresponding hedged items (refer 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 (refer note 2(i)).

(c) Interest income

Interest on investments

This item includes interest income from investment assets which are classified as loans and receivables, available-for-sale financial assets and financial assets at fair value through profit and loss. The interest income is calculated on an accruals basis.

Interest on loans and advances

This item includes interest income from loan assets classified as loans and receivables 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 equivalents

The Authority is required to make payments equivalent to company income tax under the taxation equivalent payments system. The equivalent company income tax liability is calculated/applied on an accounting profits basis.

(f) Investment securities

Investment securities held by the Authority are mainly Australian bank term deposits which are categorised as loans and receivables and therefore accounted for at amortised cost.

Investments held by the Authority that are categorised as available-for-sale financial assets are recorded at fair value in accordance with the provisions of AASB 139. Gains in relation to these investments which reverse impairment losses previously recognised in the Statement of Comprehensive Income are recognised as revenue to the extent that they reverse prior impairment losses.

(g) Loans and advances

Loan agreements with councils are secured by debentures which provide a charge over council general revenue. Loans to prescribed local government bodies (totalling $24.6 million as at 30 June 2014) 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 (refer 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.

(j) Property, plant and equipment (continued)

The useful life of each category is as follows:

	Years
Office equipment	3
Office furniture	5
Computer software	2.5
Motor vehicles	5-6.7
Building floor space	70

(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) Provisions

Employee benefits

A provision is made in respect of the Authority's liability for annual leave and LSL as at balance date. LSL is accrued for all employees from the date of commencement of service. The amount included in the accounts is the undiscounted amount expected to be paid.

No provision is made in the accounts for sick leave entitlements.

Bonus payment

A provision is made for the annual bonus to clients which is based on their average account balances for loans and deposits during the financial year. This payment is made pursuant to section 22(2)(b) of the *Local Government Finance Authority Act 1983.*

A reconciliation of movements in this provision is provided at note 15(i).

Income tax equivalents

A provision is made for tax equivalents payable as at 30 June 2014 (refer note 2(e)).

A reconciliation of movements in this provision is provided at note 15(ii).

(m) General reserve

The general reserve has been accumulated from profits earned in previous years. The purpose of the reserve is to provide the Authority with a strong financial position and to safeguard against any future adverse conditions that may be encountered. Further profits are earned through the reinvestment of the reserve funds.

(n) Accounting judgements, estimates and assumptions

Significant accounting judgements

In the process of applying the Authority's accounting policies, management has made judgements 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.

(o) 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.

(p) Rounding

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

(q) New and revised accounting standards

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Authority for the year ending 30 June 2014.

The Authority did not voluntarily change any of its accounting policies during 2013-14.

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, except as outlined below:

- In accordance with the new AASB 13 which became effective for the first time in 2013-14, the Authority has amended its fair valuation technique for derivatives which are not listed on an exchange to include an adjustment for credit. The resulting debit value adjustment has not had a material impact on the fair value measurements.

With regard to impending AASs, the Authority has assessed the impact of AASB 9 and considers there will be no material financial impact when it is due to be adopted in the financial year ending 30 June 2018.

3. Other income

	2014 $'000	2013 $'000
Gain on impaired available-for-sale assets revaluation	345	269
Gain on fair value hedges revaluation (hedge accounting)	34	196
Fee income	112	133
	491	598

4. Administration expenses

	2014 $'000	2013 $'000
Audit fees	96	97
Consultancy fees	28	47
Depreciation	166	116
Occupancy expenses	37	115
Salaries and on-costs	997	987
Software license fees	91	78
Sponsorships	86	87
Other administration expenses	376	417
	1 877	1 944
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*	61	55
Financial management compliance program by an external audit firm	35	42
	96	97

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

The number and dollar amount of consultancies paid/payable that fell within the following bands:	2014 Number	2014 $'000	2013 Number	2013 $'000
Below $10 000	1	1	3	12
$10 000 - $50 000	1	27	1	35
		28		47

5. Cash and liquid assets

	2014 $'000	2013 $'000
Cash at bank	27	7

6. Accrued interest receivable*

	2014 $'000	2013 $'000
Interest receivable - loans to councils and local government bodies	3 072	2 775
Interest receivable - investment securities	1 067	968
	4 139	3 743

* 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

	2014	2013
	$'000	$'000
Deposits and securities issued by banks	62 000	84 000
Accrued interest receivable	9	18
Fair value loss on impaired available-for-sale assets*	(477)	(1 228)
	61 532	82 790

* 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 $2 million remains constant at 100 basis points over the 90 day BBSW interest rate on the face value of the notes.

8. Other assets

	2014	2013
	$'000	$'000
Sundry debtors and prepayments	218	111

9. Net loans and advances

Advances	188 105	165 062
Term loans	438 679	426 550
Loans and advances - at cost	626 784	591 612
Fair value adjustment (hedge accounting)	42 056	38 376
Net loans and advances	668 840	629 988
Unrecognised commitments - loans and advances:		
Unused cash advance facilities	362 997	355 655
Term loans approved not advanced	-	436
	362 997	356 091

10. Property, plant and equipment

Plant, equipment and motor vehicles:		
At cost	964	1 084
Accumulated depreciation	(594)	(542)
Building floor space:		
At cost	1 799	1 799
Accumulated depreciation	(31)	(5)
Total property, plant and equipment	2 138	2 336

Reconciliation of property, plant and equipment

Carrying amount at 1 July	2 336	275
Acquisitions	31	2 210
Disposals	(63)	(33)
Depreciation	(166)	(116)
Carrying amount at 30 June	2 138	2 336

11. Deposits from councils and local government bodies

Deposits from councils and local government bodies	372 702	428 315

12. Accrued interest payable

Interest payable on:		
Deposits from councils and local government bodies	2 969	3 300
Borrowings*	553	500
	3 522	3 800

* 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	238 980	162 115
Fixed-term borrowings	-	9 600
Promissory notes	28 418	28 287
	267 398	200 002

14. Derivatives

	2014	2013
	$'000	$'000
Swap principal receivable	(8 818)	(9 289)
Interest receivable - interest rate swaps	(1 399)	(1 537)
Interest payable - interest rate swaps	4 234	4 422
Fair value adjustment	37 317	33 482
Interest rate swaps*	31 334	27 078
Future contracts	81	-
	31 415	27 078

* Interest rate swaps are shown as the net of the fixed rate leg and the floating rate leg.

15. Provisions

Employee benefits	311	260
FBT	16	18
Bonus payments to councils and local government bodies	2 000	1 740
Provision for income tax equivalents	884	739
	3 211	2 757

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	2 000	1 740
Amounts paid	(1 740)	(1 740)
Closing balance 30 June	2 000	1 740

(ii) Provision for income tax equivalents

Opening balance 1 July	739	429
Increase in provision	1 537	1 305
Amounts paid	(1 392)	(995)
Closing balance 30 June	884	739

16. Other liabilities

Employee on-costs	34	29
Sundry creditors	241	208
	275	237

17. Superannuation commitments

The Authority contributes to superannuation funds as chosen by individual employees. There is no liability for payments to beneficiaries as they have been assumed by the superannuation scheme. The only liability outstanding at reporting date relates to any contributions due but not yet paid.

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	2014 $'000	2013 $'000
Cash and liquid assets	5	27	7

(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	3 585	3 045
Movements in assets/liabilities:		
Interest receivable	(59)	1 185
Sundry debtors	49	(18)
Interest payable	(384)	(1 009)
Other liabilities	38	20
Provisions	194	286

		2014	2013
(c)	***Reconciliation of net cash provided by (used in) operating activities to profit after income tax equivalents (continued)***	$'000	$'000
	Depreciation	166	116
	Revaluation loss (gain)	(34)	(196)
	Impairment loss (gain)	(345)	(269)
	Loss (Gain) on disposal of fixed assets	3	4
	Net cash provided by (used in) operating activities	3 213	3 164

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:

Mr Anthony Pederick OAM
Ms Wendy Campana
Mr David Posaner
Mr Jeff Tate
Councillor John Frogley
Ms Susan McCormick
Councillor John Sanderson

Board members are entitled to receive an allowance. Payment of allowances in respect of members appointed by the Minister, Treasurer or Chief Executive Officer 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 Chief Executive Officer 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 2014 was $54 472 ($51 695) which includes salary and superannuation.

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 board members whose remuneration was within the following bands:	2014 Number	2013 Number
$0	2	2
$1 - $10 000	3	5
$10 001 - $20 000	1	-
$20 001 - $30 000	1	1

20. Remuneration of employees

(a) Key management personnel

The following persons held authority and responsibility for management of the activities of the Authority, directly or indirectly during financial year:

Mr Paul Slater (Chief Executive Officer)
Mr Robert Hardy (Senior Manager Financial Markets)

(b) Key management personnel remuneration

The number of employees whose remuneration received or receivable falls within the following bands:	2014 Number	2013 Number
$150 000 - $159 999	-	1
$170 000 - $179 999	-	1
$180 000 - $189, 999	1	-
$360 000 - $369 999	-	1
$370 000 - $379 999	1	-

The table above includes all employees who received remuneration equal to or greater than the base executive remuneration level of $141 500 ($138 000), as determined by DTF. The remuneration comprises salary, superannuation contributions including superannuation guarantee charge, motor vehicle package , car parking, living away from home allowance and any FBT paid or payable in respect of those benefits. The total remuneration received by employees earning equal to or greater than the base executive remuneration level for the year was $558 749 ($691 111).

21. Contingent assets and liabilities

The Authority incurs contingent assets and 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) Contingent assets

Under section 24 of the *Local Government Finance Authority Act 1983,* all financial obligations incurred or assumed by the Authority are guaranteed by the Treasurer on behalf of the State of South Australia. As at 30 June 2014 the total liabilities guaranteed was $678.523 million.

(b) Contingent liabilities

(i) 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 2014 the amount guaranteed was $30.496 million.

(ii) Performance bond/guarantees

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 2014 the amount guaranteed was $350 000.

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 Urban Renewal Authority. As at 30 June 2014 the amount guaranteed was $2 million.

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 former Department of Families, Housing, Community Services and Indigenous Affairs (now the Department of Social Services). As at 30 June 2014 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 27 October 2013, 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.

	2014			2013		
	Principal balance	+0.5%	-0.5%	Principal balance	+0.5%	-0.5%
Variable rate financial assets:	$'000	$'000	$'000	$'000	$'000	$'000
Investment securities	27 000	135	(135)	64 000	320	(320)
Loans and advances	192 687	963	(963)	165 062	825	(825)
Variable rate financial liabilities:						
Council deposits	288 476	(1 442)	1 422	382 670	(1 913)	1 913
Short-term money market facility	238 980	(1 195)	1 195	162 115	(811)	811
Promissory notes	28 418	(142)	142	28 287	(141)	141
Variable rate derivatives:						
Interest rate swaps (notional principal)	429 625	2 148	(2 148)	417 408	2 087	(2 087)
Futures (notional principal/bond formula)	3 000	140	(140)	-	-	-
Profit (Loss) interest rate sensitivity		607	(607)		367	(367)

(ii) Other price risk

The Authority holds an investment issued by an Australian bank known as floating rate capital notes, which are traded on the Australian Stock Exchange and are therefore classified as available-for-sale assets. This investment is 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 (refer 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.

(c) Credit risk (continued)

	Short-term rating			Long-term rating					
	A1+	A1	A2	AA-	A+	A	A-	NR	Total
2014	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and liquid assets	27	-	-	-	-	-	-	-	27
Investment securities	20 000	-	5 000	35 000	-	-	2 000	-	62 000
Loans and advances	-	-	-	-	-	-	-	626 784	626 784
Derivatives	-	-	-	1 400	-	4 000	-	-	5 400
	20 027	-	5 000	36 400	-	4 000	2 000	626 784	694 211
2013									
Cash and liquid assets	7	-	-	-	-	-	-	-	7
Investment securities	55 000	5 000	-	20 000	2 000	-	2 000	-	84 000
Loans and advances	-	-	-	-	-	-	-	591 612	591 612
Derivatives	-	-	-	600	-	4 700	-	-	5 300
	55 007	5 000	-	20 600	2 000	4 700	2 000	591 612	680 919

(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.

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
2014	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivative financial liabilities:						
Deposits from councils and local government bodies	375 369	(375 369)	(291 143)	(59 556)	(24 670)	-
Borrowings	267 952	(267 952)	(267 952)	-	-	-
Derivative financial liabilities:						
Interest rate swaps - outflow	375 460	(442 129)	(11 736)	(53 633)	(209 709)	(167 051)
Interest rate swaps - inflow	(344 126)	385 054	13 860	39 848	176 955	154 391
2013						
Non-derivative financial liabilities:						
Deposits from councils and local government bodies	431 615	(431 615)	(385 970)	(10 645)	(35 000)	-
Borrowings	200 502	(200 991)	(190 959)	(10 032)	-	-
Derivative financial liabilities:						
Interest rate swaps - outflow	445 976	(533 815)	(13 038)	(56 445)	(231 651)	(232 681)
Interest rate swaps - inflow	(418 898)	479 495	15 245	42 984	199 978	221 288

23. Transactions with SA Government

	2014	2013
The following expense transactions were undertaken during the financial year between the Authority and the SA Government:	$'000	$'000
Interest paid - short-term money market facility	4 448	3 507
Interest paid - fixed-term borrowings	402	432
Interest paid - promissory notes	721	1 000
Fees for the guarantee of the Treasurer of South Australia on liabilities	1 235	1 135
Income tax equivalents expense	1 537	1 305
Audit fees	61	55
Payroll tax	10	21

23. Transactions with SA Government (continued)

	2014 $'000	2013 $'000
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	238 980	162 115
Fixed-term borrowings	-	9 600
Promissory notes	28 418	28 287
Interest payable - short-term money market facility	454	361
Interest payable - fixed-term borrowings	-	30
Interest payable - promissory notes	99	109
Audit fees	59	50

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.

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 fair value of other assets and other liabilities is not required as the book value is a reasonable approximation of fair value.

(a) Fair value of financial assets and financial liabilities

The following methods and assumptions are used to determine the fair values of financial assets and liabilities:

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.

Borrowings

The fair value is estimated using discounted cash flow analysis based on current market rates for borrowings having substantially the same terms and conditions.

Derivatives

The fair value of interest rate swaps is estimated based on a discounted cash flow analysis utilising a credit adjusted zero coupon curve which is representative of the market rates used for unwinding such instruments. The fair value of futures contracts is based on current market rates as quoted on the Sydney Futures Exchange.

		2014		2013	
	Note	Book value $'000	Fair value $'000	Book value $'000	Fair value $'000
Financial assets	2(b)				
Available-for-sale financial assets:					
Investment securities		1 533	1 533	2 790	2 790
Loans and receivables:					
Investment securities		61 067	61 552	80 968	81 451
Net loans and advances		204 861	218 862	186 786	199 974
Fair value hedge:					
Net loans and advances		467 051	467 051	445 976	445 976

(a) Fair value of financial assets and financial liabilities (continued)

		2014		2013	
	Note	Book value $'000	Fair value $'000	Book value $'000	Fair value $'000
Financial liabilities	2(b)				
Financial liabilities at amortised cost:					
Deposits from councils and prescribed bodies		375 671	376 279	431 615	431 918
Borrowings		267 951	267 939	200 502	200 644
Fair value hedge:					
Derivatives		31 334	31 334	27 078	27 078
Financial liabilities at fair value:					
Derivatives		81	81	-	-

(b) Fair value hierarchy

The recognised fair values of financial assets and liabilities are classified according to the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: fair values that reflect unadjusted quoted prices in active market for identical assets/liabilities.

Level 2: fair values that are based on inputs that are directly or indirectly observable for the asset/liability (other than unadjusted quoted price).

Level 3: fair values that are derived from data not observable in a market. The Authority does not have any financial assets or liabilities which are required to be valued using this method.

2014	Level 1	Level 2	Level 3	Total
Financial assets:	$'000	$'000	$'000	$'000
Investment securities	1 533	61 552	-	63 085
Net loans and advances	-	685 913	-	685 913
Financial liabilities:				
Deposits from councils and prescribed bodies	-	376 279	-	376 279
Borrowings	-	267 939	-	267 939
Derivatives	81	31 334	-	31 415
2013				
Financial assets:				
Investment securities	2 790	81 451	-	84 241
Net loans and advances	-	645 950	-	645 950
Financial liabilities:				
Deposits from councils and prescribed bodies	-	431 918	-	431 918
Borrowings	-	200 644	-	200 644
Derivatives	-	27 078	-	27 078

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* (the Lotteries Act) with the principal function of promoting and conducting lotteries for South Australia.

Appointment of Tatts Lotteries SA Pty Ltd (Tatts) as exclusive Master Agent of the Commission

On 26 November 2012, the State appointed Tatts as the exclusive Master Agent to operate the Commission's brands and products for a term of 40 years in return for an upfront payment of $427 million. The Master Agent arrangements commenced on 11 December 2012. The terms and conditions of the appointment and its ongoing operation are governed by the following transaction documents:

- Implementation Deed
- Master Agency Agreement
- Intellectual Property Licence Deed
- Business Assets Sale Deed
- Operations Deed
- Treasurer's Agency Fees Guarantee and Payment Deed
- Transitional Services Agreement.

The responsibilities of Tatts as the exclusive Master Agent are:

- the sale of entries into all lottery games operated by the Commission and payment of prizes associated with those entries
- to appoint retail agents
- to authorise the premises at which retail agents may sell tickets.

Tatts receives a Master Agent fee in accordance with the transaction documents. The calculation basis for this fee is outlined in note 12 to the financial statements.

The Commission has retained control of the Lotteries Fund established under section 16(1) of the Lotteries Act. As a result, the Commission has also retained the responsibility to report all activity through the Lotteries Fund in the Commission's financial statements. The Lotteries Fund reflects all activity related to gaming operations.

The transaction documents require Tatts to hold and operate the Lotteries Fund for and on behalf of the Commission. The Commission has an ongoing responsibility to monitor whether the Master Agent's operations are conducted in compliance with all laws, regulations, codes of practice, contractual agreements and policies that regulate the business to ensure the Commission's compliance with the Lotteries Act and the transaction documents. The Commission must also maintain the necessary processes to enable it to ensure the effectiveness of Tatts internal controls over financial reporting of gaming activity and the Lotteries Fund.

Transitional arrangements

The transition period under the Master Agent arrangements expired on 10 June 2014. During the transition period, Tatts engaged Commission employees to render services outlined in the Transitional Services Agreement. Tatts was recharged by the Commission for these services.

Following completion of the transition period, the Commission no longer directly performs any gaming system, agent management or marketing operations. As a result, the Commission's workforce has significantly reduced during 2013-14 from 71 employees to 12 employees.

As part of the reduction of the Commission's workforce, 35 Commission employees accepted TVSPs during the year. The total cost of the TVSPs and annual leave, LSL and SERL paid to these employees was $4.1 million (refer note 9 to the financial statements). There were also 16 employees who accepted redeployment to other agencies within SA Government.

The primary role of the remaining Commission employees is to monitor and ensure Tatts' compliance with the transaction documents and applicable legislation. This includes ensuring Tatts has appropriate controls over gaming operations and the reporting of the Lotteries Fund activity. As a result, the Commission's remaining employees primarily have legal, financial and administrative responsibilities.

Implementation of TattsTech system

On 7 April 2014, the TattsTech system was implemented to process all South Australian gaming transactions. The TattsTech system has been internally developed by Tatts and is used in other Australian jurisdictions where Tatts has gaming operations.

Functions

The Commission, in conjunction with the Master Agent, administers and promotes the following lotteries in South Australia:

- Monday/Wednesday X Lotto
- Oz Lotto
- Powerball
- Saturday X Lotto
- Super 66
- The Pools
- Keno
- Instant Scratch tickets
- Special appeal lotteries
- Special lotteries
- Sports lotteries.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 31(1)(b) of the PFAA and section 18A(2) of the Lotteries Act provide for the Auditor-General to audit the accounts of the Commission for each financial year.

Assessment of controls

Section 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 to obtain sufficient evidence to form an opinion on the financial report and internal controls.

During 2013-14, areas of review included:

- follow-up of 2012-13 audit findings
- transaction documents compliance
- transaction documents contract management arrangements
- Tatts Group compliance plan and associated reporting requirements
- gaming revenue
- prize payments
- expenditure
- payroll
- general ledger
- cash.

Internal audit activities and reports were also reviewed.

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 2014, 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, except for the matter outlined under 'Communication of audit matters', 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 identified during the course of the audit were detailed in a management letter to the Chief Executive of the Commission. The management letter indicated the Commission had appropriately addressed all the matters arising from the 2012-13 audit and identified certain areas where current controls could be improved.

The Commission's response to the letter indicated that appropriate action would be taken to address the control matters raised. The main matter raised with the Commission and the related response is provided below.

Expenditure

Audit review identified instances where invoices were not approved in accordance with the delegated management operating authorities. This increased the likelihood that expenditure may not have been authorised in accordance with Commission member expectations and the Commission's purposes and objectives.

The Commission responded that staff are required to formally indicate they have read and understood any changes made to the delegated management operating authorities. The Commission also has formal checking procedures to ensure invoices are authorised in accordance with the delegated management operating authorities prior to being processed.

Interpretation and analysis of the financial report

Highlights of the financial report

	2014 $'million	2013 $'million
Income		
Sales	429	462
Cost of sales	(375)	(405)
Other revenue	12	19
Total income	66	76
Expenses		
Master Agent fee	54	31
Supplies and services	4	12
Employee benefits expenses	7	9
Other expenses	6	5
Total expenses	71	57
Profit (Loss) before income tax equivalent	(5)	19
Income tax equivalent expense	-	6
Profit (Loss) after income tax equivalent	(5)	13
Distribution paid to the Hospitals Fund and Recreation and Sport Fund	73	115
Net cash provided by (used in) operating activities	(1)	(8)
Assets		
Current assets	50	52
Non-current assets	-	6
Total assets	50	58
Liabilities		
Current liabilities	38	42
Non-current liabilities	11	11
Total liabilities	49	53
Total equity	1	5

Statement of Comprehensive Income

Income

Total income for the year was $66 million, a decrease of $10 million from the previous year. This reflects a $3 million decrease in gross margin and a $7 million decrease in other revenue.

The decrease in gross margin is primarily attributable to changes in jackpot activity for the Oz Lotto and Powerball games, in particular:

- higher Oz Lotto sales in the prior year associated with the $112 million Oz Lotto jackpot in November 2012
- Oz Lotto jackpots in excess of $20 million in the prior year

- Powerball jackpots worth $50 million or more in the prior year

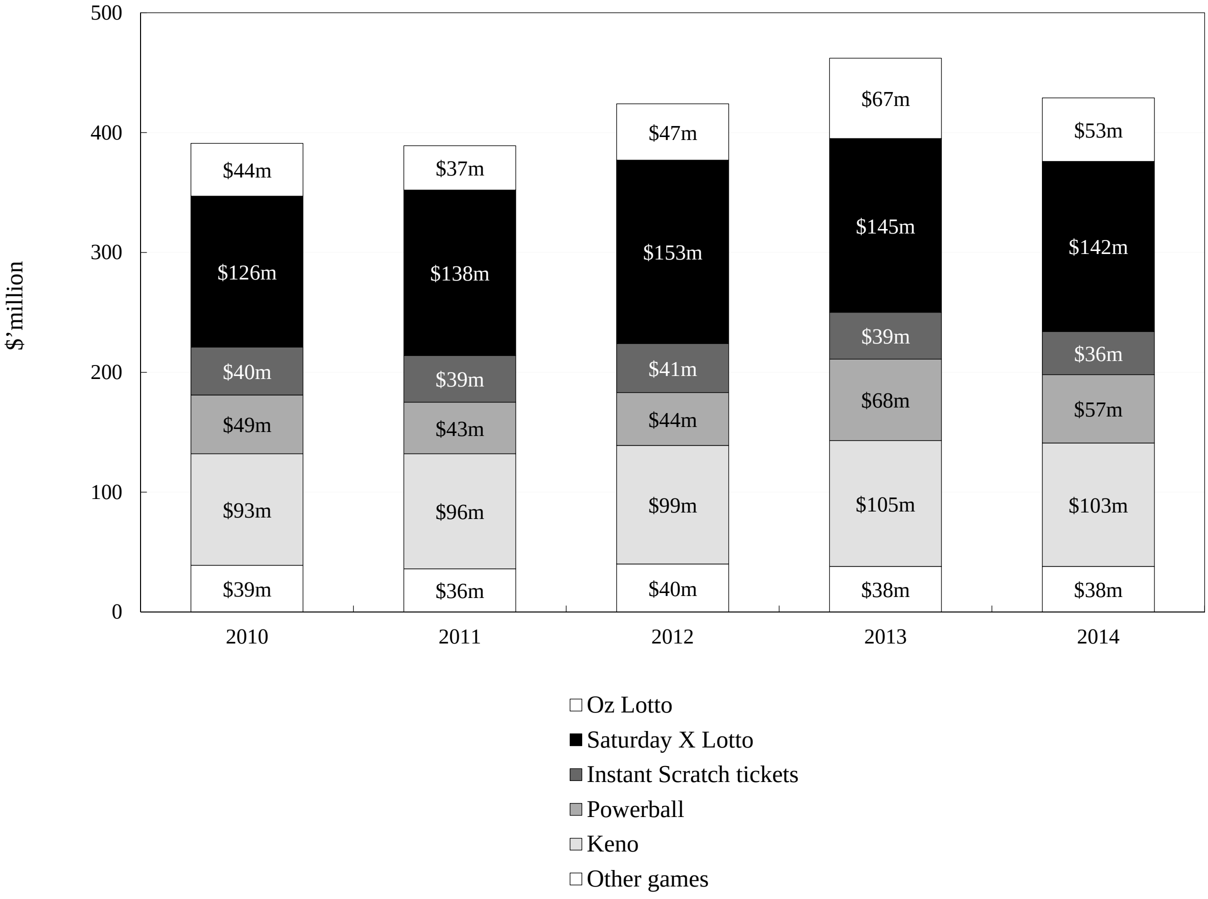
The decrease in cost of sales (7%) is consistent with the decrease in sales (7%), given that prizes, gambling tax on net gambling revenue and agents' commissions are based on percentages of sales for relevant games.

The $7 million decrease in other revenue is primarily attributable to:

- a $3 million decrease in revenues from SA Government, due mainly to the prior year subsidy incorporating funds for executive staff retention payments and redeployed employee costs
- a $2 million decrease in agents' fees and charges, as these fees were processed by Tatts throughout the entirety of 2013-14
- a $2 million decrease in reimbursements from Master Agent, due mainly to the wind-down of services provided by the Commission to Tatts under the transitional services arrangement which expired on 10 June 2014
- a $1 million decrease in interest revenue, due to the Commission no longer receiving interest revenue on the Lotteries Fund following commencement of the Master Agent arrangements.

These decreases are offset partly by an increase in TVSPs recovered from DTF ($2 million), which has resulted from the higher number of TVSPs paid in the current year (35) compared to the prior year (6).

A structural analysis of sales revenue generated by the Commission's lottery products in the five years to 2014 is presented in the following chart.



The games that constitute the largest proportion of sales are Saturday X Lotto (33%), Keno (24%), Powerball (13%) and Oz Lotto (12%).

Expenses

Total expenses increased by $14 million to $71 million. This is mainly due to an increase in the Master Agent fee ($23 million), offset partly by decreases in supplies and services ($8 million) and employee benefits expenses ($2 million).

The Master Agent fee is payable to Tatts as the Commission's exclusive Master Agent for operating the Commission's brands and products (refer note 12 to the financial statements). Under clause 8.3 of the Master Agent Agreement, the Master Agent remits the amount of the Master Agent fee less agents' commissions to an account nominated by the Master Agent.

The increase in the Master Agent fee is attributable to the fee only being received for a portion of the reporting period in the prior year (ie from the commencement of the Master Agent arrangements on 11 December 2012).

The decrease in supplies and services is primarily due to decreases in marketing and promotion expenses ($4 million), tickets, coupons, terminal rolls and ribbons expenses ($2 million) and computer operations expenses ($2 million). The decrease in marketing and promotion expenses and tickets, coupons, terminal rolls and ribbon expenses is due to Tatts assuming responsibility for all costs associated with marketing campaigns, tickets and agent terminals following commencement of the Master Agent arrangements.

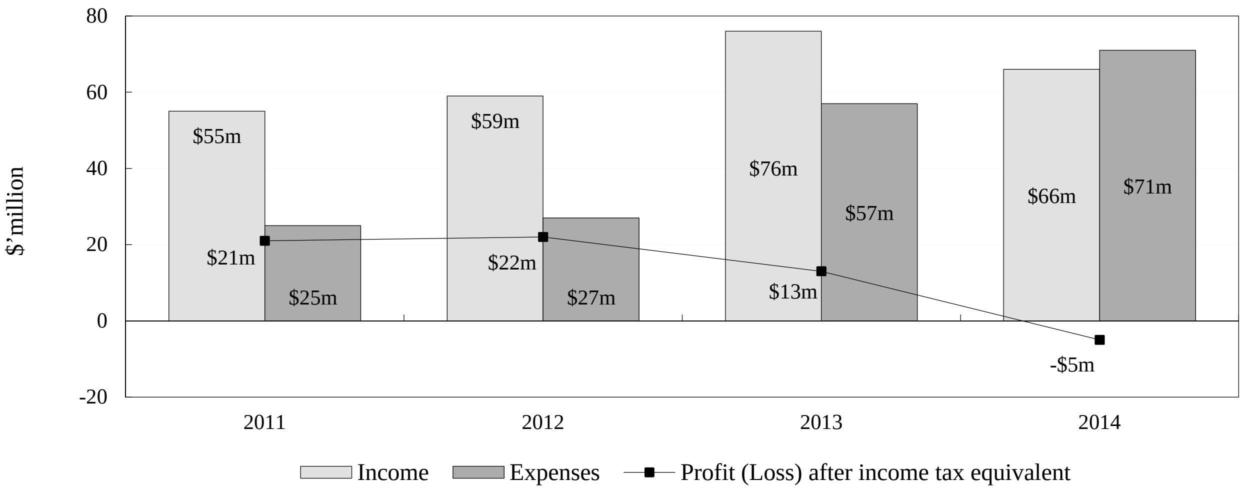
The decrease in employee benefits expenses is mainly due to a decrease in salaries ($4 million), offset partly by an increase in TVSP expenses ($3 million).

The decrease in salaries is attributable to the significant reduction in employee numbers during the year, which resulted from the expiration of the transition period under the Master Agent arrangements (refer to 'Transitional arrangements' above for further commentary).

TVSP expenses have increased as 35 Commission employees accepted TVSPs during the year compared to six in the prior year (refer note 9 to the financial statements).

Profit after income tax equivalent

The following chart shows the income, expenses and profit (loss) after income tax equivalent for the four years to 2014.



There has been a downward trend in the profit after income tax equivalent since 2011-12. This is primarily due to the impact of the Master Agent arrangements which commenced on 11 December 2012. Under these arrangements, the Commission pays a Master Agent fee to Tatts and no longer receives profits from gaming operations or interest earnings from the Lotteries Fund.

The decrease in the profit after income tax equivalent between 2012-13 and 2013-14 is also attributable to the net loss from disposal of non-current assets in the current year ($3 million). This disposal relates to the transfer of the GTECH online lotteries system to Tatts following novation of the Commission's agreement with the GTECH Corporation to Tatts on 18 November 2013 (refer note 14 to the financial statements).

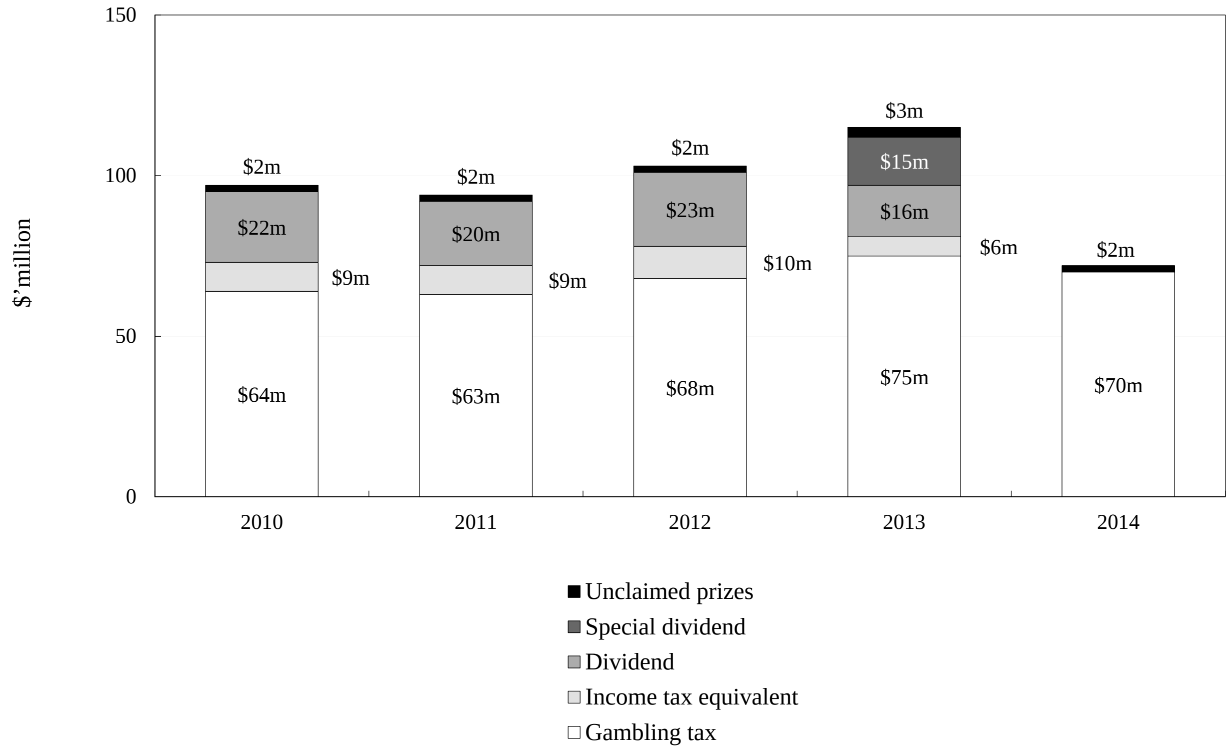
Distributions to government

The Commission made payments to the State Government in accordance with the requirements of the Lotteries Act which are detailed in notes 2(k) and 25 to the financial statements.

The amount provided for distribution to government during 2013-14 was $72 million, a decrease of $42 million from the previous year. This decrease is mainly due to:

- the 'one-off' special dividend paid in the prior year ($15 million) which related to the payment of the balance of all equity reserves and surplus cash to DTF as part of the implementation of the Master Agent arrangements
- the decrease in the income tax equivalent ($6 million) and dividend ($16 million) given that the Commission no longer receives profits from gaming operations and does not distribute any dividends or income tax equivalents to government following the commencement of Master Agent arrangements
- the decrease in gambling tax ($5 million) given the decrease in sales compared to the prior year (gambling tax is payable on net gambling revenue which is calculated as total sales including agent commissions less total prizes paid).

The following chart details the distributions provided to government for the five years to 2014.



The chart highlights that following commencement of the Master Agent arrangements, distributions to government were solely comprised of gambling tax payments and payments of 50% of unclaimed prizes.

Statement of Financial Position

Assets

Total assets decreased by $8 million to $50 million. The decrease in assets is mainly due to:

- a $6 million decrease in property, plant and equipment, which is primarily attributable to increased depreciation on the online lotteries system resulting from the reduction in its estimated useful life and the transfer of the online lotteries system to Tatts following novation of the GTECH agreement in November 2013

- a $2 million decrease in sundry receivables which primarily relates to higher Tatts recharges receivable in the prior year for transitional services rendered (there were no transitional services rendered following the expiration of the transition period on 10 June 2014).

Liabilities

Total liabilities decreased by $4 million to $49 million principally due to a decrease in prizes payable of $3 million. This decrease is mainly due to a lower amount of Division 1 prizes being payable to South Australian prize winners as at 30 June 2014 and changes in Division 2 prize payment arrangements (Division 2 winners are no longer required to wait for a provisional period of 14 days to receive their prize).

There has also been a $342 000 decrease in the net defined benefit superannuation plan liability (refer notes 20 and 28(f) to the financial statements). The decrease in the net defined benefit superannuation plan liability is primarily attributable to the investment return on plan assets and employer contributions during the year. The net defined benefit superannuation plan liability has been reclassified from non-current to current in 2013-14, given that the Commission intends to wind up the plan in September 2014 (refer note 28(e) to the financial statements).

Statement of Cash Flows

The following table summarises the net cash flows for the five years to 2014.

	2014 $'million	2013 $'million	2012 $'million	2011 $'million	2010 $'million
Net cash flows					
Operating	(1)	(8)	1	4	(10)
Investing	-	1	-	(1)	(11)
Change in cash	(1)	(7)	1	3	(21)
Cash at 30 June	46	47	54	53	50

The variance in net cash used in operating activities is primarily attributable to the special dividend paid in the prior year.

Cash flows from investing activities and the total cash balance are consistent with the prior year.

Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Income:			
Sales revenue	5	428 860	462 145
Cost of sales	6	375 113	404 846
Gross margin		53 747	57 299
Interest revenue		-	1 024
Revenues from SA Government	7	4 360	7 526
Other revenues	8	7 425	9 760
Net gain from disposal of non-current assets	14	-	32
Total income		65 532	75 641
Expenses:			
Employee benefits expenses	9	7 258	8 964
Supplies and services	11	4 040	12 333
Master Agent fee	12	53 747	30 826
Depreciation and amortisation expense	13	2 859	4 656
Net loss on disposal of non-current assets	14	2 906	-
Total expenses		70 810	56 779
Profit (Loss) before income tax equivalent		(5 278)	18 862
Income tax equivalent expense		-	5 568
Profit (Loss) after income tax equivalent		(5 278)	13 294
Other comprehensive income:			
Items that will not be reclassified to net result:			
Remeasurements of defined benefit plan		532	928
Total other comprehensive income		532	928
Total comprehensive result		(4 746)	14 222

Profit (Loss) after income tax equivalent and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2014

	Note	2014 $'000	2013 $'000
Current assets:			
Cash and cash equivalents	16	45 937	46 576
Receivables	17	4 053	5 685
Total current assets		49 990	52 261
Non-current assets:			
Property, plant and equipment	18	189	5 764
Total non-current assets		189	5 764
Total assets		50 179	58 025
Current liabilities:			
Payables	19	20 343	24 141
Employee benefits	20	625	1 867
Other current liabilities	21	16 920	15 888
Total current liabilities		37 888	41 896
Non-current liabilities:			
Payables	19	1 134	1 360
Employee benefits	20	95	664
Other non-current liabilities	21	10 318	8 615
Total non-current liabilities		11 547	10 639
Total liabilities		49 435	52 535
Net assets		744	5 490
Equity:			
Retained earnings		744	5 490
Total equity		744	5 490

Total equity is attributable to the SA Government as owner

	Note
Unrecognised contractual commitments	23
Contingent assets and liabilities	24

Statement of Changes in Equity
for the year ended 30 June 2014

	Funds retained for capital purposes $'000	Revaluation surplus $'000	Building mainten-ance reserve $'000	Capital asset reserve (note 22) $'000	Keno prize reserve $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2012	636	1 151	41	17 217	4 173	-	23 218
Profit after income tax equivalent for 2012-13	-	-	-	-	-	13 294	13 294
Remeasurements of defined benefit plan	-	-	-	-	-	928	928
Total comprehensive result for 2012-13	-	-	-	-	-	14 222	14 222
Transfers:							
From retained earnings	-	-	-	887	1 212	(2 099)	-
To retained earnings	(636)	(1 151)	(41)	(18 104)	(4 307)	24 239	-
Reserve paid to Master Agent	-	-	-	-	(1 078)	-	(1 078)
Dividend contribution to SA Government	-	-	-	-	-	(15 918)	(15 918)
Special dividend contribution to SA Government	-	-	-	-	-	(14 954)	(14 954)
Balance at 30 June 2013	-	-	-	-	-	5 490	5 490
Profit after income tax equivalent for 2013-14	-	-	-	-	-	(5 278)	(5 278)
Remeasurements of defined benefit plan	-	-	-	-	-	532	532
Total comprehensive result for 2013-14	-	-	-	-	-	(4 746)	(4 746)
Balance at 30 June 2014	-	-	-	-	-	744	744

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

Statement of Cash Flows
for the year ended 30 June 2014

	Note	2014 Inflows (Outflows) $'000	2013 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash inflows:			
Receipts from customers		405 983	435 413
SA Government subsidy		4 680	7 526
Interest received		-	1 192
GST received from the ATO		9 042	7 263
Cash generated from operations		419 705	451 394
Cash outflows:			
Prizes paid		(254 262)	(270 510)
Payments to suppliers and employees		(22 637)	(25 798)
Master Agent fee payments		(53 747)	(30 826)
GST paid to the ATO		(16 278)	(17 619)
Distribution to the Hospitals Fund and Recreation and Sport Fund:			
Gambling tax	25	(70 627)	(74 872)
Dividend	25	(112)	(16 616)
Special dividend	25	-	(14 954)
Unclaimed prizes	25	(2 443)	(2 582)
Distribution to the Hospitals Fund for income tax equivalent	25	(48)	(5 975)
Cash used in operations		(420 154)	(459 752)
Net cash provided by (used in) operating activities	26	(449)	(8 358)
Cash flows from investing activities:			
Cash inflows:			
Proceeds from sale of property, plant and equipment	14	-	1 662
Cash outflows:			
Purchase of property, plant and equipment		(190)	(208)
Net cash provided by (used in) investing activities		(190)	1 454
Net increase (decrease) in cash and cash equivalents		(639)	(6 904)
Cash and cash equivalents at 1 July		46 576	53 480
Cash and cash equivalents at 30 June	26	45 937	46 576

Notes to and forming part of the financial statements

1. Establishment and function of the Lotteries Commission of South Australia (SA Lotteries or the Commission)

The Commission, 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.

On 26 November 2012 the State appointed Tatts Lotteries SA Pty Ltd (Tatts) as its exclusive Master Agent to operate SA Lotteries' brands and products for a term of 40 years, commencing 11 December 2012.

The terms and conditions of the appointment and ongoing operation are governed by the transaction documents. The transaction documents comprise the following:

(i) Executed between the Treasurer and Tatts:

- Implementation Deed
- Treasurer's Agency Fees Guarantee and Payment Deed.

1. Establishment and function of the Lotteries Commission of South Australia (SA Lotteries or the Commission) (continued)

(ii) Executed between the Commission and Tatts:

- Master Agency Agreement
- Intellectual Property Licence Deed
- Business Assets Sale Deed
- Operations Deed.

In addition, the Transitional Services Agreement executed by the Commission and Tatts for the 18 month period commencing 11 December 2012, expired on 10 June 2014.

2. Summary of significant accounting policies

(a) Statement of compliance

The Commission has prepared these financial statements in compliance with section 23 of the PFAA.

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

The Commission has applied AASs that are applicable to for-profit entities, as the Commission is a for-profit entity. 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 ended 30 June 2014 (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 judgement in the process of applying the Commission's accounting policies. The areas involving a higher degree of judgement 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 APSs require the following note disclosures which have been included in this financial report.
  (a) revenues, expenses, receivables and payables 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 11). (The term 'consultant' is defined in APF II, APS 4.6)
  (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) Commission members and remuneration information, where a Commission member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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 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 in preparing the financial statements for the year ended 30 June 2014 and the comparative information presented.

(c) Reporting entity

The reporting entity comprises all activities of the Commission. This includes all the transactions processed through the Lotteries Fund which is established under section 16(1) of the *State Lotteries Act 1966*. From 11 December 2012, Tatts holds and operates the Lotteries Fund for and on behalf of the Commission.

(d) Comparative information

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

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted.

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, the Commission was required to pay to the State Government an income tax equivalent. The income tax liability was based on the State taxation equivalent regime which applied the accounting profits method. This required that the corporate income tax rate be applied to net profit. Following the appointment of Tatts as Master Agent on 11 December 2012, no payments have been made under the tax equivalent regime.

The Commission is liable for payroll tax, FBT and GST.

GST

The Commission, in accordance with section 16(3)(b) of the *State Lotteries Act 1966*, is required to pay GST of one eleventh of net gambling revenue (NGR), being gross sales less total prizes paid, direct to the ATO. The GST on NGR is treated as a cost of sales.

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.

(g) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to the Commission 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 29 discloses income where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

(g) Income (continued)

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. For these games, sales revenue as at 30 June for draws or competitions subsequent to that date are treated as sales in advance. Sales revenue for Instant Scratch tickets is recognised as tickets are sold
- revenues from SA Government are recognised as income when the Commission obtains control of the subsidy and the income recognition criteria are met (ie the amount can be reliably measured and the flow of resources is probable)
- revenues from fees and charges are derived from the provision of goods and services. This revenue is recognised upon delivery of the goods or services to the recipients.

From 11 December 2012 to 10 June 2014 the costs and disbursements incurred by the Commission in providing agreed services to Tatts have been recovered from Tatts, in accordance with an agreed formula contained in the Transitional Services Agreement.

(h) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Commission 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 29 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:

Cost of sales expenses
Cost of sales expenses include actual prizes paid, gambling tax on NGR, agents' commission and GST on NGR, and are recognised in the reporting period in which the sales revenue is recognised.

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

Superannuation expenses charged to the Statement of Comprehensive Income represent:

- contributions made by the Commission to the superannuation plan in respect of current employees
- defined benefits accrued during the reporting period
- remeasurements of the defined benefit plan.

Note 2(n) 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 the Commission. These items are recognised as an expense in the reporting period in which they are 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. Depreciation is applied to tangible assets such as property, plant and equipment, while amortisation is used in relation to leasehold improvements.

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 as appropriate, which is a change in accounting estimate.

Depreciation and amortisation of non-current assets (continued)
The value of leasehold improvements is amortised over the estimated remaining useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

Land is not depreciated.

(i) 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. 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 assets and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Commission has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(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 29 discloses receivables 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 include the Commission’s cash on hand and deposits held at call, and cash held by Tatts on behalf of the Commission for game related obligations. These are subject to insignificant risk of changes in value and are used in the cash management function on a day-to-day basis.

The Commission’s bank account is held with Westpac Banking Corporation in an at call deposit account. Cash held by Tatts for game related obligations, on behalf of the Commission, is held with Westpac Banking Corporation.

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 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.

From 11 December 2012, all game related receivables have been administered by Tatts on behalf of the Commission.

Sundry receivables
Sundry receivables are generally receivable within 14-30 days and are carried at amounts due.

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

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.

From 11 December 2012, all game related prize settlements receivable from Blocs have been administered by Tatts on behalf of the Commission.

Non-current asset acquisition, recognition and disposal
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.

Assets listed in the Business Assets Sales Deed were purchased by Tatts. The consideration paid for these assets formed part of the aggregate consideration paid by Tatts for the rights to operate SA Lotteries' brands and products.

Assets related to the online lotteries system were transferred to Tatts when the GTECH agreement was novated in favour of Tatts in November 2013.

Revaluation of non-current assets
All non-current tangible assets are valued at fair value and revaluation of non-current assets is only performed when their fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than three years.

The Commission obtains an independent valuation of such assets at least every six 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.

The Commission has taken the exemption available under APF III, APS 3.18 to take asset revaluation adjustments to the revaluation surplus on a class basis rather than an individual asset basis.

Any revaluation increase is credited to the 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 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 is transferred to retained earnings.

Impairment
All non-current tangible and intangible assets are tested for indications 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 revaluation surplus.

(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 29 discloses payables 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, GST payable, employment on-costs and Paid Parental Leave Scheme payable.

From 11 December 2012, all game related payables have been administered by Tatts on behalf of the Commission.

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 the Commission.

Creditors and accrued expenses (continued)
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 Commission has received from the Commonwealth Government to forward onto eligible employees via the Commission's payroll process. That is, the Commission 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, are unsecured 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 payment the day following the draw, or in the case of Instant Scratch tickets and minor Keno prizes, on the date of sale or draw. Division 1 prizes for lotto matrix type games are normally paid 14 days after the date of draw in accordance with SA 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 Scratch tickets 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.

From 11 December 2012, all prizes payable have been administered by Tatts on behalf of the Commission.

Employment on-costs
Employment on-costs include superannuation contributions, payroll tax and workers compensation with respect to outstanding liabilities for salaries, LSL, annual leave and SERL entitlements. 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, SERL
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 and SERL are expected to be payable within 12 months and are measured at the undiscounted amount expected to be paid.

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

LSL
The liability for LSL is measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period.

The estimated liability for LSL is based on actuarial assumptions over expected future salary levels, experience of employee departures and periods of service.

The portion of the LSL liability classified as current represents the amount that is expected to be paid as leave taken or paid on termination of employment during the Commission's 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 the Commission and transferred into the unclaimed prizes reserve. Section 16C(4) of the *State Lotteries Act 1966* requires the Commission to pay:

- 50% of the amount derived from unclaimed prizes in The Pools (and other sports lotteries or special lotteries) to the Recreation and Sport Fund
- 50% of the amount derived from unclaimed prizes in other lotteries to the Hospitals Fund.

The balance in the reserve is applied by the Commission 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 the Commission that they are a winner of a prize in a lottery conducted by the Commission, despite the fact that a prize has been forfeited to the Commission, the winning ticket has been lost or destroyed or the period of notice of a claim for the prize has expired.

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% of the ex gratia payment, depending on the game played.

The unclaimed prizes reserve is administered by Tatts on behalf of the Commission and must only be disbursed in accordance with approvals given by the Commission.

Distribution of funds to government
In accordance with section 16(3) of the *State Lotteries Act 1966*, the Commission 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.

From 11 December 2012, gambling tax is paid from the Lotteries Fund by Tatts on behalf of the Commission to the State.

As detailed in note 2(f), the Commission was required prior to the commencement of the transaction documents to make tax equivalent payments as a result of the application of the tax equivalent regime. In accordance with the provisions of the *State Lotteries Act 1966* and TI 22, the transfer of funds to the Hospitals Fund was reflected in the financial statements in the form of:

(i) a gambling tax of 41% on NGR in respect of all lotteries conducted by the Commission except sports lotteries, special lotteries and special appeal lotteries

(ii) an income tax equivalent payment (calculated on the accounting profits method), recorded as an expense item in the Statement of Comprehensive Income

(iii) a dividend, represented by net profit after income tax equivalent payment and increased/decreased by funds retained for certain designated purposes

(iv) unclaimed prizes.

As at 10 December 2012, surplus cash over and above game related liabilities held in the Lotteries Fund of the Commission, was paid to the State in accordance with the Implementation Deed.

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 25.

(l) Special appeal lotteries

Section 13AB of the *State Lotteries Act 1966* enables the Commission to conduct special appeal lotteries. Tatts is to do all things necessary to assist the Commission to conduct special appeal lotteries and will receive compensation in accordance with the Master Agency Agreement and the Treasurer's Agency Fees Guarantee and Payment Deed.

No special appeal lotteries were conducted during the financial year.

(m) Operating leases

The Commission has an accommodation lease agreement for its office. In respect of this operating lease, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased asset.

The Commission is responsible for maintaining any improvements that it makes and repairing any damage to the premises caused by staff, customers, contractors or visitors.

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.

(n) Superannuation

The Commission has an established superannuation plan for its employees, the Lotteries Commission of South Australia Superannuation Plan (the Plan), 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 the Commission and the Commission's obligation is limited to these contributions. The withdrawal benefit for defined benefit members may be taken immediately or deferred until preservation age. Currently the Plan only has a few members remaining. During the financial year the Commission determined to wind up the Plan in 2014-15.

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 4 July 2014.

Actuarial gains and losses are recognised in full, in the period in which they occur, and are recognised in other 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.

The Commission also contributes to other externally managed superannuation plans. These contributions are expensed when they fall due and the Commission's obligation is limited to these contributions.

(o) 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. Relevant amounts are transferred to retained earnings when an asset is disposed of or derecognised.

(p) Funds related for capital purpose

The Commission's funds retained for capital purposes which represent the historical cost of the investment in land and buildings at 24-26 Payneham Road, Stepney (warehouse) were paid to the SA Government following the sale of the property on 2 July 2012.

(q) 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.

Cash to support this reserve, as at 10 December 2012, was transferred to the State prior to completion in accordance with the Implementation Deed.

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 the Commission's agents and ACTTAB Limited. To the extent possible, the equivalent value of the Keno Spot 10 prize won is transferred from the reserve to retained earnings and paid to the Hospitals Fund.

From 11 December 2012, the Spot 10 $1 million guaranteed amount and the accrued jackpot amount was paid to, and is held for and on behalf of, the Commission by Tatts.

(r) Unrecognised contractual commitments and contingent assets and liabilities
Commitments include operating expenditures arising from contractual 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.

(s) Insurance
The Commission has arranged through SAICORP, a division of SAFA, to insure all major risks of the organisation. The excess payable under this arrangement varies depending on each class of insurance held.

(t) Events after the reporting period
Where an event occurs after 30 June and before the date the financial statements are authorised for issue, and those events provide information about conditions that existed at 30 June, adjustments are made to amounts recognised in the financial statements. Note disclosure is made where there is a material impact on the results of subsequent years.

3. New and revised accounting standards and policies
The Commission did not voluntarily change any of its accounting policies in 2013-14.

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 ended 30 June 2014.

The Commission 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 Commission, except in relation to AASB 119 issued in September 2011. AASB 119 came into effect from financial years commencing on or after 1 January 2013. The main amendments to the reissued standard relevant to the Commission are in relation to accounting for defined benefit plans. The amendments require actuarial gains and losses to be recognised in Other Comprehensive Income as well as additional disclosures. The change in accounting policy has been applied retrospectively and comparative figures have been restated in notes 9, 20, 26 and 28.

4. Related party
The Commission is controlled by the SA Government. Transactions and balances between the Commission and related parties (ie other SA Government controlled entities) are disclosed in note 29.

5. Sales revenue	2014	2013
	$'000	$'000
Saturday X Lotto	142 132	144 643
Keno	103 336	104 922
Powerball	57 496	68 027
Oz Lotto	52 534	67 383
Monday & Wednesday X Lotto	35 812	36 483
Instant Scratch tickets	35 667	38 506
Super 66	1 288	1 489
The Pools	595	692
Total sales revenue	428 860	462 145

Sales revenue includes agents' commissions.

6. Cost of sales

	2014 $'000	2013 $'000
Prizes	257 211	278 721
Gambling tax on NGR	70 378	75 202
Agents' commissions	31 919	34 233
GST on NGR paid to the ATO	15 605	16 690
Total cost of sales	375 113	404 846

7. Revenues from SA Government

Revenues from SA Government	4 360	7 526
Total revenues from SA Government	4 360	7 526

Following the appointment of Tatts as the Commission's exclusive Master Agent to operate SA Lotteries' brands and products, effective from 11 December 2012, the Commission is funded by a subsidy from the SA Government.

8. Other revenues

	Note	2014 $'000	2013 $'000
Agents' fees and charges		-	1 934
Easiplay Club service fees		-	276
Reimbursements from Master Agent		4 835	6 945
TVSPs recovered from DTF	9	2 522	357
Sundry		68	248
Total other revenues		7 425	9 760

9. Employee benefits expenses

Salaries (including annual leave)	3 606	7 349
TVSPs (refer below)	3 195	357
LSL	(266)	31
SERL	(3)	26
Commission members' fees	62	98
Employment on-costs - other	205	527
Employment on-costs - superannuation contributions	269	689
Increase/Decrease in carrying value of defined benefit superannuation plan liability	190	(113)
Total employee benefits expenses	7 258	8 964

TVSPs

Amounts paid during the reporting period to separated employees:

TVSPs	3 195	357
Annual leave, LSL and SERL paid to those employees	906	70
	4 101	427
Recovery received from DTF	2 522	357
Net cost to the Commission*	1 579	70

* The Commission has not accrued the June 2014 recovery to be received from DTF for TVSPs ($673 000). Reimbursement from DTF is expected in September 2014.

Annual leave, LSL and SERL are not reimbursable by DTF ($906 000).

The number of employees who received TVSPs during the reporting period was 35 (6).

Remuneration of employees

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, TVSP payments, retention payments, superannuation contributions, salary sacrifice benefits, fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received by these employees for the year was $1.995 million ($2.104 million).

Remuneration of employees (continued)

The number of employees whose remuneration received or receivable falls within the following bands:	2014 Number	2013 Number
$161 500 to $171 499	1	-
$251 500 to $261 499	1	-
$281 500 to $291 499	1	1
$291 500 to $301 499	1	1
$301 500 to $311 499	1	-
$311 500 to $321 499	-	1
$321 500 to $331 499	-	1
$331 500 to $341 499	1	-
$351 500 to $361 499	1	-
$871 500 to $881 499	-	1
Total	7	5

10. Key management personnel

(a) Commission members

The following persons held the position of member of the Commission for the full financial year:

W R Jackson BEc FASA - Presiding Member
S J Mackenzie BComm (Accounting) LLB (Hons)
J R Roache BAcc GradCertMgt (Monash) FAICD FCPA FAIM*

No Commission member has entered into a contract with the Commission since the end of the previous financial year.

(b) Commission members' remuneration

The total remuneration received and receivable by Commission members includes fees, superannuation contributions, salary sacrifice benefits, 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:	2014 Number	2013 Number
$0 to $9 999	1	2
$10 000 to $19 999	-	1
$20 000 to $29 999	1	1
$30 000 to $39 999	-	2
$40 000 to $49 999	1	-
Total	3	6

	2014 $'000	2013 $'000
Total remuneration received or receivable by Commission members	69	115

* In accordance with DPC Circular 16, State Government employees did not receive any remuneration for Commission duties during the financial year.

(c) Other key management personnel

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 the Commission.

The senior management team comprised the following persons for the full financial year unless otherwise stated:

J R Roache BAcc Grad Cert Mgt (Monash) FAICD FCPA FAIM - Chief Executive	
J F Favretto BA - General Manager ICT and Transition	
D G Hardy LLB BA, GDLP - General Manager Legal and Compliance	
C J Yeeles BComm, CPA - Finance Manager	1 July 2013 to 14 February 2014
P Marsden BComm CPA - Finance Manager	12 March 2014 to 30 June 2014

(d) ***Other key management personnel compensation***

The compensation of key management personnel included in employee benefits expenses (refer note 9) is as follows:	2014 $'000	2013 $'000
Short-term employee benefits	854	2 025
Post-employment benefits**	124	190
Long-term employee benefits	16	14
Total key management personnel compensation	994	2 229

** 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.

11. Supplies and services

Computer operations	1 686	3 343
Operating leases	1 162	882
Other occupancy costs	466	582
Other	231	926
External audit fees	185	160
Internal audit fees	171	97
Motor vehicle fleet costs	56	166
Temporary staff and contractors	30	59
Consultancies	26	18
Marketing and promotions	14	4 037
Training costs	8	148
Insurance	5	39
Tickets, coupons, terminal rolls and ribbons	-	1 748
Distribution and freight to agents	-	128
Bad debts	-	5
Gambling tax - other	-	(5)
Total supplies and services	4 040	12 333

Consultancies

The number and dollar amount of consultancies paid/payable (included in supplies and services) that fell within the following bands:	2014 Number	2014 $'000	2013 Number	2013 $'000
Below $10 000	-	-	-	-
Between $10 000 and $50 000	1	26	1	18
Above $50 000	-	-	-	-
Total paid/payable to consultants engaged	1	26	1	18

12. Master Agent fee

	2014 $'000	2013 $'000
Gross sales	428 860	247 103
Prizes	(257 211)	(148 700)
Gambling tax on NGR	(70 378)	(40 345)
GST on NGR	(15 605)	(8 945)
Gross Master Agent fee (including agents' commissions)	85 666	49 113
Agents' commissions	(31 919)	(18 287)
Net Master Agent fee	53 747	30 826

The Master Agent fee is payable to Tatts as the Commission's exclusive Master Agent for operating SA Lotteries' brands and products. Under clause 8.3 of the Master Agency Agreement, the Master Agent remits the amount of the Master Agent fee less agents' commissions to an account nominated by the Master Agent. 2013-14 was the first full year of Tatts operating as Master Agent.

13. Depreciation and amortisation expense

Depreciation:	2014 $'000	2013 $'000
Plant and equipment	77	122
Online lotteries system	2 365	4 216
Total depreciation	2 442	4 338
Amortisation:		
Leasehold improvements	417	318
Total amortisation	417	318
Total depreciation and amortisation	2 859	4 656

13. Depreciation and amortisation expense (continued)

In 2012-13 the Commission reassessed the useful life of the online lotteries system, resulting in a reduction in the estimated useful life. This resulted in a higher depreciation expense reflected in 2012-13 and 2013-14. In November 2013 the online lotteries system was transferred to Tatts following novation of the GTECH agreement in favour of Tatts.

In 2012-13 the Commission reassessed the useful life of the leasehold improvements for the Wayville office, resulting in a reduction in the estimated useful life. This resulted in a higher amortisation expense reflected in 2012-13 and 2013-14. In May 2014 leasehold improvement assets for the Wayville office were decommissioned.

14. Net gain (loss) from disposal of non-current assets	2014 $'000	2013 $'000
Proceeds from disposal	-	1 662
Net book value of assets disposed	(2 906)	(1 630)
Net gain (loss) from disposal of non-current assets	(2 906)	32

Assets are derecognised on disposal or when no future economic benefits are expected from the asset's use or disposal.

Warehouse property:		
Proceeds from disposal	-	1 660
Net book value of assets disposed	-	(1 455)
Net gain (loss) from disposal of non-current assets	-	205
Former Wayville head office plant and equipment:		
Proceeds from disposal	-	-
Net book value of assets disposed	(5)	-
Net gain (loss) from disposal of non-current assets	(5)	-
Sundry assets:		
Proceeds from disposal	-	2
Net book value of assets disposed	(5)	(62)
Net gain (loss) from disposal of non-current assets	(5)	(60)
Assets transferred to Tatts:		
Proceeds from disposal	-	-
Net book value of assets disposed	(2 896)	(113)
Net gain (loss) from disposal of non-current assets	(2 896)	(113)

The assets transferred to Tatts relate to the online lotteries system which was transferred following novation of the GTECH agreement in favour of Tatts on 18 November 2013. The proceeds from disposal of these assets formed part of the aggregate consideration paid by Tatts to the State for the right to operate the Commission's brands and products.

15. Auditor's remuneration	2014	2013
Audit services	$'000	$'000
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	185	160
Total audit fees	185	160

Other services

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

16. Cash and cash equivalents		
Deposits held at call and cash on hand	1 652	1 567
Funds held by the Master Agent	44 285	45 009
Total cash and cash equivalents	45 937	46 576

In accordance with clause 7 of the Master Agency Agreement, Tatts hold and operate the Lotteries Fund for and on behalf of the Commission. The Commission assigned all of its right, title and interest to future interest earnings on the Lotteries Fund to the Master Agent. The consideration for the assignment of interest was included in the aggregate consideration paid by Tatts for the transaction to the State.

Interest rate risk

Deposits held at call and cash on hand are non-interest bearing. The carrying amount of cash and cash equivalents represents fair value

17. Receivables

	2014	2013
Current:	$'000	$'000
Agent debtors	2 416	2 133
Prize settlements receivable from Blocs	837	1 108
Sundry receivables	795	2 436
Prepayments	5	8
Total current receivables	4 053	5 685

Ageing analysis of receivables

	Past due by			
	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
2014	$'000	$'000	$'000	$'000
Sundry receivables	255	-	-	255

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 the Commission at the reporting date fail to honour their obligations. It is not anticipated that parties will fail to discharge their obligations. The major portion of monies owing relates to the operation of SA Lotteries' brands and products by the Master Agent.

Net fair values

The carrying amount of receivables approximates net fair value due to being receivable on demand.

18. Property, plant and equipment

	2014	2013
Plant and equipment	$'000	$'000
Plant and equipment at cost (deemed fair value)	119	310
Accumulated depreciation	(119)	(228)
Total plant and equipment	-	82
Online lotteries system:		
Online lotteries system at cost (deemed fair value)	-	13 395
Accumulated depreciation	-	(8 246)
Total online lotteries system	-	5 149
Work in progress:		
Leasehold improvements at cost (deemed fair value)	189	-
Online lotteries system at cost (deemed fair value)	-	116
Total work in progress	189	116
Leasehold improvements:		
Leasehold improvements at cost (deemed fair value)	-	2 465
Accumulated amortisation	-	(2 048)
Total leasehold improvements	-	417
Total property, plant and equipment	189	5 764

Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment during 2013-14 and 2012-13.

2014	Land $'000	Buildings $'000	Plant and equipment $'000	Online lotteries system $'000	Work-in-progress $'000	Leasehold imprvmnts $'000	Total $'000
Carrying amount at 1 July	-	-	82	5 149	116	417	5 764
Additions	-	-	-	1	189	-	190
Assets derecognised (including disposals)	-	-	(5)	(2 788)	(113)	-	(2 906)
Transfers	-	-	-	3	(3)	-	-
Depreciation and amortisation	-	-	(77)	(2 365)	-	(417)	(2 859)
Carrying amount at 30 June	-	-	-	-	189	-	189

Reconciliation of property, plant and equipment (continued)

2013	Land $'000	Buildings $'000	Plant and equipment $'000	Online lotteries system $'000	Work-in-progress $'000	Leasehold imprvmnts $'000	Total $'000
Carrying amount at 1 July	920	535	374	9 182	93	737	11 841
Additions	-	-	-	2	207	-	209
Assets derecognised (including disposals)	(920)	(535)	(170)	(3)	-	(2)	(1 630)
Transfers	-	-	-	184	(184)	-	-
Depreciation and amortisation	-	-	(122)	(4 216)	-	(318)	(4 656)
Carrying amount at 30 June	-	-	82	5 149	116	417	5 764

Land and buildings assets were comprised entirely of the Stepney warehouse.

Valuation of property, plant and equipment

The carrying amount of property, plant and equipment that would have been recognised if these assets were stated at cost is:	Note	2014 $'000	2013 $'000
Plant and equipment		-	82
Online lotteries system		-	5 149
Work in progress		189	116
Leasehold improvements		-	417
Total carrying amount of property, plant and equipment that would have been recognised if these assets were stated at cost		189	5 764

Impairment

There were no indications of impairment of property, plant and equipment assets at 30 June 2014.

19. Payables

	Note	2014	2013
Current:			
Prizes payable		13 271	15 793
Undistributed funds	25	5 915	6 649
GST payable		606	653
Creditors and accrued expenses		507	820
Employment on-costs		44	226
Total current payables		20 343	24 141
Non-current:			
Prizes payable		1 125	1 350
Employment on-costs		9	10
Total non-current payables		1 134	1 360
Total payables		21 477	25 501

Based on an actuarial assessment performed by DTF, the percentage of LSL expected to be taken as leave has remained at the 2013 rate of 40% and the rate for the calculation of employer superannuation on-costs has increased from 10.2% in 2013 to 10.3% in 2014. 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. 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.

20. Employee benefits

Current:	Note	2014 $'000	2013 $'000
Annual leave		91	496
LSL		307	1 345
SERL		3	26
Accrued salaries and wages		5	-
Defined benefit superannuation plan liability	28(f)	219	-
Total current employee benefits		625	1 867

20. Employee benefits (continued)

	Note	2014	2013
Non-current:		$'000	$'000
LSL		95	103
Defined benefit superannuation plan liability	28(f)	-	561
Total non-current employee benefits		95	664
Total employee benefits		720	2 531

21. Other liabilities

	2014	2013
Current:		
Prize reserve funds[(a)]	8 162	9 577
Keno prize reserve[(b)]	3 903	1 612
Monday & Wednesday X Lotto Division 1 prize reserve[(c)]	3 365	2 775
Unearned revenue - sales in advance	1 490	1 924
Total current other liabilities	16 920	15 888
Non-current:		
Unclaimed prizes reserve[(d)]	10 318	8 615
Total non-current other liabilities	10 318	8 615
Total other liabilities	27 238	24 503

(a) Prize reserve funds:		
Balance at 1 July	9 577	8 659
Allocated to prize reserve funds	11 563	11 418
Applied to additional or increased prizes	(12 978)	(10 500)
Balance at 30 June	8 162	9 577

An agreed proportion of the total amount of net sales (gross sales less Agents' commissions) for each of Saturday X Lotto, Monday & Wednesday X Lotto, Oz Lotto, Powerball, Super 66 and The Pools is set aside to accumulate as the prize reserve fund for each game in accordance with the respective game rules. These funds are applied from time to time for the payment of additional or increased prizes in subsequent lotteries or prizes in respect of missed prize entries for previous lottery draws.

	2014	2013
(b) Keno prize reserve:	$'000	$'000
Balance at 1 July	1 612	1 078
Allocated to prize reserve	4 031	534
Applied to prize reserve	(1 740)	-
Balance at 30 June	3 903	1 612

In accordance with the game rules, the Keno prize reserve is funded by 32.967% of Keno Spot 10 net sales (gross sales less Agents' commissions) to meet the Keno Spot 10 prize which comprises the guaranteed amount of $1 million and the jackpot amount.

	2014	2013
(c) Monday & Wednesday X Lotto Division 1 prize reserve:	$'000	$'000
Balance at 1 July	2 775	1 194
Allocated to prize reserve	7 599	9 148
Applied to prizes	(7 009)	(7 567)
Balance at 30 June	3 365	2 775

In accordance with the game rules, the Monday & Wednesday X Lotto Division 1 prize reserve was funded by 27% of net sales (gross sales less agents' commissions) to meet the Division 1 prize until 18 December 2013. The percentage of net sales used to fund the reserve was 20% between 19 December 2013 and 30 April 2014. From 1 May 2014 onwards, the percentage used has been 17%.

	2014	2013
(d) Unclaimed prizes reserve:	$'000	$'000
Balance at 1 July	8 615	6 603
Unclaimed monies forfeited	4 521	5 099
Balance before distributions	13 136	11 702
Monies provided for distribution to the Hospitals Fund	(2 255)	(2 549)
Monies provided for distribution to the Recreation and Sport Fund	(1)	(1)
Applied to additional or increased prizes in subsequent lottery draws, prizes in promotional lotteries or ex gratia payments	(562)	(537)
Balance at 30 June	10 318	8 615

22. Capital asset reserve

	2014	2013
Capital asset reserve comprises:	$'000	$'000
Capital fund account	-	-
Capital fund assets (at written down value)	-	-
	-	-
Capital fund account:		
Balance at 1 July	-	6 032
Transfer from retained earnings	-	887
Transfer to SA Government	-	(6 710)
Assets financed	-	(209)
Balance at 30 June	-	-
Capital fund assets:		
Written down value at 1 July	-	11 185
Assets financed	-	209
Depreciation	-	(1 085)
Transfer to SA Government	-	(6 048)
Transfer to retained earnings	-	(4 086)
Written down value of assets disposed of	-	(175)
Written down value at 30 June	-	-

The cash balance of the capital asset reserve was transferred to the SA Government Consolidated Account as part of the special dividend paid in 2012-13.

23. Unrecognised contractual commitments

Operating lease 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	146	677
Later than one year but not longer than five years	563	-
Total operating lease commitments	709	677
Representing:		
Non-cancellable operating leases	709	579

The Commission's operating lease relates to office accommodation leased from the Department of Planning, Transport and Infrastructure - Building Management Accommodation and Property Services unit. The five year lease is non-cancellable with a five year right of renewal. Rental provisions within the lease agreement require future lease payments to be increased by 3.25% per annum. The initial lease term expires on 31 January 2019.

Other commitments	2014	2013
Other expenditure contracted for at the reporting date but not recognised as liabilities are payable as follows:	$'000	$'000
Within one year	66	1 749
Later than one year but not longer than five years	19	1 650
Total other commitments	85	3 399

The Commission's other commitments are for existing agreements relating to system software, communication and associated services and other fixed services. The decrease in other commitments is due primarily to the transfer of the online lotteries system and associated expenditure commitments to Tatts following novation of the GTECH agreement in November 2013.

Master Agent fee

The Commission's commitments include a monthly Master Agent fee payable to Tatts for a term of 40 years commencing 11 December 2012. No amounts payable by the Commission to the Master Agent are disclosed as the fee is based on a formula which is contingent on gross sales, prizes, gambling tax on NGR, agents' commissions and GST on net gambling revenue. The amount is paid on a monthly basis.

24. Contingent assets and liabilities

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

The Commission has made no guarantees.

25. Distribution of funds to SA Government

	Commission balance 01.07.13 $'000	Master Agent balance 01.07.13 $'000	Distribution Provided Commission $'000	Distribution Provided Master Agent $'000	Distribution (Paid) Commission $'000	Distribution (Paid) Master Agent $'000	Commission balance 30.06.14 $'000	Master Agent balance 30.06.14 $'000
Gambling tax	131	6 046	-	70 240	(131)	(70 496)	-	5 790
Income tax equivalent	48	-	-	-	(48)	-	-	-
Dividend	112	-	-	-	(112)	-	-	-
Special dividend	-	-	-	-	-	-	-	-
Unclaimed prizes	-	312	-	2 256	-	(2 443)	-	125
Total 2013-14	291	6 358	-	72 496	(291)	(72 939)	-	5 915
Total 2012-13	7 461	-	72 403	41 784	(79 574)	(35 425)	291	6 358
Comprising:								
Distribution to Hospitals Fund:								
Gambling tax	131	6 034	-	70 107	(131)	(70 363)	-	5 778
Income tax equivalent	48	-	-	-	(48)	-	-	-
Dividend	112	-	-	-	(112)	-	-	-
Special dividend	-	-	-	-	-	-	-	-
Unclaimed prizes	-	312	-	2 255	-	(2 442)	-	125
Total	291	6 346	-	72 362	(291)	(72 805)	-	5 903
Distribution to Recreation and Sport Fund:								
Gambling tax	-	12	-	133	-	(133)	-	12
Dividend	-	-	-	-	-	-	-	-
Unclaimed prizes	-	-	-	1	-	(1)	-	-
Total	-	12	-	134	-	(134)	-	12

The payment of the income tax equivalent and dividend applied to the period 1 July 2012 to 10 December 2012 (ie the period prior to the commencement of the transaction documents).

26. Cash flow reconciliation

	2014	2013
Reconciliation of cash and cash equivalents:	$'000	$'000
Statement of Financial Position	45 937	46 576
Statement of Cash Flows	45 937	46 576

Reconciliation of net profit (loss) after income tax equivalent to net cash provided by (used in) operating activities

	2014	2013
Profit (Loss) after income tax equivalent	(5 278)	13 294
Dividend contribution provided	-	(15 918)
Special dividend contribution provided	-	(14 954)
Keno prize reserve paid to Master Agent	-	(1 078)
Unclaimed prizes distribution provided	(2 256)	(2 550)
Non-cash items:		
Depreciation and amortisation expense	2 859	4 656
Net loss (gain) on disposal of non-current assets	2 906	(32)
Increase (Decrease) in carrying value of defined benefit superannuation plan net liability	190	(113)
Movements in assets/liabilities:		
Receivables	1 741	15 832
Inventories	-	571
Payables (including undistributed funds)	(4 134)	(17 455)
Employee benefits	(1 469)	(46)
Other liabilities	4 992	9 435
Net cash provided by (used in) operating activities	(449)	(8 358)

27. Financial risk management

The Commission 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 a corporate policy approved by the Commission.

27. Financial risk management (continued)

The Commission has non-interest bearing assets (cash at bank, cash on hand and receivables) and liabilities (payables and other liabilities). The maturity of financial assets and liabilities are disclosed separately in the relevant notes: current items mature in less than 12 months; non-current items mature in more than 12 months.

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

The Commission's exposure to credit risk is minimal. The major portion of monies owing relates to the operation of SA Lotteries' brands and products by Tatts as the Master Agent. It is not anticipated that parties will fail to discharge their obligations. The Commission has policies and procedures in place to ensure that transactions occur with parties with appropriate credit history.

Liquidity risk arises where an organisation is unable to meet its financial obligations as and when they fall due. The Commission has consistent and stable cash flows from the SA Government, which means its exposure to liquidity risk is minimal. The Commission's exposure to liquidity risk is insignificant based on current expectations regarding risk.

28. Superannuation

(a) Nature of the benefits provided by the Lotteries Commission of South Australia Superannuation Plan (the Plan)

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal. The defined benefit section of the Plan is now closed to new members. All new members receive accumulation only benefits.

(b) Description of the regulatory framework

The Superannuation Industry (Supervision) legislation governs the superannuation industry and provides the framework within which superannuation plans operate. The Superannuation Industry (Supervision) regulations require an actuarial valuation to be performed for each defined benefit superannuation plan every three years, or every year if the Plan pays defined benefit pensions.

(c) Description of other entities' responsibilities for the governance of the Plan

The Plan's trustee is responsible for the governance of the Plan. The trustee has a legal obligation to act solely in the best interests of Plan beneficiaries. The trustee has the following roles:

- administration of the plan and payment to the beneficiaries from plan assets when required in accordance with the plan rules
- management and investment of the plan assets
- compliance with superannuation law and other applicable regulations.

The prudential regulator, the Australian Prudential Regulation Authority, licenses and supervises regulated superannuation plans.

(d) Description of risks

There are a number or risks to which the Plan exposes the Commission. The more significant risks relating to the defined benefits are:

- *investment risk* – the risk that investment returns will be lower than assumed and the Commission will need to increase contributions to offset this shortfall.
- *salary growth risk* – the risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- *legislative risk* – the risk that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit assets are invested in the Mercer Cash investment option. The assets are diversified within this investment option and therefore the Plan has no significant concentration of investment risk.

(e) Description of significant events

During the year, the Commission has determined to wind up the Plan in September 2014. As a result, an amount of $138 000 was included in the superannuation expense for the year ending 30 June 2014 as a curtailment loss from revaluing the liabilities for all members as the deferred leaving service benefit in anticipation of their entitlements following the Plan wind up.

(f)	***Reconciliation of the net defined benefit asset (liability)***	2014 $'000	2013 $'000
	Net defined benefit asset (liability) at 1 July	(561)	(1 421)
	Current service cost	(269)	(389)
	Net interest	(13)	(32)
	Past service cost	(138)	33
	Actual return on plan assets less interest income	430	730
	Actuarial losses (gains) arising from changes in financial assumptions	142	192
	Actuarial losses (gains) arising from liability experience	(40)	6
	Employer contributions	230	320
	Net defined benefit asset (liability) at 30 June	(219)	(561)

(g)	***Reconciliation of the fair value of plan assets***		
	Fair value of plan assets at 1 July	7 670	6 379
	Interest income	183	168
	Actual return on plan assets less interest income	430	730
	Employer contributions	230	320
	Contributions by plan participants	80	162
	Benefits paid	(4 357)	(302)
	Taxes, premiums and expenses paid	(131)	(122)
	Transfers in	1	335
	Fair value of plan assets at 30 June	4 106	7 670

(h)	***Reconciliation of the defined benefit obligation***		
	Present value of defined benefit obligation at 1 July	8 231	7 800
	Current service cost	269	389
	Interest cost	196	200
	Contributions by plan participants	80	162
	Actuarial losses (gains) arising from changes in financial assumptions	(142)	(192)
	Actuarial losses (gains) arising from liability experience	40	(6)
	Benefits paid	(4 357)	(302)
	Taxes, premiums and expenses paid	(131)	(122)
	Transfers in	1	335
	Past service costs	138	(33)
	Present value of defined benefit obligation at 30 June	4 325	8 231

(i) ***Reconciliation of the effect of the asset ceiling***

The asset ceiling has no impact on the net defined benefit (liability) asset.

(j) ***Fair value of plan assets***

2014 Asset category:	Quoted prices in active markets for identical assets Level 1 $'000	Significant observable inputs Level 2 $'000	Unobservable inputs Level 3 $'000	Total $'000
Cash and cash equivalents	-	-	-	-
Equity instruments	-	-	-	-
Debt instruments	-	-	-	-
Derivatives	-	-	-	-
Real estate	-	-	-	-
Investment funds - Mercer cash*	-	4 106	-	4 106
Asset-based securities	-	-	-	-
Structured debt	-	-	-	-
Total	-	4 106	-	4 106

* The Mercer Cash investment option is a low risk cash investment which is invested in 100% cash assets.

(j) Fair value of plan assets (continued)

The percentage invested in each asset class at the reporting date is:

	2014	2013
	%	%
Australian equity	-	24
International equity	-	34
Fixed income	-	19
Property	-	5
Alternative assets	-	14
Cash^	100	4
Total plan assets	100	100

^ Asset allocation as at 30 June 2014 is currently unavailable. Asset allocation at 31 May 2014 has been used.

(k) Fair value of entity's own financial instruments

The fair value of plan assets includes no amounts relating to:

- any of the Commission's own financial instruments
- any property occupied by, or other assets used by, the Commission.

(l) Significant actuarial assumptions at the reporting date

	2014	2013
Assumptions to determine defined benefit cost	% p.a.	% p.a.
Discount rate	3.5	2.9
Expected salary increase rate	3.5	3.5
Assumptions to determine benefit obligation (DBO)		
Discount rate	3.5	3.5
Expected salary increase rate	3.0	3.5

The DBO has been set to the deferred leaving service benefits in anticipation of the Plan winding up in 2014-15.

(m) Asset/Liability matching strategies

There are no asset and liability matching strategies adopted by the Plan.

(n) Funding arrangements

The financing objective adopted at the 30 June 2012 actuarial investigation of the Plan, in a report dated 11 April 2013, is to maintain the value of the Plan's assets at least equal to:

- 100% of accumulation account balances
- 105% of vested benefits for defined benefit members over the period to the next investigation.

In that valuation, it was recommended that the Commission contributes to the Plan as follows:

Category	*01.07.12 to 30.06.13*	*From 01.07.13*
Defined benefit members	14.4% of salaries	17% of salaries
Accumulation members	9% of ordinary times earnings (increasing to 9.25% from 1 July 2013 and to 9.5% from 1 July 2014 as required under Superannuation Guarantee legislation).	
Top up on defined benefit member exit	In the event that a member elects to take a deferred leaving service benefit, the additional payment would represent the shortfall for that member, if any, between their vested benefit and their deferred leaving service benefit. It may also be necessary to make an additional contribution in the event of the death or permanent disablement of a member aged less than 55.	

This recommended contribution program is expected, on the basis of the actuarial assumptions adopted for this investigation, to enable the Plan to meet its financing objectives over the period to 30 June 2015.

In anticipation of the Plan wind-up, the recommendation of a top-up if a member elects a deferred leaving service benefit will no longer apply. If required, the Commission will make any top up contributions to ensure the Plan has enough assets to meet the transfer value.

(o) Maturity profile of the DBO

The weighted average duration of the DBO as at 30 June 2014 is eight years assuming Plan continuity. The duration is used to set the discount rate when valuing curtailment impact.

The expected benefits for the year ending 30 June 2015 will be determined as the transfer value of the Plan at the wind-up date. As at 30 June 2014, the transfer value determined as the deferred leaving service benefit is estimated to be $4.292 million.

29. Transactions with SA Government

As required by APF II, APS 4.1 the following table discloses revenues, expenses, receivables and payables 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	
		2014	2013	2014	2013	2014	2013
		$'000	$'000	$'000	$'000	$'000	$'000
Income:	5						
Sales revenue		-	-	428 860	462 145	428 860	462 145
Cost of sales:							
Prizes		-	-	(257 211)	(278 721)	(257 211)	(278 721)
Gambling tax on NGR		(70 378)	(75 202)	-	-	(70 378)	(75 202)
Agents' commissions		-	-	(31 919)	(34 233)	(31 919)	(34 233)
GST on NGR paid to the ATO		-	-	(15 605)	(16 690)	(15 605)	(16 690)
Total cost of sales	6	(70 378)	(75 202)	(304 735)	(329 644)	(375 113)	(404 846)
Interest revenue		-	817	-	207	-	1 024
Revenues from SA Government	7	4 360	7 526	-	-	4 360	7 526
Other revenues	8	2 557	362	4 868	9 398	7 425	9 760
Total income (excluding net gain (loss) from disposal of non-current assets)		(63 461)	(66 497)	128 993	142 106	65 532	75 609
Expenses:	9						
Employee benefits expenses		446	467	6 812	8 497	7 258	8 964
Supplies and services:	11						
Marketing and promotions		-	-	14	4 037	14	4 037
Computer operations		24	26	1 662	3 317	1 686	3 343
Tickets, coupons, terminal rolls and ribbons		-	-	-	1 748	-	1 748
Operating leases		161	105	1 001	777	1 162	882
Other occupancy costs		3	9	463	573	466	582
Distribution and freight to agents		-	-	-	128	-	128
Motor vehicle fleet costs		56	166	-	-	56	166
Internal audit fees		-	-	171	97	171	97
External audit fees		185	160	-	-	185	160
Training costs		1	-	7	148	8	148
Insurance		5	38	-	1	5	39
Temporary staff and contractors		-	-	30	59	30	59
Gambling tax - other		-	17	-	(22)	-	(5)
Consultancies		-	-	26	18	26	18
Bad debts		-	-	-	5	-	5
Other		20	2	211	924	231	926
Total supplies and services		455	523	3 585	11 810	4 040	12 333
Master Agent fee	12	-	-	53 747	30 826	53 747	30 826
Total expenses (excluding depreciation and amortisation and net loss from disposal of non-current assets)		901	990	64 144	51 133	65 045	52 123
Financial assets:							
Receivables:	17						
Current:							
Agent debtors		-	-	2 416	2 133	2 416	2 133
Prize settlements receivable from Blocs		-	-	837	1 108	837	1 108
Sundry receivables		-	110	795	2 326	795	2 436
Prepayments		5	-	-	8	5	8
Total current receivables		5	110	4 048	5 575	4 053	5 685

29. Transactions with SA Government (continued)

	Note	SA Government 2014 $'000	SA Government 2013 $'000	Non-SA Government 2014 $'000	Non-SA Government 2013 $'000	Total 2014 $'000	Total 2013 $'000
Financial liabilities:							
Payables:	19						
Current:							
Creditors and accrued expenses		380	247	127	573	507	820
Prizes payable		-	-	13 271	15 793	13 271	15 793
GST payable		-	-	606	653	606	653
Undistributed funds		5 915	6 649	-	-	5 915	6 649
Employment on-costs		23	110	21	116	44	226
Total current payables		6 318	7 006	14 025	17 135	20 343	24 141
Non-current:							
Prizes payable		-	-	1 125	1 350	1 125	1 350
Employment on-costs		5	5	4	5	9	10
Total non-current payables		5	5	1 129	1 355	1 134	1 360
Total payables		6 323	7 011	15 154	18 490	21 477	25 501

Department for Manufacturing, Innovation, Trade, Resources and Energy

Functional responsibility

Establishment

The Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE or the Department) is an administrative unit established under the PSA.

The Chief Executive of the Department is responsible to the following Ministers:

- Minister for the Public Sector
- Minister for Mineral Resources and Energy
- Minister for Manufacturing and Innovation
- Minister for Investment and Trade
- Minister for Automotive Transformation
- Minister for Small Business
- Minister for Water and the River Murray.

Functions

The functions of the Department are to:

- connect industry, community, investors and opportunities
- enable greater innovation and industry capability
- deliver an effective regulatory environment.

For details of the Department's objectives refer note 1 to the financial statements.

Audit mandate and coverage

Audit authority

Audit of the financial report

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

Assessment of controls

Section 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Department 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 2013-14, specific areas of audit attention included:

- expenditure, grants and accounts payable
- employee benefits
- revenue, including mining and petroleum application fees, rentals and licences
- cash management, including bank reconciliations
- fixed assets
- general ledger
- administered income - royalties.

The audit took into account the controls and procedures performed by service providers including SSSA.

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 for Manufacturing, Innovation, Trade, Resources and Energy as at 30 June 2014, 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 Manufacturing, Innovation, Trade, Resources and Energy in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for all the matters outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department for Manufacturing, Innovation, Trade, Resources and Energy have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit of DMITRE were detailed in a management letter to the Chief Executive. The main matters raised with DMITRE and the related responses are detailed below.

Expenditure

Purchase orders

DMITRE officers are not consistently raising purchase orders for purchases that are not exempted from this requirement by the Department's procurement policy.

DMITRE responded that staff will be reminded to raise purchase orders when required and will review exemption listings.

Open purchase orders not reviewed

There is no central monitoring of the level and age of open purchase orders recorded in Basware.

DMITRE responded that it will implement a process to ensure that open purchase orders are reviewed.

Goods and services not receipted against purchase orders

DMITRE officers are not consistently recording receipt of goods and services in Basware prior to invoices being paid. This increases the risk of suppliers being paid for goods and services that have not been received or goods and services already received may be reordered.

DMITRE responded that staff will be reminded to record the receipt of goods and services against related purchase orders in Basware. Further, additional training will be provided to staff.

Payroll

Review of leave return by employee report

Each month work groups are required to review leave return reports for the accuracy and completeness of employees' leave taken during that period. Any discrepancies or errors detected by certifying officers are noted on the leave return and advised to the DMITRE senior human resources consultant for subsequent actioning by SSSA. The audit found that some work groups are not consistently reviewing leave return reports.

DMITRE responded that the human resources area will continue to issue reminder notices to staff in relation to their obligations on a quarterly basis and noted that an internal audit was conducted in March 2014.

Review of timesheets

Employees use timesheets to:

- record their hours worked
- record leave taken
- manage flexitime arrangements.

Work group managers review timesheets for the accuracy and completeness of their staff's record of hours worked.

Audit found instances where work group managers had either not authorised timesheets or the authorisation was not performed on a timely basis.

DMITRE acknowledged the finding and advised that the Department's expectations regarding the recording of time are outlined in the hours of duty, overtime and attendance reporting procedure.

Revenue

Petroleum licensing revenue

Receipting of non-invoice transactions

As DMITRE does not raise invoices for the application fee and first year annual licence fee relating to petroleum licences, there are no records of these transactions in the Petroleum Processing system. Therefore the monthly reconciliation of the Petroleum Processing system to the Masterpiece accounts receivable system (MPAR) will not identify instances of missing cheques and/or cheques not banked by SSSA.

DMITRE responded that a monthly reconciliation will be undertaken between the cheque register and the general ledger to ensure that all cheques are banked and recorded in the general ledger.

Mineral tenement revenue

Changes made to tenement areas in the Tenement Management system (TMS)

There is no report produced from TMS which identifies changes made to tenement areas, subsequent to initial establishment, for independent review.

DMITRE responded that a project is currently underway to implement the necessary improvements to the TMS.

Lack of segregation of duties

There is a lack of segregation of the duties in relation to the duties performed by the tenements finance officer who is able to raise invoices, receipt and bank cheques and request credit notes be raised in MPAR by SSSA.

DMITRE responded that a monthly review of Mineral and Energy Resources branch credit notes will be performed by officers independent of the other processes mentioned.

Fees in TMS

The systems administrator updates TMS annually for fees prescribed in the Mining Regulations 2011. Two independent officers check the fees entered into TMS to ensure they comply with the regulations.

Apart from this annual review, DMITRE does not have a process which will identify any subsequent, and potentially invalid, changes made to the fees during the year.

DMITRE responded that a report of current fees tables and change records will be established in TMS. These will be independently reviewed on a quarterly basis.

Controls over non-invoiced fees

As DMITRE does not raise invoices for the application fee and first year annual licence fee in relation to mineral tenements, there are no records of these transactions in TMS. Therefore the monthly reconciliation of TMS to MPAR will not identify instances of missing cheques and/or cheques not banked by SSSA.

DMITRE responded that procedures would be implemented to address this issue.

Shared Services SA – financial systems and transaction processing environments

SSSA processes financial transactions on behalf of the Department under service level determinations. The main systems and control environments include accounts payable, payroll and general ledger financial functions.

Last year's Report made specific comment on the progress being taken by SSSA to remediate key control weaknesses raised in prior years for the systems and control environments, in order to achieve a satisfactory ongoing standard of control operation over financial transaction processing.

As discussed in the commentary under 'Department of the Premier and Cabinet' elsewhere in Part B of this Report, audit review and evaluation of controls for the SSSA main accounts payable and payroll systems and environments concluded that controls met a generally satisfactory standard for 2013-14.

Notwithstanding this overall conclusion there were some specific matters that were raised with SSSA for corrective action and review for process and procedural improvement. The matters did not relate to DMITRE transaction processing.

Interpretation and analysis of the financial report

Highlights of the financial report

	2014 $'million	2013 $'million
Expenses		
Employee benefits expenses	59	52
Supplies, services and other expenses	54	53
Grants and subsidies	25	22
Total expenses	138	127
Income		
Mining and petroleum fees and charges	22	17
Other revenues	19	18
Total income	41	35
Net cost of providing services	97	92
Revenues from (Payments to) SA Government		
Revenues from SA Government	96	92
Payments to SA Government	(1)	-
Net result	(2)	-
Other comprehensive income		
Changes in revaluation surplus	2	-
Total comprehensive result	-	-
Net cash provided by (used in) operating activities	3	(3)
Assets		
Current assets	35	29
Non-current assets	25	31
Total assets	60	60
Liabilities		
Current liabilities	27	27
Non-current liabilities	11	11
Total liabilities	38	38
Total equity	22	22

Statement of Comprehensive Income

Net cost of providing services

Expenses increased by $11 million to $138 million and income increased by $6 million to $41 million.

Expenses

The main expenses of DMITRE are employee benefits of $59 million and supplies and services of $51 million which constitute 79% of total expenses.

Employee benefits expenses increased by $6.4 million (12%). This included $4.7 million of TSVPs, early separations and associated annual and LSL payments.

The largest supplies and services expenditure items are:

- energy supply fuel and lubricants of $8 million for the Remote Areas Energy Supplies Scheme
- contractors of $7 million, of which $4 million is for services and maintenance contractors for the Remote Areas Energy Supplies Scheme
- accommodation and service costs of $6 million
- consultancies of $6 million.

Income

DMITRE is predominantly funded by appropriation. Revenues from SA Government were $96 million.

The other main income streams for DMITRE were:

- revenue from fees and charges of $22 million for mining and petroleum application fees, rentals and licences
- technical regulation income of $6 million for gas and electricity where licence fees are levied on industry bodies by the Essential Services Commission of South Australia and received from DTF
- sale of electricity of $5 million for remote areas.

Revenues from fees and charges increased by $4.2 million (24%). The increase was predominantly due to an increase of $3.7 million in revenue from petroleum exploration and production licences registration fees.

Statement of Financial Position

The Statement of Financial Position shows that the most significant items are:

	2014 $'million	2013 $'million
Assets		
Cash and cash equivalents	22	21
Property, plant and equipment	25	31
Liabilities		
Payables	13	12
Employee benefits	16	16

Net assets remained constant at $22 million. Property, plant and equipment and non-current assets held for sale represent 54% of total assets and cash and cash equivalents represent 37% of total assets.

Non-current assets held for sale of $7.5 million relate to the sale of land and buildings at the Glenside Core Library site for which a contract of sale was signed on 1 August 2014.

Statement of Cash Flows

The following table summarises the net cash flows:

	2014 $'million	2013 $'million
Net cash flows		
Operating	3	(3)
Investing	(2)	(1)
Change in cash	1	(4)
Cash at 30 June	22	21

Cash at 30 June 2014 is $22 million. Of this amount, $18 million is held in DMITRE's operating account which includes $6 million in security deposits. DMITRE has claims to these funds if licensees fail to perform legislative requirements.

Administered items

The responsibility for administering the collection of royalties levied on mineral and petroleum production on behalf of the State Government was transferred to DMITRE on 1 January 2012.

During 2013-14 DMITRE administered the collection of $291 million ($189 million) in royalties which were paid to the Consolidated Account. The increase in royalties collected of $102 million is mainly due to:

- a change in the *Mining Act 1971* which now requires major mineral producers to pay mining royalties monthly rather than every six months. This has resulted in additional royalty revenue for this year only, due to the change in the timing of royalty payments
- increased production in the petroleum sector particularly from producers in the Cooper and Eromanga Basins
- a change in the method of calculation of the royalty payable for a major mineral producer.

Further commentary on operations

As proclaimed on 26 June 2014 and in accordance with section 26 of the PSA, the title of the Department for Manufacturing, Innovation, Trade, Resources and Energy is altered to the Department of State Development, effective 1 July 2014.

In addition, the Public Sector (Reorganisation of Public Sector Organisations) Notice 2013 and 2014 (dated 15 June 2014) proclaimed that effective 1 July 2014 the Department of Further Education Employment, Science and Technology, Arts SA, Aboriginal Affairs and Reconciliation Division, Office of the Economic Development Board, Invest in South Australia and Health Industries SA will be transferred to the Department of State Development.

Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Expenses:			
Employee benefits expenses	5	58 680	52 263
Supplies and services	6	50 839	51 173
Depreciation and amortisation expenses	7	2 059	2 290
Grants and subsidies	8	24 846	21 795
Other expenses	9	1 342	8
Net loss from the disposal of non-current assets	17	12	3
Total expenses		137 778	127 532
Income:			
Revenues from fees and charges	12	21 585	17 421
Technical regulation	13	6 384	6 277
Sale of electricity	14	4 630	3 860
Commonwealth revenues	15	1 425	1 116
Interest revenues	16	6	15
Other revenues	18	7 186	6 413
Total income		41 216	35 102
Net cost of providing services		(96 562)	(92 430)
Revenues from (Payments to) SA Government:			
Revenues from SA Government	19	96 064	91 985
Payments to SA Government	19	(1 109)	-
Net result		(1 607)	(445)
Other comprehensive income:			
Items that will not be reclassified to net result:			
Changes in revaluation surplus	24	1 679	5
Total comprehensive result		72	(440)

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

Statement of Financial Position
as at 30 June 2014

	Note	2014 $'000	2013 $'000
Current assets:			
Cash	20	22 493	21 379
Receivables	21	4 966	6 588
Financial assistance debtors	22	16	517
Non-current assets classified as held for sale	23	7 500	-
Total current assets		34 975	28 484
Non-current assets:			
Financial assistance debtors	22	-	453
Property, plant and equipment	24	25 088	30 661
Total non-current assets		25 088	31 114
Total assets		60 063	59 598
Current liabilities:			
Payables	26	12 592	11 498
Employee benefits	27	6 906	6 822
Provisions	28	134	139
Other liabilities	29	7 170	8 294
Total current liabilities		26 802	26 753
Non-current liabilities:			
Payables	26	595	558
Employee benefits	27	9 431	8 903
Provisions	28	466	475
Other liabilities	29	1 058	1 297
Total non-current liabilities		11 550	11 233
Total liabilities		38 352	37 986
Net assets		21 711	21 612
Equity:			
Retained earnings		16 152	17 732
Revaluation surplus		5 559	3 880
Total equity		21 711	21 612

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	30		
Contingent assets and liabilities	31		

Statement of Changes in Equity
for the year ended 30 June 2014

	Note	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2012		3 875	17 200	21 075
Prior period adjustment		-	370	370
Restated balance at 30 June 2012		3 875	17 570	21 445
Net result for 2012-13		-	(445)	(445)
Total comprehensive result for 2012-13		-	(445)	(445)
Revaluation of plant and equipment		5	-	5
Balance at 30 June 2013		3 880	17 125	21 005
Prior period adjustment		-	607	607
Restated balance at 30 June 2013		3 880	17 732	21 612
Net result for 2013-14		-	(1 607)	(1 607)
Revaluation of plant and equipment	24	1 679	-	1 679
Total comprehensive result for 2013-14		1 679	(1 607)	72
Net assets transferred as a result of an administrative restructure	32	-	27	27
Balance at 30 June 2014		5 559	16 152	21 711

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

Statement of Cash Flows
for the year ended 30 June 2014

		2014	2013
		Inflows	Inflows
		(Outflows)	(Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Cash outflows:			
Employee benefits payments		(58 045)	(62 588)
Payments for supplies and services		(57 740)	(66 838)
GST paid to the ATO		(704)	(602)
Payments for security deposits		(214)	(1 151)
Payments for grants and subsidies		(24 492)	(24 424)
Payments for Paid Parental Leave Scheme		(101)	(44)
Cash used in operations		(141 296)	(155 647)
Cash inflows:			
Fees and charges		20 652	24 114
Receipts from technical regulation		6 384	7 993
Receipts from sale of electricity		4 683	5 154
Commonwealth revenues		1 569	1 068
Interest received		8	13
GST recovered from the ATO		6 476	6 519
Receipts for security deposits		73	7 169
Receipts from Paid Parental Leave Scheme		101	44
Receipts from restructure activities		-	2 130
Proceeds from the repayment of financial assistance		2	22
Other receipts		9 288	6 495
Cash generated from operations		49 236	60 721
Cash flows from SA Government:			
Receipts from SA Government		96 064	91 985
Payments to SA Government		(1 109)	-
Cash generated from SA Government		94 955	91 985
Net cash provided by (used in) operating activities	34	2 895	(2 941)
Cash flows from investing activities:			
Cash outflows:			
Purchase of property, plant and equipment		(1 787)	(1 044)
Cash used in investing activities		(1 787)	(1 044)
Cash inflows:			
Proceeds from sale of property, plant and equipment		6	125
Cash generated from investing activities		6	125
Net cash provided by (used in) investing activities		(1 781)	(919)
Net increase (decrease) in cash		1 114	(3 860)
Cash as at 1 July		21 379	25 239
Cash as at 30 June	20,34	22 493	21 379

Disaggregated Disclosures - Expenses and Income
for the year ended 30 June 2014

(Activities - refer note 4)	1		2		3		4	
	2014	2013	2014	2013	2014	2013	2014	2013
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefits expenses	-	174	251	1 234	42 165	38 135	728	896
Supplies and services	-	1 166	32	323	37 532	37 037	489	851
Depreciation and amortisation expenses	-	-	-	-	1 251	1 550	40	59
Grants and subsidies	-	-	-	5	12 911	12 919	285	252
Other expenses	-	-	-	-	1007	6	13	-
Net loss from the disposal of non-current assets	-	-	-	-	9	95	-	3
Total expenses	-	1 340	283	1 562	94 875	89 742	1 555	2 061
Income:								
Revenues from fees and charges	-	-	-	-	21 585	17 421	-	-
Technical regulation	-	-	-	-	6 384	6 277	-	-
Sale of electricity	-	-	-	-	4 630	3 860	-	-
Commonwealth revenues	-	-	-	-	760	177	1	-
Interest revenues	-	-	-	-	4	12	-	-
Other revenues	-	-	-	1	3 662	3 011	35	52
Total income	-	-	-	1	37 025	30 758	36	52
Net cost of providing services	-	(1 340)	(283)	(1 561)	(57 850)	(58 984)	(1 519)	(2 009)
	-							
Revenues from (Payments to) SA Government:								
Revenues from SA Government	-	-	-	-	-	-	-	-
Payments to SA Government	-	-	-	-	-	-	-	-
Net result	-	(1 340)	(283)	(1 561)	(57 850)	(58 984)	(1 519)	(2 009)

(Activities - refer note 4)	5		6		7	
	2014	2013	2014	2013	2014	2013
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefits expenses	1 258	730	6 394	5 279	7 884	5 815
Supplies and services	809	546	4 994	6 489	5 114	4 761
Depreciation and amortisation expenses	-	-	364	385	404	296
Grants and subsidies	-	-	666	1 665	10 944	6 954
Other expenses	-	-	147	1	175	1
Net loss from the disposal of non-current assets	-	-	1	(107)	2	12
Total expenses	2 067	1 276	12 566	13 712	24 523	17 839
Income:						
Revenues from fees and charges	-	-	-	-	-	-
Technical regulation	-	-	-	-	-	-
Sale of electricity	-	-	-	-	-	-
Commonwealth revenues	-	-	337	338	327	601
Interest revenues	-	-	1	2	1	1
Other revenues	2 447	992	239	666	802	1 691
Total income	2 447	992	577	1 006	1 130	2 293
Net cost of providing services	380	(284)	(11 989)	(12 706)	(23 393)	(15 546)
Revenues from (Payments to) SA Government:						
Revenues from SA Government	-	-	-	-	-	-
Payments to SA Government	-	-	-	-	-	-
Net result	380	(284)	(11 989)	(12 706)	(23 393)	(15 546)

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2014 (continued)

(Activities - refer note 4)	8		General/ Not attributable		Total	
	2014	2013	2014	2013	2014	2013
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefits expenses	-	-	-	-	58 680	52 263
Supplies and services	1 869	-	-	-	50 839	51 173
Depreciation and amortisation expenses	-	-	-	-	2 059	2 290
Grants and subsidies	40	-	-	-	24 846	21 795
Other expenses	-	-	-	-	1 342	8
Net loss from the disposal of non-current assets	-	-	-	-	12	3
Total expenses	1 909	-	-	-	137 778	127 532
Income:						
Revenues from fees and charges	-	-	-	-	21 585	17 421
Technical regulation	-	-	-	-	6 384	6 277
Sale of electricity	-	-	-	-	4 630	3 860
Commonwealth revenues	-	-	-	-	1 425	1 116
Interest revenues	-	-	-	-	6	15
Other revenues	1	-	-	-	7 186	6 413
Total income	1	-	-	-	41 216	35 102
Net cost of providing services	(1 908)	-	-	-	(96 562)	(92 430)
Revenues from (Payments to) SA Government:						
Revenues from SA Government	-	-	96 064	91 985	96 064	91 985
Payments to SA Government	-	-	(1 109)	-	(1 109)	-
Net result	(1 908)	-	94 955	91 985	(1 607)	(445)

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Disaggregated Disclosures - Assets and Liabilities as at 30 June 2014

(Activities - refer note 4)	1		2		3		4	
	2014	2013	2014	2013	2014	2013	2014	2013
Assets:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash	-	-	-	-	8 375	8 003	-	-
Receivables	-	-	3	-	3 624	3 234	-	-
Financial assistance debtors	-	-	-	-	-	-	16	-
Non-current assets classified as held for sale	-	-	-	-	7 500	-	-	-
Property, plant and equipment	-	-	-	-	19 021	26 242	-	-
Total assets	-	-	3	-	38 520	37 479	16	-
Liabilities:								
Payables	-	119	-	-	8 380	8 053	39	66
Employee benefits	-	-	-	-	11 500	11 391	232	198
Provisions	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	6 843	7 890	-	-
Total liabilities	-	119	-	-	26 723	27 334	271	264
Net assets	-	(119)	3	-	11 797	10 145	(255)	(264)

(Activities - refer note 4)	5		6		7	
	2014	2013	2014	2013	2014	2013
Assets:	$'000	$'000	$'000	$'000	$'000	$'000
Cash	-	-	281	214	-	-
Receivables	-	-	60	95	120	1 263
Financial assistance debtors	-	-	-	-	-	970
Non-current assets classified as held for sale	-	-	-	-	-	-
Property, plant and equipment	-	-	226	300	-	-
Total assets	-	-	567	609	120	2 233
Liabilities:						
Payables	44	117	527	461	2 169	1 206
Employee benefits	427	702	2 146	1 732	2 028	1 442
Provisions	-	-	-	-	-	-
Other liabilities	-	-	-	-	60	62
Total liabilities	471	819	2 673	2 193	4 257	2 710
Net assets	(471)	(819)	(2 106)	(1 584)	(4 137)	(477)

(Activities - refer note 4)	8		General/ Not attributable		Total	
	2014	2013	2014	2013	2014	2013
Assets:	$'000	$'000	$'000	$'000	$'000	$'000
Cash	-	-	13 837	13 162	22 493	21 379
Receivables	-	-	1 159	1 996	4 966	6 588
Financial assistance debtors	-	-	-	-	16	970
Non-current assets classified as held for sale	-	-	-	-	7 500	-
Property, plant and equipment	-	-	5 841	4 119	25 088	30 661
Total assets	-	-	20 837	19 277	60 063	59 598
Liabilities:						
Payables	64	-	1 964	2 034	13 187	12 056
Employee benefits	-	-	4	260	16 337	15 725
Provisions	-	-	600	614	600	614
Other liabilities	-	-	1 325	1 639	8 228	9 591
Total liabilities	64	-	3 893	4 547	38 352	37 986
Net assets	(64)	-	16 944	(16 290)	21 711	21 612

Assets and liabilities have only been allocated to activities where this can be done reliably.

Property, plant and equipment assets are only allocated where there is exclusive custody, control and regulation of the use of the asset, by a specific activity.

Where this criteria is not met then the asset value is classified as general/not attributable.

Notes to and forming part of the financial statements

1. Objectives of the Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE or the Department)

DMITRE has a vision of a globally competitive, prosperous and sustainable South Australia. To create and capture value for South Australia DMITRE is focused on delivering results through:

- working with a wide range of stakeholders such as manufacturers, industry associations, unions, research entities and other government agencies to support and facilitate the growth of high value, advanced manufacturing in South Australia
- supporting the mineral and energy resources sectors to deliver outcomes that continue to build South Australia's international profile and strengthen the State's economic prosperity through sustainable development and best practice regulation
- providing advice on energy frameworks and programs that seek to deliver a competitive, sustainable, safe, reliable and efficient supply and use of energy, for the benefit of the South Australian community
- attracting investment and economic development to the State through promoting South Australia and its investment opportunities to international and domestic capital markets, and to influence the way government approaches investors
- providing specialised facilitation of resource projects that are significant in terms of size and complexity, guiding proposed projects through the Government's policy, planning, technical, legal, financial and environmental requirements to enable approval and implementation
- supporting a values-based cultural change program, designed to create a dynamic and productive public sector with an emphasis on citizen-centric service delivery to achieve greater productivity, innovation and collaboration.

Its strategic objectives are to:

- leverage the value from our major projects for all South Australians
- attract and facilitate targeted business and infrastructure investment
- enable accessible and sustainable energy and resources
- drive the transition to high-value innovative manufacturing
- deliver and advocate trusted regulation and targeted programs.

2. Summary of significant accounting policies

(a) Statement of compliance

The Department has prepared these statements in compliance with section 23 of the PFAA. The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and comply with TIs and APS promulgated under the provisions of the PFAA.

The Department has applied AASs that are applicable to not-for-profit entities, as the Department is a not-for-profit entity.

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 2014 (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 judgement in the process of applying the Department's accounting policies. The areas involving a higher degree of judgement 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 APSs require the following note disclosures, which have been included in this financial report:

(b) Basis of preparation (continued)

(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. The threshold of $100 000 for separate identification of these items has not been applied

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

(c) employee TVSP information

(d) employees whose normal remuneration is equal 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 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 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 2014 and the comparative information presented.

(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 include all the controlled activities of the Department. As administered items are insignificant (on a net basis) in relation to the Department's overall financial performance and position, they are disclosed in the schedule of administered items at the end of the controlled general purpose financial statements. 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 2013 (dated 5 September 2013) declared that Invest in South Australia was transferred from DMITRE to DPC effective 5 September 2013 (refer note 32).

The Public Sector (Reorganisation of Public Sector Operations) Notice 2013 (dated 21 November 2013) declared that the Population and Migration Policy Unit was transferred from DPC to DMITRE effective 1 December 2013 (refer note 32).

(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 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.

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

(f) Rounding

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

(g) Taxation

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

(h) Events after the reporting period

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 (refer note 36).

(i) 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.

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 following are specific recognition criteria:

Revenues from SA Government

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

Fees and charges

Fees and charges are recognised as revenues upon invoice and mainly relate to mining and petroleum application fees, rentals and licences.

Commonwealth revenues

Commonwealth grants are recognised as revenues when the Department obtains control over the funding. Control over grants is normally obtained upon receipt.

Recoveries

The Department recognises other revenues from the partial and full recovery of costs associated with the delivery of programs.

Land sales

On 10 May 2004, Cabinet approved the transfer of land at Edinburgh Parks (Stages 0, 1 and 3) to the Urban Renewal Authority, effective 1 July 2004. In accordance with the contractual agreement, the Department is entitled to receive 25% of the net profit arising from the sale of Stage 0 and the net proceeds of Stages 1 and 3 sales. All income is recognised upon sale of land (refer note 18).

Administered - royalty receipts

Royalty revenue relates to minerals and petroleum production and is collected pursuant to the *Roxby Downs (Indenture Ratification) Act 1982*, *Whyalla Steel Works Act 1958*, *Mining Act 1971* and the *Petroleum and Geothermal Energy Act 2000*. Royalty revenue is recognised as income in the period the revenue relates to when the timing and value of the receipt is certain.

Net gain 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 has been determined by comparing proceeds with the carrying amount. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

Any gain (loss) on disposal of non-current assets is recognised at the date control of the asset is passed to the buyer and is determined after deduction from proceeds of the asset at that time.

(j) 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.

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 following are specific recognition criteria:

Employee benefits expenses
Employee benefits expenses 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 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.

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.

Works of art controlled by the Department have very long and indeterminate useful lives. Their service potential has not, in any material sense been consumed during the reporting period. Consequently, no depreciation has been recognised.

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 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)*
Buildings	25-80
Leasehold improvements	Life of lease
Plant and equipment	2-60
Intangibles/Software	3-10

Grants and subsidies
Financial assistance is provided from State and Commonwealth funds. Proposals and applications for funding under various support programs and schemes are subject to specific guidelines and procedures issued by the Department and the Commonwealth. There are several approval delegations dependent upon the level and nature of assistance provided.

Grants and subsidies (continued)
In some cases, the provision of assistance does not involve the direct outlay of funds by the Department. Assistance packages may involve elements of assistance provided through other government agencies, with the Department assuming the overall responsibility for the assistance arrangements. Generally, this is through the provision of purpose-built buildings and exemptions or remissions from certain elements of State taxation.

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

Payments to SA Government
Payments to the SA Government relate to the return of surplus cash pursuant to the cash alignment policy.

(k) 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.

(l) 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 combine 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.

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 its nominal value for Australian accounts while overseas accounts are measured using the exchange rate as per OANDA.com or the nominated overseas offices financial institution as at 30 June.

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

Receivables arise from the partial or full recovery of costs associated with the Department's delivery of programs. Receivables are generally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

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

Financial assistance debtors
Amounts outstanding with respect to financial assistance advances by way of loans are brought to account at their face value. A provision is made where recoverability of amounts is considered doubtful. Conditions relating to some forms of assistance provide that in certain circumstances, loans can be reduced, forgiven or converted to grants.

Non-current assets

- *Non-current assets (or disposal groups) held for sale*
  Non-current assets (or disposal groups) 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. The 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 (or disposal groups) held for sale (continued)*
  Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the Statement of Financial Position. The liabilities of a disposal group classified as held for sale are also presented separately from other liabilities in the Statement of Financial Position.

- *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 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.

  All non-current tangible assets with a value equal to or in excess of $10 000 are capitalised, with the exception of works of art. All works of art are capitalised irrespective of their value.

  The office fitout (including workstations) is reported under leasehold improvements and is depreciated over the life of the lease (10 years).

- *Revaluation of non-current assets*
  All non-current tangible assets are valued at 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 Department revalues its land, buildings, leasehold improvements, works of art, core library, and energy distribution and generation assets via an independent Certified Practicing Valuer or internal estimates based on indices or recent transactions. A valuation appraisal by an independent Certified Practicing Valuer is performed at least every six years.

  If at any time, management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

  Any revaluation increment is credited to the 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 revaluation surplus to the extent of the credit balance existing in revaluations 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 relating to that asset is transferred to retained earnings.

- *Impairment*
  All non-current 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 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 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 Department only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

Intangible assets (continued)
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.

Subsequent expenditure on intangible assets has not been capitalised. This is because the Department has been unable to attribute this expenditure to the intangible asset rather than to the Department as a whole.

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

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

Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

Level 3: not traded in an active market and are derived from unobservable inputs.

Non-financial assets
In determining fair value, the Department has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The Department's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the Department did not identify any factors to suggest an alternative use, fair value measure was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than $1 million or had an estimated useful life that was less than three years are deemed to approximate fair value.

Refer notes 23, 24 and 25 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

(m) 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.

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

Payables (continued)
The Paid Parental Leave Scheme payable represents amounts which the Department has received from the Commonwealth Government to forward onto eligible employees via the Department's standard payroll processes. That is, the Department 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, are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

Employee benefits on-costs include payroll tax, workers compensation and superannuation contributions in respect to outstanding liabilities for salaries and wages, LSL, annual leave and SERL.

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 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 Department has assessed whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Department has entered into operating leases in relation to office accommodation and motor vehicles for its administrative and operating activities.

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.

Financial guarantees
At the time a financial guarantee contract is issued, it is recognised as a contingent liability as it is not expected that the guarantee will be called upon. In determining the value of the indemnities provided by the Department, consideration has been given to the following:

- for those properties indemnified by the Minister for Manufacturing and Innovation and subject to lease where the historical cost or borrowing from SAFA remains, the value has been calculated using historical cost less the valuation of the property as at 30 June 2014
- for those properties that are subject to a deferred purchase agreement where the client is paying principal and interest repayments, the value has been calculated using the value of the loan outstanding as at 30 June 2014 less the most recent property or rating valuation.

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 2014 (there was no material liability recognised for financial guarantee contracts in 2013).

Whilst no liability has been recognised for financial guarantee contracts, further note disclosures relating to financial guarantees are contained at note 31.

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 their nominal amounts.

Salaries and wages, annual leave, SERL and sick leave
The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and the SERL liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

LSL

The liability for LSL is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for LSL is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

The unconditional portion of the LSL provision is classified as current as the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of LSL relates to an unconditional legal entitlement to payment arising after 10 years of service.

Provisions

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 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 2014 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 Department is responsible for the payment of workers compensation claims.

(n) 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 payable to, or recoverable from, the ATO the commitments and contingencies are disclosed on a gross basis.

(o) Prior period adjustments

Prior period adjustments have been processed that have resulted in a $607 000 increase in equity.

An increase of $173 000 has been made to correct an amount incorrectly reflected as an accrued expense as at 30 June 2012. The amount related to anticipated expenditure for a legal settlement and should have been reflected as a contingent liability instead of expenditure. The matter has been ruled by the Supreme Court in the favour of the Department so no liability now exists.

An increase of $132 000 has been made to correct provision for doubtful debts, relating to 2011-12.

An increase of $5000 due to loans not reflected as repaid in 2012-13 and an increase of $2000 relating to a 2012-13 accrued expense correction.

A decrease of $51 000 was made to clear out a residual balance in payables - creditors and accrued expenses from Department of Planning, Transport and Infrastructure associated with 2011-12 machinery of government changes.

An increase of $346 000 has been made to correct payroll on-costs for LSL and SERL relating to 2012-13.

3. New and revised accounting standards and policies

The Department did not voluntarily change any of its accounting policies during 2013-14.

In accordance with the new AASB 13, which became effective for the first time in 2013-14, the Department has:

- reviewed its fair value valuation techniques (both internal estimates and independent valuation appraisal) for non-financial assets to ensure they are consistent with the standard. Previously, the Department has used the cost approach or the market approach to determine fair value. The Department will continue to measure its non-financial assets using either the cost or market approach. The application of AASB 13 has not had a material impact on the fair value measurements
- included additional disclosures where required to assist users in assessing the valuation techniques and inputs used to ascertain fair value measurements used for asset and liability measurements.

Fair value hierarchy and other information is provided in notes 23, 24 and 25.

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 2014.

4. Activities of the Department

The Department has identified eight broad activities that reflect the nature of the services delivered to the South Australian community. The activities related to public sector renewal have been reflected as part of DPC from 1 July 2013 but this has not been treated as transferred functions. The activities undertaken under economic development were transferred out as part of the machinery of government changes, effective 5 September 2013. The activities and their objectives of the Department are:

Activity 1: Public Sector Renewal

This activity will lead a values-based cultural change program in partnership with agencies and employees across the public sector. All participants collaborate to identify and embed values that are critical to better service delivery in the 21st century. This activity was transferred to DPC.

Activity 2: Economic Development

This activity supports the development and implementation of the State's economic strategy. This activity was transferred to DPC.

Activity 3: Mineral Resources and Energy

This activity supports the vision of the mineral resources and energy development program to continue South Australia's reputation as a leading mineral investment destination. It includes managing the State's mineral and energy resources, delivering the Plan for Accelerating Exploration (PACE 2020) programs, facilitating the South Australian and Commonwealth Governments' interaction with BHP Billiton for the approval of the Olympic Dam expansion, providing policy advice and coordination of energy market reforms and enforcement of energy related technical and safety regulation.

Activity 4: Opportunities for Small Business

This activity supports small businesses to establish, grow and be sustainable, complemented by the role of the Small Business Commissioner.

Activity 5: Water Industry Technical and Safety Regulation

This activity supports the enforcement, compliance and protection of technical and safety regulation of plumbing and equipment.

Activity 6: Globally Integrating the SA Economy

This activity supports sustainable economic growth by building on South Australia's competitive advantages. It includes facilitating investment, account management of key businesses, case management of major projects across the State, trade and population and migration.

Activity 7: Manufacturing and Innovation

This activity will assist the development and improve the efficiency and international competitiveness of South Australian manufacturers, by driving and encouraging research and development, investment in innovation and capability development.

Activity 8: Automotive Transformation

This activity will support companies operating within the supply chain to successfully diversify and secure alternate revenue streams to drive sustainable growth, long-term employment and potential for export revenues.

5. Employee benefits expenses

	Note	2014 $'000	2013 $'000
Salaries and wages		42 112	39 283
TVSPs (refer below)		2 958	365
LSL		1 951	1 200
Annual leave		3 668	3 675
SERL		188	221
Employment on-costs - superannuation		4 782	4 466
Employment on-costs - other		2 655	2 433
Workers compensation		122	304
Board fees	33	244	316
Total employee benefits expenses		58 680	52 263

TVSPs and early terminations

	2014	2013
Amount paid during the reporting period to these employees:		
TVSPs	2 958	365
Early terminations	501	-
Annual leave and LSL paid to those employees	1 181	130
Employment on-costs (payroll tax and SSSA processing fees)	123	54
Redeployment training support*	-	1
	4 763	550
Recovery from DTF	(3 636)	(1 007)
Net cost to the Department	1 127	(457)

The number of employees who received a TVSP or early termination payment during 2013-14 was 28 (2).

The recovery from DTF ($3.636 million) is reflected in the financial statements as revenues from SA Government. This includes contingency appropriation of $2.618 million. The balance of $1.018 million is attributable to reimbursement of leave payments and payroll tax from DTF and is reflected in the movement in deposits with the Treasurer - accrual appropriation (refer note 20).

* The recovery from DTF includes $0 ($1000) for redeployment training support, included in staff related expenses in supplies and services (refer note 6).

Remuneration of employees

The number of employees whose remuneration received or receivable falls within the following bands:	2014 Number	2013 Number
$138 000 - $141 499*	n/a	2
$141 500 - $151 499	12	9
$151 500 - $161 499	6	7
$161 500 - $171 499	3	2
$171 500 - $181 499	4	8
$181 500 - $191 499	8	3
$191 500 - $201 499	7	3
$201 500 - $211 499	3	4
$211 500 - $221 499	1	-
$221 500 - $231 499	1	2
$241 500 - $251 499	-	2
$251 500 - $261 499	1	-
$261 500 - $271 499	1	-
$281 500 - $291 499	1	1
$291 500 - $301 499	1	-
$301 500 - $311 499	2	2
$311 500 - $321 499	-	1
$321 500 - $331 499	2	1
$331 500 - $341 499	-	1
$341 500 - $351 499	1	-
$381 500 - $391 499	1	1
$421 500 - $431 499	-	1
$451 500 - $461 499	2	-
$461 500 - $471 499	1	-
Total	58	50

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2012-13.

Remuneration of employees (continued)

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, TVSPs/early terminations, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $12.265 million ($10.03 million).

6. Supplies and services

	Note	2014 $'000	2013 $'000
Accommodation and service costs		6 036	6 132
Accounting and audit fees	10	314	431
Communications and information technology		4 726	4 965
Contractors		7 224	8 288
Consultancies (refer below)		5 864	4 577
Energy supply fuel and lubricants		7 851	7 539
Lease incentive amortisation	29	(240)	(240)
Marketing		1 300	2 290
Overseas trade representation[1]		360	140
Remote Areas Energy Supplies Aboriginal communities infrastructure		3 997	3 257
SSSA fees - other[2]		2 443	2 687
Staff related expenses		1 575	1 682
Travel and related expenses		3 290	3 501
Office administration expenses		6 099	5 924
Total supplies and services		50 839	51 173

The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO due to the Department not holding a tax invoice or payments related to third party arrangements.

(1) Represents payments made to trade organisations relating to activities promoting South Australia.

(2) Represents payments to the Department of Planning, Transport and Infrastructure, Department of Primary Industries and Regions and DPC for the provision of corporate support and project management services.

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	2014 Number	2014 $'000	2013 Number	2013 $'000
Less than $10 000	27	157	17	67
$10 000 - $50 000	35	899	35	800
More than $50 000	37	4 808	18	3 710
Total paid/payable to the consultants engaged	99	5 864	70	4 577

7. Depreciation and amortisation expenses

	2014 $'000	2013 $'000
Depreciation:		
Plant and equipment	929	913
Leasehold improvements	853	885
Total depreciation	1 782	1 798
Amortisation:		
Intangible/Software assets	277	492
Total amortisation	277	492
Total depreciation and amortisation expense	2 059	2 290

8. Grants and subsidies

Class of assistance:		
Industry development	12 162	8 744
Energy	6 048	6 723
Minerals and petroleum	6 042	4 973
Renewables	190	1 049
Other	404	306
Total grants and subsidies	24 846	21 795

9. Other expenses

Bad and doubtful debts	1 232	8
Asset write down	110	-
Total other expenses	1 342	8

10. Auditor's remuneration

	2014	2013
	$'000	$'000
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	172	143
Total audit fees	172	143

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

Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of accounting and audit fees (refer note 6).

11. Overseas representative offices

The following table provides a summary of the financial transactions for the reporting period for overseas offices, where the Department funds their operations. The transactions relating to operating expenses and operating revenues have been included in the financial statements.

The costs relating to overseas representation provided through Austrade are not included in the table below. These costs are shown in note 6 (refer overseas trade representation).

			Total	
	China	India	2014	2013
	$'000	$'000	$'000	$'000
Operating expenses	489	3	492	1 249
Operating revenues	30	-	30	223
Funds advanced to overseas offices towards operating expenses	437	-	437	1 253

Singapore, Dubai and India offices were closed in 2012-13. Residual expenses for India office relates to post-closure contractor and audit fees.

Shanghai office in China was officially closed on 30 June 2013 and post-closure activities have been finalised and funds repatriated to the Department in July 2014.

12. Revenues from fees and charges

	2014	2013
	$'000	$'000
Mining and petroleum application fees, rentals and licences	21 585	17 421
Total revenues from fees and charges	21 585	17 421

13. Technical regulation

Technical regulation - gas and electricity technical regulation and electricity emergency management	6 384	6 277
Total technical regulation	6 384	6 277

Licence fees on industry bodies levied by the Essential Services Commission of South Australia and received via DTF.

14. Sale of electricity

Sale of electricity - remote areas	4 630	3 860
Total sale of electricity	4 630	3 860

15. Commonwealth revenues

Grants:		
TradeStart	321	338
Supplier Access to Major Projects program - Australian Water Access to USA - California	105	105
Supplier Access to Major Projects program - Olympic Dam Expansion	-	6
Supplier Access to Major program - Domain Specialist - Water	204	263
Municipal and Essential Services - Murputja and Watarru Power Station Fuel Contribution	181	177
National Energy Efficiency Buildings	424	-
Street Lighting Energy Efficiency program	48	-
Anangu Pitjantjatjara Yankunytjatjara (APY) Lands Regional Procurement Strategy	72	-
High Performance Workplaces	70	-
Cellulosic Value Chain Technology Roadmap	-	227
Total Commonwealth revenues	1 425	1 116

15. Commonwealth revenues (continued)

Contributions which have conditions of expenditure still to be met as at reporting date were $246 000 ($140 000). These contributions relate to the supplier access to major projects program - Australian Water Access to USA - California, National Energy Efficiency Buildings, Street Lighting Energy Efficiency program and Anangu Pitjantjatjara Yankunytjatjara (APY) Lands Regional Procurement Strategy projects.

Included in revenue is Commonwealth funding for TradeStart. The terms of this grant are that the Department must promote exporting, international business and the Commonwealth Government's trade agenda for a period of approximately three and a half years ending 31 August 2014 (initially 30 June 2014). As the grant is a non-recourse grant it has been recognised upon receipt.

Conditions attached to the contributions relating to the supplier access to major projects - Australian Water Access to USA - California and supplier access to major projects - Olympic Dam Expansion projects state that funds are to be used to facilitate South Australian industry participation where it has full, fair and reasonable opportunity to tender for the supply of goods and services associated with this project. The Olympic Dam Expansion project did not proceed in 2012-13.

The terms of the municipal and essential services - Murputja and Watarru Power Station Fuel Contribution state that the Department is to purchase fuel for power stations at Murputja and Watarru on the APY Lands and offset this cost with the diesel fuel rebate and charges to consumers for power.

Conditions attached to the National Energy Efficiency Buildings are to promote best practice knowledge, capacity, compliance and enforcement systems in energy efficient design, construction and renovations for the residential and small commercial sector. The project will support and facilitate local government and industry to deliver best practice energy efficiency in residential and commercial alterations, additions, renovations and targeted retrofitting.

Street Lighting Energy Efficiency program outlines a comprehensive suite of measures (the National Strategy on Energy Efficiency) to provide a nationally consistent and coordinated approach to improving energy efficiency and thus the productivity of the Australian economy.

APY Lands Regional Procurement Strategy aims to provide support to individuals, families and communities to improve well being, capability and governance. It seeks to change the way government works with Indigenous Australians in a number of priority communities.

The conditions attached to the High Performance Workplaces project are to measure workplace performance characteristics of Northern Adelaide based enterprises and South Australian family businesses. Specifically it will implement the High Performing Workplace Index survey in South Australia through predetermined strategies outlined in the memorandum of understanding.

Conditions attached to the Cellulosic Value Chain Technology Roadmap initiative stem from the SA Government's wish to develop the potential of the forestry resources from South Australian forests, in particular the Limestone Coast region. In order to achieve this, a detailed mapping of the possible commercial ready or near commercial ready technologies and associated high value add industries to be attracted to the area has been carried out.

16. Interest revenues

	2014 $'000	2013 $'000
Interest revenues	6	15
Total interest revenues	6	15

17. Net loss from the disposal of non-current assets

	2014 $'000	2013 $'000
Plant and equipment:		
Proceeds from disposal	6	125
Net book value of assets disposed	(18)	(128)
Total net loss from disposal of non-current assets	(12)	(3)

18. Other revenues

	2014 $'000	2013 $'000
Fuel tax credits	1 623	1 610
Management of extractive areas rehabilitation fund	449	284
Sponsorship revenue	21	51
Recoveries - financial assistance grants	426	323
Recoveries - intra-government transfers - grants	3 243	1 618
Recoveries - other(1)	1 424	2 527
Total other revenues	7 186	6 413

(1) Other recoveries include recoveries from Urban Renewal Authority relating to land sales at Edinburgh Parks of $94 000.

19. Revenues from (Payments to) SA Government

	2014	2013
Revenues from SA Government:	$'000	$'000
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	92 031	86 228
Appropriations under other Acts (pursuant to Treasurer's contingency section 15 of the PFAA)	4 033	5 757
Total revenues from SA Government	96 064	91 985
Payments to SA Government:		
Return of surplus cash pursuant to cash alignment policy	1 109	-
Total payments to SA Government	1 109	-

Total revenues from government consists of $87.056 million ($85.247 million) for operational funding and $4.975 million ($981 000) for capital projects. For details on the expenditure associated with the operational funding and capital funding received (refer notes 5 to 10 and 32).

The amount appropriated to the Department under the annual *Appropriation Act* increased by $9.554 million from the original appropriation budget for 2013-14 of $82.477 million. In addition an advance of $4.033 million ($5.757 million) was received pursuant to Treasurer's contingency. Contingency appropriation in 2013-14 included $375 000 for Remote Areas Energy Supplies Aboriginal Communities infrastructure, $550 000 for essential services infrastructure - Aboriginal Communities, $2.618 million for TVSP reimbursement and $490 000 employee related approvals including enterprise bargaining supplementation.

20. Cash

	2014	2013
	$'000	$'000
Deposits with the Treasurer - operating account	18 189	16 125
Deposits with the Treasurer - accrual appropriation	4 021	5 039
Deposits at call - overseas offices	281	214
Other	2	1
Total cash	22 493	21 379

Deposits with the Treasurer - operating account

Includes cash securities held for mining remediation of $5.877 million ($6.018 million). The Department only has claims to these funds if the licensee fails to perform its legislative requirements (refer note 29).

Deposits with the Treasurer - accrual appropriation

This balance relates to 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. Deposits at call and with the Treasurer earn a floating interest rate, based on daily bank deposit rates. The carrying amount of cash represents fair value.

21. Receivables

	2014	2013
Current:	$'000	$'000
Receivables	2 213	2 970
Allowance for doubtful debts	(103)	(56)
GST input tax recoverable	859	738
Prepayments	276	114
Accrued revenue	1 721	2 822
Total current receivables	4 966	6 588
Total receivables	4 966	6 588

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment losses) 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.

	2014	2013
Movements in the allowance for doubtful debts (impairment loss):	$'000	$'000
Carrying amount at 1 July	(56)	(161)
Decrease (Increase) in the allowance	(88)	105
Amounts recovered during the year	41	-
Carrying amount at 30 June	(103)	(56)

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 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.
(b) Categorisation of financial instruments and risk exposure information - refer note 38.

22. Financial assistance debtors

	2014	2013
Current:	$'000	$'000
Financial assistance debtors	1 225	541
Allowance for doubtful debts	(1 209)	(24)
Total current financial assistance debtors	16	517
Non-current:		
Financial assistance debtors	-	453
Total non-current financial assistance debtors	-	453
Total financial assistance debtors	16	970
Movements in the allowance for doubtful debts (impairment loss):		
Carrying amount at 1 July	(24)	(110)
Increase in the allowance	(1 187)	-
Amounts recovered during the year	2	-
Amounts written off	-	86
Carrying amount at 30 June	(1 209)	(24)

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 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.
(b) Categorisation of financial instruments and risk exposure information - refer note 38.

23. Non-current assets classified as held for sale

	2014	2013
	$'000	$'000
Land and buildings	7 500	-
Total non-current assets classified as held for sale	7 500	-

Land and buildings relate to the Glenside Core Library.

24. Property, plant and equipment

Plant and equipment:		
Plant and equipment at cost (deemed fair value)	4 306	4 290
Accumulated depreciation	(3 070)	(2 918)
Plant and equipment at fair value	10 391	18 578
Accumulated depreciation	-	(9 606)
Total plant and equipment	11 627	10 344
Buildings and leasehold improvements:		
Buildings and leasehold improvements at fair value	8 292	18 981
Accumulated depreciation	(1)	(8 831)
Total buildings and leasehold improvements	8 291	10 150
Intangibles/Software:		
Computer software at cost (deemed fair value)	3 541	3 493
Accumulated amortisation	(2 834)	(2 557)
Total intangible assets	707	936

24. Property, plant and equipment (continued)

	2014	2013
Land:	$'000	$'000
Land at fair value	2 562	9 023
Total land	2 562	9 023
Works of art:		
Works of art at fair value	105	105
Total works of art	105	105
Capital work in progress:		
Work in progress at cost	1 796	103
Total capital work in progress	1 796	103
Total property, plant and equipment	25 088	30 661

Valuation of works of art

The valuation of works of art was performed by Theodore Bruce, an independent valuer, as at 9 May 2013. The valuer arrived at fair value based on recent market transaction for similar items.

Valuation of land and buildings

The valuation of land and buildings was performed by an independent Certified Practicing Valuer from Liquid Pacific Pty Ltd as at 30 June 2014.

The valuer arrived at fair value using the market approach. The valuation was based on recent market transactions for similar land and buildings (non-specialised) in the area and includes adjustments for factors specific to the land and building being valued such as size, location and current use.

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

Reconciliation of non-current assets

The following table shows the movement of non-current assets during 2013-14:

2014	Plant and equipment $'000	Buildings/ Leasehold imprvmnts $'000	Intangibles/ Software $'000	Land $'000	Works of art $'000	Work in progress $'000	Total $'000
Carrying amount at 1 July	10 344	10 150	936	9 023	105	103	30 661
Additions	313	-	48	-	-	2 074	2 435
Capitalisation	-	381	-	-	-	(381)	-
Disposals/Transfers	(18)	-	-	-	-	-	(18)
Revaluation increment (decrement)	1 917	1 198	-	(1 436)	-	-	1 679
Asset write-down	-	(110)	-	-	-	-	(110)
Depreciation and amortisation	(929)	(853)	(277)	-	-	-	(2 059)
Assets reclassified as to assets held for sale	-	(2 475)	-	(5 025)	-	-	(7 500)
Carrying amount at 30 June	11 627	8 291	707	2 562	105	1 796	25 088
2013							
Carrying amount at 1 July	10 737	10 905	969	9 023	100	356	32 090
Additions	575	-	24	-	-	385	984
Capitalisation	43	160	435	-	-	(638)	-
Disposals/Transfers	(98)	(30)	-	-	-	-	(128)
Revaluation increment	-	-	-	-	5	-	5
Depreciation and amortisation	(913)	(885)	(492)	-	-	-	(2 290)
Carrying amount at 30 June	10 344	10 150	936	9 023	105	103	30 661

25. Fair value measurement

Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Department categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2014.

The Department had no valuations categorised into level 1.

2014		Level 2	Level 3	Total
Recurring fair value measurements:	Note	$'000	$'000	$'000
Land	24	2 562	-	2 562
Buildings and leasehold improvements	24	667	7 624	8 291
Plant and equipment	24	-	11 627	11 627
Works of art	24	-	105	105
Total recurring fair value measurements		3 229	19 356	22 585
Non-recurring fair value measurements:				
Land and buildings held for sale*	23	7 500	-	7 500
Total non-recurring fair value measurements		7 500	-	7 500
Total fair value measurements		10 729	19 356	30 085

* Land and buildings held for sale are recorded at market value based on the sales contract.

Comparative information for non-financial assets has not been provided as permitted by the transitional provisions of the new standard.

There were no transfers of assets between levels 1 and 2 fair value hierarchy levels in 2014. The Department's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Valuation techniques and inputs

Valuation techniques used to derive levels 2 and 3 fair values are at notes 23 and 24. There were no changes in valuation techniques during 2014. The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3):

Quantitative information about fair value measurement using significant unobservable inputs (level 3)

Description	*Valuation technique*	*Unobservable inputs*	*Range (weighted average)*
Buildings and leasehold improvements	Depreciated replacement cost (DRC)	Cost per unit area (m^2)	\$450 - \$2500 per m^2 (\$1475 per m^2)
Plant and equipment - core library	DRC	Cost per unit area (m^2)	\$18.50 - \$450 per m^2 (\$234.25 per m^2)
Plant and equipment - remote area energy supply	DRC	Cost per unit area (km)	\$0.15 - \$659.49 per km (\$329.82 per km)
Works of art	Market approach	Recent market transactions for similar items	

Reconciliation of fair value measurement (level 3)	Buildings/ Leasehold imprvmnts $'000	Plant and equipment $'000	Works of art $'000	Total $'000
Opening balance at 1 July	10 150	10 344	105	20 599
Acquisitions	-	313	-	313
Capitalised subsequent expenditure	381	-	-	381
Classified as held for sale and/or disposals	(2 475)	-	-	(2 475)
Disposals	-	(18)	-	(18)
Asset write-down	(110)	-	-	(110)
Closing balance at 30 June	7 946	10 639	105	18 690

Reconciliation of fair value measurement (level 3) (continued)	Buildings/ Leasehold imprvmnts $'000	Plant and equipment $'000	Works of art $'000	Total $'000
Gains (losses) for the period recognised in net result:				
Depreciation	(834)	(929)	-	(1 763)
	(834)	(929)	-	(1 763)
Gains (losses) for the period recognised in other comprehensive income:				
Revaluation increment/decrement	512	1 917	-	2 429
	512	1 917	-	2 429
Carrying amount at 30 June	7 624	11 627	105	19 356

26. Payables

	2014 $'000	2013 $'000
Current:		
Creditors and accrued expenses	11 562	10 455
Employee on-costs	1 030	1 043
Total current payables	12 592	11 498
Non-current:		
Employee on-costs	595	558
Total non-current payables	595	558
Total payables	13 187	12 056

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken as leave has remained at the 2013 rate of 40% and the average factor for the calculation of employer superannuation cost on-cost has changed from the 2013 rate of 10.2% to 10.3%. These rates are used in the employment on-cost calculation. The change results in an increase of $228 000 on the LSL liability for the 2013-14 reporting period. The impact on 2015 and 2016 can not be reliably estimated.

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.

(a) Maturity analysis of payables - refer note 38.
(b) Categorisation of financial instruments and risk exposure information - refer note 38.

27. Employee benefits

	2014 $'000	2013 $'000
Current:		
Accrued salaries and wages	174	286
Annual leave	3 960	3 811
LSL	2 711	2 504
SERL	61	221
Total current employee benefits	6 906	6 822
Non-current:		
LSL	9 222	8 903
SERL	209	-
Total non-current employee benefits	9 431	8 903
Total employee benefits	16 337	15 725

AASB 119 contains the calculation methodology for the LSL liability. This year an actuarial assessment performed by DTF was used to calculate the liability rather than using a shorthand measurement technique for the calculation of the liability.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of LSL liability. The yield on long-term Commonwealth Government bonds has decreased from 2013 (3.75%) to 2014 (3.50%). The decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in an increase in the reported LSL liability.

27. Employee benefits (continued)

As a result of an actuarial assessment performed by DTF, the calculation of employer superannuation cost on-cost has changed from the 2013 rate of 10.2% to 10.3%. The change results in an increase of $228 000 on the LSL liability for the 2013-14 reporting period. The impact on future periods is impractical to estimate as the LSL liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

The actuarial assessment performed by DTF determined that the salary inflation remained at 4%. As a result, there is no net financial effect in the annual leave liability and employee benefits expenses.

28. Provisions

	2014	2013
Current:	$'000	$'000
Provision for workers compensation	134	139
Total current provisions	134	139
Non-current:		
Provision for workers compensation	466	475
Total non-current provisions	466	475
Total provisions	600	614
Carrying amount at 1 July	614	436
Additional provisions recognised	123	303
Payments	(137)	(125)
Carrying amount at 30 June	600	614

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.

29. Other liabilities

	2014	2013
Current:	$'000	$'000
Lease incentive	240	240
Security deposits	5 877	6 018
Unearned revenue	1 053	2 036
Total current other liabilities	7 170	8 294
Non-current:		
Lease incentive	2 156	2 156
Accumulated amortisation - lease incentive	(1 098)	(859)
Total non-current other liabilities	1 058	1 297
Total other liabilities	8 228	9 591

Lease incentive received from building owner applied as a contribution towards fitout costs (as per agreement) and amortised over the period of the lease (10 years), commencing December 2009.

Security deposits are received to ensure mine operators rehabilitate sites and comply with all statutory requirements on cessation of licences. Cash deposits are classified as security deposits. The value of securities held in the form of bank guarantees are reflected as a contingent asset (refer note 31) as the Department only has a claim on these funds if the licensee fails to meet its legislative requirements.

Unearned revenue includes payments of rent received for the grant or renewal of exploration licences and mining leases which are held as unearned revenue until the Minister officially approves the grant or renewal of the tenement or lease. Once the grants or renewals have been instrumented, amounts are then recognised as revenue, or transferred to the landowners refund account for those freehold landowners who are entitled to a refund of rent.

30. Unrecognised contractual commitments

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial statements are payable as follows:

	2014	2013
	$'000	$'000
Within one year	851	1 658
Total capital commitments	851	1 658

Capital commitments at 30 June 2014 relate to the State Drill Core Reference Library.

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:

	2014	2013
	$'000	$'000
Within one year	10 518	11 523
Later than one year but not longer than five years	16 798	17 308
Total remuneration commitments	27 316	28 831

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

Other commitments

Commitments for the payment of other contracts and grant agreements in existence at the reporting date but not recognised as liabilities are payable as follows:

	2014	2013
	$'000	$'000
Within one year	15 742	13 569
Later than one year but not longer than five years	8 860	6 416
Total other commitments	24 602	19 985

Amounts disclosed include commitments arising from agreements with contractors, consultants and grant recipients.

Operating lease commitments

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

	2014	2013
	$'000	$'000
Within one year	5 605	5 599
Later than one year but not longer than five years	14 047	16 404
Later than five years	1 094	3 677
Total operating lease commitments	20 746	25 680
Representing:		
Cancellable operating leases	1 058	811
Non-cancellable operating leases	19 688	24 869
	20 746	25 680

The Department's operating leases relate to office accommodation and motor vehicles. Office accommodation is leased from the Department of Planning, Transport and Infrastructure - Building Management Accommodation and Property Services. The leases are non-cancellable with terms ranging up to 10 years with some leases having the right of renewal. Motor vehicles are leased from SAFA through their agent LeasePlan Australia with lease periods of up to three years. These are cancellable without notice.

31. Contingent assets and liabilities

Contingent assets

Where specific conditions relating to a financial assistance grant are not met, the Department may request the amount granted be repaid by the grantee. There are no known contingent assets arising from these present obligations as at 30 June 2014.

The Department receives securities in accordance with Acts administered by the Department for Mining and Petroleum. These are obtained to ensure that a mine operator rehabilitates a site and complies with all statutory requirements on cessation of a licence. The amount held as bank guarantees at 30 June 2014 is approximately $126 million ($113 million). The Department only has a claim on these funds if the licensee fails to perform its legislative requirements.

Contingent liabilities

Guarantees and indemnities

The Department has provided indemnities relating to various industry packages. As at 30 June 2014 the value of these indemnities cannot be reliably measured (the value reported in last financial year was $4.837 million, for which the indemnity has been satisfied).

The nature of activities that the Department is involved in can create potential exposure to mining matters, which the Department may be required to remedy in the future. The Department has some potential outstanding litigation specifically resulting from interpretation of past mining practices and petroleum exploration.

Guarantees and indemnities (continued)

Certain matters associated with contaminants such as contaminated land and hazardous materials have been identified and are managed in accordance with recognised standards. This includes the environmental liabilities of past mining practices where there is no longer an active licence. For new activities, it is a lease condition that rehabilitation be undertaken by the leaseholder before a lease is surrendered. The Department's responsibility is to ensure that a lease is not surrendered before appropriate rehabilitation has occurred, thus minimising the likelihood of future environmental risks to government. Work is progressing to determine any liabilities that may be associated with this role. At this time, the financial impact, if any, cannot be reliably estimated.

32. Transferred functions

Transferred in

Under the Public Sector (Reorganisation of Public Sector Operations) Notice 2013, from 1 December 2013 the Population and Migration Policy Unit was transferred from DPC to DMITRE. This included the transfer of three employees and expenditure budget funding of $358 000 for controlled activities.

The effective date of the transfer is 1 December 2013.

Total income and expenses attributable to the Population and Migration Policy Unit for 2013-14 were:

	DPC 01.07.13 to 30.11.13	DMITRE 01.12.13 to 30.06.14	Total
Expenses:	$'000	$'000	$'000
Employee benefits expenses	160	158	318
Supplies and services	10	1	11
Total expenses	170	159	329
Net result	(170)	(159)	(329)

On transfer of the Population and Migration Policy Unit, the Department recognised the following assets and liabilities:

	Transferred from DPC	Total
Current liabilities:	$'000	$'000
Payables	5	5
Employee benefits	43	43
Total current liabilities	48	48
Non-current liabilities:		
Payables	5	5
Employee benefits	51	51
Total non-current liabilities	56	56
Total liabilities	104	104
Total net assets transferred	(104)	(104)

Net assets assumed by the Department as a result of the administrative restructure are the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to transfer. The net assets transferred were treated as a contribution by the Government as owner.

Transferred out

Under the Public Sector (Reorganisation of Public Sector Operations) Notice 2013, from 5 September 2013 the Invest in South Australia business unit was transferred from DMITRE to DPC.

The effective date of the transfer is 5 September 2013.

The following assets and liabilities were transferred to DPC:

	Transferred to DPC	Total
Current liabilities:	$'000	$'000
Payables	10	10
Employee benefits	72	72
Total current liabilities	82	82

Transferred out (continued)

	Transferred to DPC $'000	Total $'000
Non-current liabilities:		
Payables	4	4
Employee benefits	45	45
Total non-current liabilities	49	49
Total liabilities	131	131
Total net assets transferred	(131)	(131)

Net assets transferred by the Department as a result of the administrative restructure were at the carrying amount. The net assets transferred were treated as a distribution to the Government as owner.

33. Remuneration of board and committee members

Members of boards and committees reporting to the Minister for Investment and Trade and Minister for Manufacturing and Innovation (Minister for Manufacturing, Innovation and Trade) during the 2014 financial year were:

Advanced Manufacturing Council

D McGurk
G Roos (Chair)
G Knight* (resigned 30.06.14)
G Combet (appointed 22.10.13)
S Myatt
J Law
T Monro
M Beer (appointed 24.04.14)

Business Development Council

P Sims (Chair)
A Fisher
K Saffin^
K Baker Jamieson
J Hawkes
D Basheer
B Roberts
B Mahoney^
A Christopoulos (Deputy Chair)
S Gallery
J Chapman (resigned 21.01.14)
C Johnston
V McClurg
A Kittel^
S Chase

Mining Industry Participation Office Advisory Council

R Nelson
P Goiak*
A Kachallek (Chair)
M McGowan
G Knight* (resigned 30.06.14)
P Heithersay*
E Tyne*
L Dello (appointed 30.06.14)
D Maxwell
L Piro*
C Stallan (resigned 30.06.14)
B Kilgariff
J Kuchel
D Dally
D Cruickshanks-Boyd
B Goldstein*
G Hunt
N Gibbons
P Dowd (appointed 15.05.14)

For the Mining Industry Participation Office Advisory Council, no members received remuneration.

South Australia - China Advisory Committee

S Kennihan (Chair)
A Huang
I Zhang
K Osborn (resigned 06.06.14)
G Knight* (resigned 30.06.14)
K Anderson
J Yuile
C Tragakis
D Frater* (resigned 02.08.13)
C Bierbaum* (appointed 03.09.13)

For the South Australia-China Advisory Committee, no members received remuneration.

South Australia - India Advisory Committee

B Hayes (Chair)
D Von Wald (resigned 26.07.13)
A Downs
R Spencer
G Knight*
A Vicary
R Vasan
D Frater*
C Bierbaum* (appointed 17.09.13)
N Relph (appointed 17.09.13)

For the South Australia-India Advisory Committee, no members received remuneration.

33. Remuneration of board and committee members (continued)

Members of boards and committees reporting to the Minister for Minerals Resources and Energy during the 2014 financial year were:

Board of Examiners for Mine Managers

G Marshall* (Chair)
P Reynolds (appointed 16.06.14)
A Ward (appointed 27.01.14)
J Coker
M Van Leuven

Brukunga Minesite Remediation Board

H MacDonald (Chair)
A Stuart
H Seager (appointed 15.07.13)
R MacDonald
E Tyne*
S Skibinski (appointed 15.07.13)

Electrical Technical Advisory Committee

R Anderson* (resigned 06.12.13)
R Donnelly
J Gater
B Jackson
P Morris*
T Tran
S Cottell* (appointed 06.02.14)
G Cox*
R Faunt* (Chair)
D Inge* (resigned 14.02.14)
L Moore
S O'Loughlin
J Corbett* (appointed 06.12.13)

For the Electrical Technical Advisory Committee, no members received remuneration

Energy Consumers Council

M Baldock (Chair)
J Fisher (resigned 01.07.13)
H I Anson
N Long
A Moore
J Pike
D Crabb (Deputy Member)
J De Silva (Proxy Member)
C Eardley (Deputy Chair)
T Hipper (appointed 04.11.13, resigned 15.05.14)
A McKenna (appointed 04.11.13)
H Nichols (resigned 14.01.14)
R Williams
M Creswell (Deputy Member)
L Stoll (Proxy Member)

The Energy Consumers Council has a number of proxy members representing various organisations. Only paid proxy members have been included above.

The Energy Consumers Council Special Needs Sub-Committee

M Baldock (Chair) (resigned 31.12.13)
J Fisher (resigned 31.12.13)
N Long (resigned 31.12.13)
H Nichols (resigned 31.12.13)
R Williams (resigned 31.12.13)
L Stoll (Proxy Member) (resigned 31.12.13)
C Eardley (Deputy Chair) (resigned 31.12.13)
H I'Anson (resigned 31.12.13)
A Moore (resigned 31.12.13)
J Pike (resigned 31.12.13)
J De Silva (Proxy Member) (resigned 31.12.13)

The Energy Consumers Council Demand Side Management Sub-Committee

M Baldock (Chair) (resigned 31.12.13)
J Fisher (resigned 31.12.13)
N Long (resigned 31.12.13)
H Nichols (resigned 31.12.13)
R Williams (resigned 31.12.13)
L Stoll (Proxy Member) (resigned 31.12.13)
C Eardley (Deputy Chair) (resigned 31.12.13)
H I'Anson (resigned 31.12.13)
A Moore (resigned 31.12.13)
J Pike (resigned 31.12.13)
J De Silva (Proxy Member) (resigned 31.12.13)

Any member on the Energy Consumers Council is invited to attend the subcommittee meetings if they are interested in the topic to be discussed at the meeting.

The Energy Consumers Council subcommittees were abolished on 31 December 2013.

Extractive Areas Rehabilitation Fund Project Assessment Panel

C Miller (Chair)
H O'Neil
P Whiffen (resigned 01.10.13)
J Barker* (Deputy Member) (resigned 11.03.14)
S Linou (Deputy Member) (resigned 01.07.13)
T McDonald (Deputy Member)
S Falland
E Tyne*
E Young*
M Harvey (Deputy Member)
G Marshall* (Deputy Member)

Gas Technical Advisory Committee

D Buchanan
A Clarke
R Faunt* (Chair)
D Inge* (resigned 14.02.14)
R Mignone
W Patience*
D Santinon
N Smith (resigned 08.05.14)
A Szacinski*
T Tucker*
M Clough (appointed 28.08.13)
S Cottell* (appointed 06.02.14)
D Parker (appointed 08.05.14)

For the Gas Technical Advisory Committee, no members received remuneration.

Olympic Dam Social Management Partnership

W Cossey (Chair)

For the Olympic Dam Social Management Partnership, no members received remuneration as no meetings were held.

Resources and Energy Sector Infrastructure Council

B Carter
G Guglielmo (Chair)
R Hook* (resigned 01.05.14)
J Kuchel*
L Owens
J Roberts
J White (resigned 03.08.13)
P Heithersay*
L Worrall*
D Cuzzubbo
T White
D Cruickshanks-Boyd

For the Resources and Energy Sector Infrastructure Council, no members received remuneration.

Resources Industry Development Board

K Yates (Chair)
P Carr (Deputy Chair)
D Carter
B Goldstein*
R Goldsworthy
I Gould
G Guglielmo^
P Heithersay*
P Holloway
G McKenzie
A McCleary
J Roberts
E Tyne*
R Yeeles^
J White (resigned 28.02.14)

Roxby Downs Advisory Reference Group

W Cossey (Chair)
M Gall*
P Heithersay*
P Holloway^
N Jones^
M Kelledy^ (Deputy Member)
E Tyne* (Deputy Member)

For the Roxby Downs Advisory Reference Group, only the Chair received remuneration.

The following committees and panels are responsible to the Minister for Mineral Resources and Energy, but report to other government departments:

Consumer Advisory Committee

S Canale^
M Henley
D Hossen
H I'Anson
T Kelly
P Walsh^ (Chair)
J Whittaker
I Yates^
A McKenna (appointed 09.07.13)

Members of the Consumer Advisory Committee are remunerated by the Essential Services Commission of South Australia

Electricity Act 1996 Assessors Panel

T Blackburn
C Cooper
B Rajowska
D Round
H Sandstrom
E Woodley

Gas Act 1997 Assessors Panel

O Clark
C Cooper
B Rajkowska
W Ryan

Powerline Environment Committee

I Brooks (resigned 04.03.14)
K Hamilton
M Lee
L Clyne (appointed 05.03.14)
T Wilson (appointed 05.03.14)
R Crowley (Chair)
D Harvey
M Magin
G O'Niell* (appointed 05.03.14)

Members of the Powerline Environment Committee were entitled to remuneration, which was paid by the Essential Services Commission of South Australia.

The following committee is a Parliamentary committee:

Industries Development Committee

L Breuer (Presiding Member) (resigned 14.02.14)
I Evans (appointed 15.05.14)
B Rowse* (appointed 15.05.14)
K Hildyard (appointed 15.05.14)
L Odenwalder (Presiding Member) (appointed 15.05.14)
P Caica (resigned 14.02.14)
S Griffiths (resigned 14.02.14)
M Hamilton-Smith (appointed 15.05.14, resigned 27.05.14)

Boards transferred out of the Department as a result of restructuring arrangements as at 5 September 2013:

Invest in South Australia Board

K Osborn (Chair)
C Namblard
D Klingberg
J Hallion*
R Garrand*
G Roos
D Thomas
B Carter
G Knight*
L Worrall*
S Ashby*

* In accordance with the DPC Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year. In addition, members of Parliament who are members of boards or committees did not receive any remuneration.

^ Indicates a member entitled to remuneration but has elected not to receive payment.

Remuneration of board members

The number of members whose remuneration received or receivable falls within the following bands is:	2014 Number	2013 Number
$1 - $9 999	47	38
$10 000 - $19 999	4	2
$20 000 - $29 999	2	3
$70 000 - $79 999	1	2
Total	54	45

Remuneration of 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 $244 764 ($306 138).

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.

For the purpose of this table, the travel allowance paid to members has not been included as remuneration as it is considered to be a reimbursement of direct out-of-pocket expenses incurred by the relevant members.

34. Cash flow reconciliation

For the purposes of the Statement of Cash Flows, cash on hand and on deposit includes cash deposits which are used in the cash management function on a day-to-day basis.

Reconciliation of cash and cash equivalents at 30 June	2014	2013
Cash at 30 June 2014 as per Statement of Financial Position:	$'000	$'000
Deposits with the Treasurer - operating account	18 189	16 125
Deposits with the Treasurer - accrual appropriation	4 021	5 039
Deposits at call - overseas offices	281	214
Other	2	1
Balance as per the Statement of Cash Flows	22 493	21 379

Reconciliation of net cash provided by (used in) operating activities to net result		
Net cash provided by (used in) operating activities	2 895	(2 941)
Net cash paid to restructure	(27)	6 841
Non-cash items:		
Depreciation and amortisation expense of non-current assets	(2 059)	(2 290)
Amortisation of lease incentive	240	240
Doubtful debts expense	(1 225)	(8)
Prior period adjustments	(175)	-
Loss from disposal of and write-down non-current assets	(122)	(3)
Movements in assets/liabilities:		
Receivables	(1 421)	1 680
Other assets	166	(106)
Payables	(264)	(2 179)
Other liabilities	983	199
Provisions	14	(178)
Employee benefits	(612)	(1 700)
Net result	(1 607)	(445)

35. Trust funds

Extractive Areas Rehabilitation Fund

The Extractive Areas Rehabilitation Fund is credited with amounts by way of royalty on extractive minerals and is used for the rehabilitation of land disturbed by mining operations. The funds collected are used to limit damage to any aspect of the environment by such mining operations in addition to the promotion of research into methods of mining engineering and practice by which environmental damage might be reduced.

Aggregate details of the transactions and balances relating to this trust fund to year ended 30 June are as follows:

	2014	2013
Operations:	$'000	$'000
Revenue	3 441	2 839
Expenditure	1 760	2 652
Net operating surplus	1 681	187
Net assets:		
Cash at bank	19 052	17 364
Receivables	-	7
Net assets	19 052	17 371
Funds:		
Balance of funds at 1 July	17 371	17 184
Net receipts	1 681	187
Fund balance at 30 June	19 052	17 371
Commitments in place at 30 June	1 627	1 563

36. Events after the reporting period

As proclaimed on 26 June 2014 and in accordance with section 26 of the PSA, from 1 July 2014 the title of Department for Manufacturing, Innovation, Trade, Resources and Energy is altered to the Department of State Development.

In addition the Public Sector (Reorganisation of Public Sector Organisations) Notice 2013 and 2014 (dated 15 June 2014) proclaimed that effective 1 July 2014 the Department of Further Education, Employment, Science and Technology, Arts SA, Aboriginal Affairs and Reconciliation division, Office of the Economic Development Board, Invest in South Australia and Health Industries SA will be transferred to the Department of State Development.

37. Transactions with SA Government

	Note	SA Government 2014 $'000	SA Government 2013 $'000	Non-SA Government 2014 $'000	Non-SA Government 2013 $'000	Total 2014 $'000	Total 2013 $'000
Expenses							
Employee benefits expenses	5	2 717	2 550	55 963	49 713	58 680	52 263
Supplies and services:	6						
Accommodation and service costs		5 577	5 477	459	655	6 036	6 132
Accounting and audit fees		172	143	142	288	314	431
Communication and information technology		1 766	1 638	2 960	3 327	4 726	4 965
Contractors		46	7	7 178	8 281	7 224	8 288
Consultancies		-	149	5 864	4 428	5 864	4 577
Energy supply fuel and lubricants		75	56	7 776	7 483	7 851	7 539
Lease incentive amortisation		-	-	(240)	(240)	(240)	(240)
Marketing		5	9	1 295	2 281	1 300	2 290
Overseas trade representation		16	-	344	140	360	140
Remote Areas Energy Supplies Aboriginal communities infrastructure		2 120	1 950	1 877	1 307	3 997	3 257
SSSA fee - other		2 435	2 687	8	-	2 443	2 687
Staff related expenses		82	105	1 493	1 577	1 575	1 682
Travel and related expenses		1 153	959	2 137	2 542	3 290	3 501
Office administration expenses		1 867	1 791	4 232	4 133	6 099	5 924
Depreciation and amortisation	7	-	-	2 059	2 290	2 059	2 290
Grants and subsidies:	8						
Industry development		3 820	597	8 342	8 147	12 162	8 744
Energy		62	20	5 986	6 703	6 048	6 723
Minerals and petroleum		1 440	587	4 602	4 386	6 042	4 973
Renewables		-	50	190	999	190	1 049
Other		35	28	369	278	404	306
Other expenses:	9						
Bad and doubtful debts		-	-	1 232	8	1 232	8
Asset write-down		-	-	110	-	110	-
Net loss from the disposal of non-current assets	17	-	-	12	3	12	3
Total expenses		23 388	18 803	114 390	108 729	137 778	127 532
Income							
Revenues from fees and charges:	12	-	-	21 585	17 421	21 585	17 421
Technical regulation	13	6 384	6 277	-	-	6 384	6 277
Sale of electricity	14	2 745	2 012	1 885	1 848	4 630	3 860
Commonwealth revenues	15	-	-	1 425	1 116	1 425	1 116
Interest revenues	16	-	-	6	15	6	15
Other revenues	18						
Fuel tax credits		-	-	1 623	1 610	1 623	1 610
Management of extractive areas rehabilitation fund		449	284	-	-	449	284
Sponsorship revenues		-	-	21	51	21	51
Recoveries - financial assistance grants		10	310	416	13	426	323
Recoveries - intra-government transfers - grants		3 243	1 618	-	-	3 243	1 618
Recoveries - other		534	1 155	890	1 372	1 424	2 527
Total income		13 365	11 656	27 851	23 446	41 216	35 102
Financial assets							
Receivables:	21						
Receivables		305	1 611	1 805	1 303	2 110	2 914
GST input tax recoverable		-	-	859	738	859	738
Prepayments		-	-	276	114	276	114
Accrued revenue		716	1 356	1 005	1 466	1 721	2 822
Financial assistance debtors	22	-	-	16	970	16	970
Total financial assets		1 021	2 967	3 961	4 591	4 982	7 558
Financial liabilities							
Payables:	26						
Creditors and accrued expenses		2 954	4 998	8 608	5 457	11 562	10 455
Employment on-costs		557	838	1 068	763	1 625	1 601
Total financial liabilities		3 511	5 836	9 676	6 220	13 187	12 056

38. Financial instruments/financial risk management

38.1 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.

		2014		2013	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash:					
Cash	20,34	22 493	22 493	21 379	21 379
Loans and receivables:					
Receivables[(1)(2)]		3 845	3 845	6 567	6 567
Total financial assets at cost		26 338	26 338	27 946	27 946
Financial liabilities					
Financial liabilities at cost:					
Payables[(1)]		11 409	11 409	10 303	10 303
Total financial liabilities at cost		11 409	11 409	10 303	10 303

(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 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).

(2) Receivables amount disclosed here excludes prepayments. Prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

Fair value

DMITRE does not recognise any financial assets or financial liabilities at fair value (refer notes 2, 20, 21, 22, 24, 27 and 34).

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 are calculated on past experience and current and expected changes in client credit rating. Currently the Department does not hold any collateral as security for any of its financial assets. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer note 21 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 not impaired financial assets, past due:

	Past due by			
2014	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	1 406	97	1 441	2 944
2013				
Not impaired:				
Receivables	1 680	247	171	2 098

38.2 Ageing analysis of financial assets (continued)

Receivable amounts disclosed here exclude amounts relating to statutory receivables. The accounting standard requires disclosure of financial assets (receivables) resulting from contracts enforceable by law. 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, tax equivalents, Commonwealth tax etc they would be excluded from the disclosure. They are carried at cost.

38.3 Maturity analysis of financial assets and liabilities

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

		Contractual maturities		
	Carrying	Less than		More than
2014	amount	1 year	1-5 years	5 years
Financial assets:	$'000	$'000	$'000	$'000
Cash	22 493	22 493	-	-
Receivables	3 845	3 845	-	-
Total financial assets	26 338	26 338	-	-
Financial liabilities:				
Payables	11 409	11 409	-	-
Total financial liabilities	11 409	11 409	-	-
2013				
Financial assets:				
Cash	21 379	21 379	-	-
Receivables	6 567	6 114	453	-
Total financial assets	27 946	27 493	453	-
Financial liabilities:				
Payables	10 303	10 303	-	-
Total financial liabilities	10 303	10 303	-	-

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 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 SA Government budgetary processes to meet the expected cash flows. The Department 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 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.

Market risk

Market risk through interest rate or price fluctuations is immaterial.

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.

Statement of Administered Comprehensive Income for the year ended 30 June 2014

	2014	2013
Expenses:	$'000	$'000
Employee benefits expenses	319	282
Grants and subsidies	1 422	973
Payment of royalties to the Consolidated Account	291 331	188 737
Other	10 195	4 215
Total expenses	303 267	194 207
Income:		
Revenues from SA Government	1 713	1 169
Royalties	291 331	188 737
Other	10 104	3 474
Total income	303 148	193 380
Net result	(119)	(827)
Total comprehensive result	(119)	(827)

Statement of Administered Financial Position as at 30 June 2014

	2014	2013
	$'000	$'000
Current assets:		
Cash	17 768	42
Receivables	1 492	23 217
Total current assets	19 260	23 259
Total assets	19 260	23 259
Current liabilities:		
Payables	19 092	22 972
Total current liabilities	19 092	22 972
Total liabilities	19 092	22 972
Net assets	168	287
Equity:		
Retained earnings	168	287
Total equity	168	287

Statement of Administered Changes in Equity
for the year ended 30 June 2014

	Total
Changes in equity:	$'000
Balance at 30 June 2012	1 116
Period prior adjustment	(2)
Restated balance at 30 June 2012	1 114
Net result for 2012-13	(827)
Total comprehensive result for 2012-13	287
Net result for 2013-14	(119)
Total comprehensive result for 2013-14	(119)
Balance at 30 June 2014	168

Statement of Administered Cash Flows
for the year ended 30 June 2014

	2014 Inflows (Outflows)	2013 Inflows (Outflows)
Cash flows from operating activities:	$'000	$'000
Cash outflows:		
Employee benefit payments	(319)	(282)
Payments for grants and subsidies	(1 422)	(973)
Payment of royalties to the Consolidated Account	(295 756)	(189 073)
Other payments	(9 584)	(4 258)
Total cash outflows	(307 081)	(194 586)
Cash inflows:		
Revenues from SA Government	1 713	1 169
Other receipts	10 352	3 290
Royalties receipts	312 274	189 071
Receipts on restructure	468	-
Total cash inflows	324 807	193 530
Net cash provided by (used in) operating activities	17 726	(1 056)
Net increase (decrease) in cash held	17 726	(1 056)
Cash as at 1 July	42	1 098
Cash as at 30 June	17 768	42

Schedule of Expenses and Income attributable to Administered Activities for the year ended 30 June 2014

	Small Business Commissioner	Minister's salary	Royalties
Expenses:	$'000	$'000	$'000
Employee benefits expenses	-	319	-
Grants and subsidies	1 422	-	-
Payment of royalties to the Consolidated Account	-	-	291 331
Other expenses	-	-	73
Total expenses	1 422	319	291 404
Income:			
Revenues from SA Government	1 422	291	-
Royalties	-	-	291 331
Other receipts	-	-	-
Total income	1 422	291	291 331
Net result	-	(28)	(73)

	Mintabie administration	Native Title Agreement	Total
Expenses:	$'000	$'000	$'000
Employee benefits expenses	-	-	319
Grants and subsidies	-	-	1 422
Payment of royalties to the Consolidated Account	-	-	291 331
Other expenses	35	10 087	10 195
Total expenses	35	10 087	303 267
Income:			
Revenues from SA Government	-	-	1 713
Royalties	-	-	291 331
Other receipts	17	10 087	10 104
Total income	17	10 087	303 148
Net result	(18)	-	(119)

Schedule of Expenses and Income attributable to Administered Activities for the year ended 30 June 2013

	Small Business Commissioner	Minister's salary	Royalties
Expenses:	$'000	$'000	$'000
Employee benefits expenses	-	282	-
Grants and subsidies	973	-	-
Payment of royalties to the Consolidated Account	-	-	188 737
Other expenses	-	-	-
Total expenses	973	282	188 737
Income:			
Revenues from SA Government	973	196	-
Royalties	-	-	188 737
Other receipts	-	-	-
Total income	973	196	188 737
Net result	-	(86)	-

	Mintabie administration	Native Title Agreement	Total
Expenses:	$'000	$'000	$'000
Employee benefits expenses	-	-	282
Grants and subsidies	-	-	973
Payment of royalties to the Consolidated Account	-	-	188 737
Other expenses	8	4 207	4 215
Total expenses	8	4 207	194 207
Income:			
Revenues from SA Government	-	-	1 169
Royalties	-	-	188 737
Other receipts	8	3 466	3 474
Total income	8	3 466	193 380
Net result	-	(741)	(827)

Small Business Commissioner
Appropriation funding for the Office of the Small Business Commissioner is paid by DTF to DMITRE. The funding is then provided to the Office of the Small Business Commissioner which is a separate reporting entity. The amounts transferred to the Office of the Small Business Commissioner represent appropriation funding only and not the entire budget for operations.

Royalties
The Department receives royalties levied on minerals and petroleum production on behalf of the State Government. Royalty receipts are collected pursuant to the *Roxby Downs (Indenture Ratification) Act 1982*, *Whyalla Steel Works Act 1958*, *Mining Act 1971* and the *Petroleum & Geothermal Energy Act 2000*. Royalty receipts are returned to the Consolidated Account in the month following collection.

Native Title Agreement
The Department collects revenue via a levy equivalent to 1% of the total royalty payable for relevant royalty payers. This is offset by payments made to two Aboriginal councils in the Anangu Pitjantjatjara Yankunytjatjara (APY) Lands.

Motor Accident Commission

Functional responsibility

Establishment

The Motor Accident Commission (the Commission) is a statutory authority established pursuant to the *Motor Accident Commission Act 1992* (the MAC Act).

Functions

The main function of the Commission is to provide compulsory third party (CTP) insurance to motor vehicle users in South Australia.

The principal objectives of the Commission in providing CTP insurance are to:

- achieve and maintain a sufficient level of solvency in the Compulsory Third Party Fund (the CTP Fund)
- minimise premium charges having regard to the Commission's objective of achieving and maintaining a sufficient level of solvency in the CTP Fund
- deal with claims for compensation in accordance with law as expeditiously as possible.

Pursuant to section 18 of the MAC Act, the Minister must prepare, in consultation with the Commission, a charter which may limit the functions or powers of the Commission.

The Commission's charter specifies that the Commission is empowered to undertake the following classes of insurance:

- CTP insurance (in accordance with the *Motor Vehicles Act 1959*)
- financial risk insurance.

Scheme reform

On 20 June 2013 the *Motor Vehicle Accidents (Lifetime Support Scheme) Act 2013* was proclaimed. The proclamation required certain sections of this Act to come into operation from 1 July 2013 and other sections to come into operation from 1 July 2014.

The sections that came into operation on 1 July 2013 introduced thresholds for compensation for economic and non-economic loss and placed caps on legal fees. Compensation for non-economic loss is now based on a severity of injury scale ranging from one to 100. If the injury scale value of an injured person is assessed as 79 or more then the damages are set at $300 000 (indexed).

Other sections that came into operation on 1 July 2013 provided for the establishment of the Lifetime Support Authority of South Australia which must be audited by the Auditor-General. This authority was established on 1 July 2013 and from 1 July 2014 is responsible for the Lifetime Support Scheme Fund (the Fund) and must, among other things, monitor the operation of the Lifetime Support Scheme (the Scheme). The Scheme will provide lifetime care and support to persons catastrophically injured by or through the use of motor vehicles in South Australia irrespective of who is at fault. A levy on motor vehicle registrations must be imposed and paid into the Fund. The levy must be set at a rate that will result in the required contributions determined by an independent actuary to meet the present and future liabilities of the Fund. The levy will be charged from 1 July 2014.

The sections that came into operation on 1 July 2014 enable catastrophically injured persons to begin participating in the Scheme and obtaining benefits.

The estimate of the Commission's outstanding claims liability recognised in the 2013-14 financial statements reflect the impact of scheme reform from 1 July 2013.

Establishment of the Lifetime Support Authority of South Australia (the Authority)

As discussed above, the Authority was established on 1 July 2013. As part of the establishment of the Authority, Cabinet and subsequently the Commission, approved the transfer of funds totalling $41.5 million from the Commission to the Authority during 2013-14 to fund the transition to the new Lifetime Support Scheme.

The cash transfer of $41.5 million from the Commission during 2013-14 consisted of a $22.3 million contribution expense, recognised as part of the underwriting result for the year, and a $19.2 million reduction in the unearned premium liability of the Commission. Further detail regarding this funding is included in note 8 to the financial statements.

Future impact of the 2014-15 State Budget

As part of the 2014-15 State Budget the SA Government announced it had decided to open the provision of CTP insurance to the private sector in South Australia from July 2016. As part of this initiative the Commission will end its role as the sole provider of CTP insurance in South Australia and this will allow the Commission to cease writing new CTP insurance policies and run off its claims against policies issued up to and including 30 June 2016 (refer note 32 to the financial statements).

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 28(3) of the MAC Act and section 31(1)(b) of the PFAA provide for the Auditor-General to audit the accounts and financial report of the Commission in respect of each financial year.

Assessment of controls

Section 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 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 2013-14, specific areas of audit attention included:

- investment assets
- investment income
- claim payments
- outstanding claim liabilities
- premiums
- contributions.

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 Motor Accident Commission as at 30 June 2014, 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 Motor Accident Commission 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 Motor Accident Commission have been conducted properly and in accordance with law.

Communication of audit matters

The review of the auditable areas (including financial report verification) indicated that the financial controls of the Commission were satisfactory. No matters arose during the audit that required management letter communication to the Commission.

Shared Services SA – financial systems and transaction processing environments

SSSA processes financial transactions on behalf of the agency under service level determinations. The main systems and control environments include accounts payable, payroll and accounts receivable functions.

Last year's Report made specific comment on the progress being taken by SSSA to remediate key control weaknesses raised in prior years for the systems and control environments, in order to achieve a satisfactory ongoing standard of control operation over financial transaction processing.

As discussed in the commentary under 'Department of the Premier and Cabinet' elsewhere in Part B of this Report, Audit review and evaluation of controls for the SSSA main accounts payable and payroll systems and environments concluded that controls met a generally satisfactory standard for 2013-14. Notwithstanding this overall conclusion, there were some specific matters that were raised with SSSA for corrective action and review for process and procedural improvement. The matters did not relate to the Commission's transaction processing.

Interpretation and analysis of the financial report

Highlights of the Commission's financial report

	2014 $'million	2013 $'million
Underwriting result		
Net premium	508	572
Net claims	(114)	(413)
Underwriting expenses	(148)	(88)
Contributions	(122)	-
Underwriting profit (loss)	124	71

	2014 $'million	2013 $'million
Investment result		
Net investment revenue	47	42
Investment market value movements	312	258
Revenue from investment activities	359	300
Total comprehensive result	483	371
Net cash inflows (outflows) from operating activities	(36)	(8)
Assets		
Current assets	326	372
Non-current assets	3 187	2 938
Total assets	3 513	3 310
Liabilities		
Current liabilities	601	683
Non-current liabilities	1 660	1 859
Total liabilities	2 261	2 542
Equity	1 252	768

The Commission's financial performance is significantly influenced by two interrelated aspects of its business as outlined below:

- Underwriting result – underwriting operations are influenced by premium income, the number of claims and the estimated costs of settling those claims. The underwriting result is determined as premium revenue less claims expense (after the cost and recoveries associated with reinsuring a portion of the insurance portfolio's risk with third parties), other underwriting costs and contributions.

- Investment result – investment operations are an integral part of any insurance business as the estimated return on invested funds is a significant component of the pricing strategy employed by the business.

  AASB 1023 requires that market value accounting be adopted in the accounting for and valuation of investments. This means that the investment result includes not only interest and related income received, but also changes in the market values of investments held at balance date. Changes in the market values of investments can be subject to wide fluctuations and it is important to emphasise that investment market value movements recognised in the Commission's financial statements are unrealised. That is, until such time as the investments are sold, no gain or loss is actually received or incurred by the Commission.

Statement of Comprehensive Income

Underwriting result

The underwriting result for 2014 was a profit of $124 million compared with a profit of $71 million in 2013. The main components of this result are outlined below.

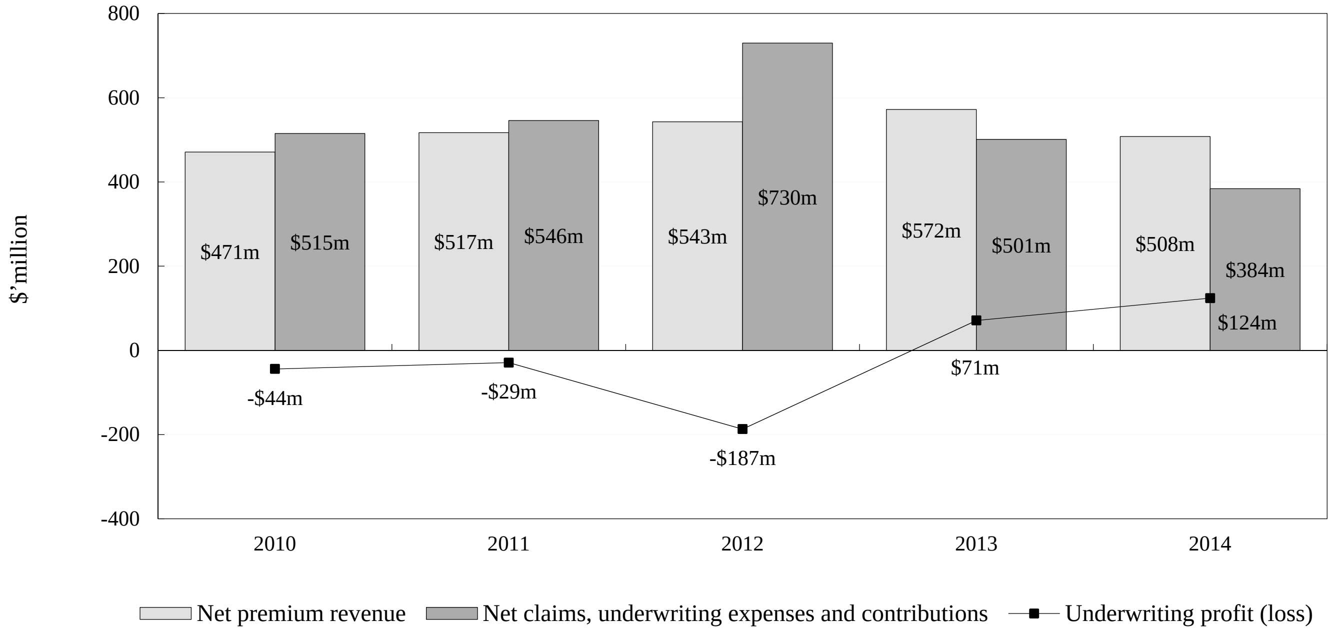
Net premium revenue decreased by $65 million to $508 million. The decrease is principally due to scheme reform, which became effective on 1 July 2013, offset by general annual growth in the number of motorists.

Claims expense is a combination of actual claim payments and the movement in the outstanding claims provision. The claims expense for 2014 was $113 million ($411 million) and comprised gross claim payments of $360 million ($383 million) offset by the decrease in the outstanding claims provision of $247 million ($29 million increase) which is explained further under the heading 'Outstanding claims'.

Underwriting expenses increased by $60 million primarily as a result of an increase in the unexpired risk expense of $64 million and management expenses, up $3 million, offset by a decrease in levies and charges paid to other SA Government entities, down $7 million. Note 10 to the financial statements explains the increase in unexpired risk expense.

During 2014 the Commission contributed $100 million towards a dedicated fund for road safety initiatives with a particular focus on the treatment of Black Spots and $22 million transitional funding to the Lifetime Support Authority of South Australia to fund their no fault claim costs (refer note 8 to the financial statements).

An analysis of the underwriting result for the Commission for the five years to 2014 is presented in the following chart.

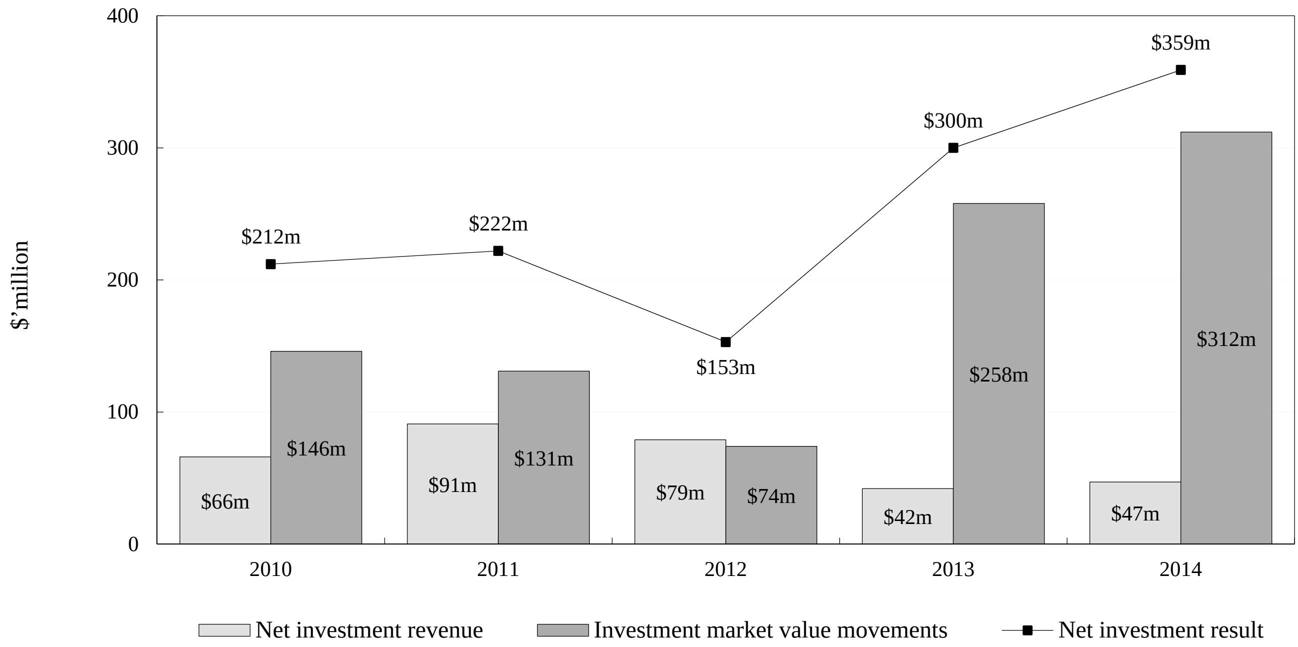


Investment result

The net investment result is a combination of net investment revenue and investment market value movements. The net investment result this financial year was a surplus of $359 million compared with $300 million the previous year. This reflected improvements in investment markets. Net investment revenue was a surplus of $48 million, up $6 million, and the market value movement was $312 million, up $54 million.

Since 2008-09 the Commission has used the Superannuation Funds Management Corporation of South Australia (Funds SA), the State Government investment body, to manage the majority of its investment portfolio. The Commission holds investments in unit trusts within Funds SA where the majority of income is derived through movement in the value of unit holdings rather than through direct receipt of interest and dividend income. In addition to investing with Funds SA the Commission, over recent years, has purchased more investment properties interstate increasing rental income to $42 million in 2014. The market value of its properties increased by $20 million in 2014.

An analysis of the investment result for the Commission for the five years to 2014 is shown in the following chart.

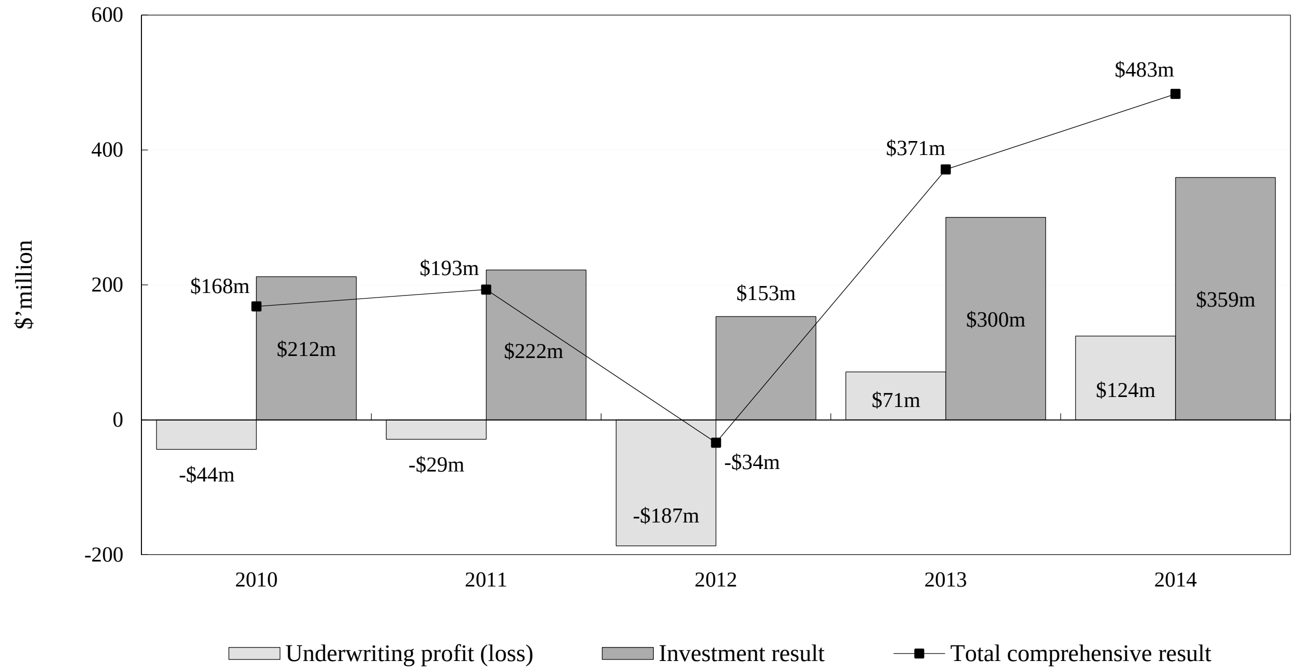


The chart highlights the volatility of investment markets in recent years. Note 20(6) to the financial statements explains market risk and illustrates the effect of market movements.

Total comprehensive result

The Commission's total comprehensive result for 2014 was a profit of $483 million compared to a $371 million profit in the previous year. The $112 million increase is a result of a number of factors including scheme reform from 1 July 2013, investment market performance and significant reduction in claims expense, as previously discussed.

The following chart provides a breakdown of the contribution of the underwriting and investment results to the total comprehensive result.

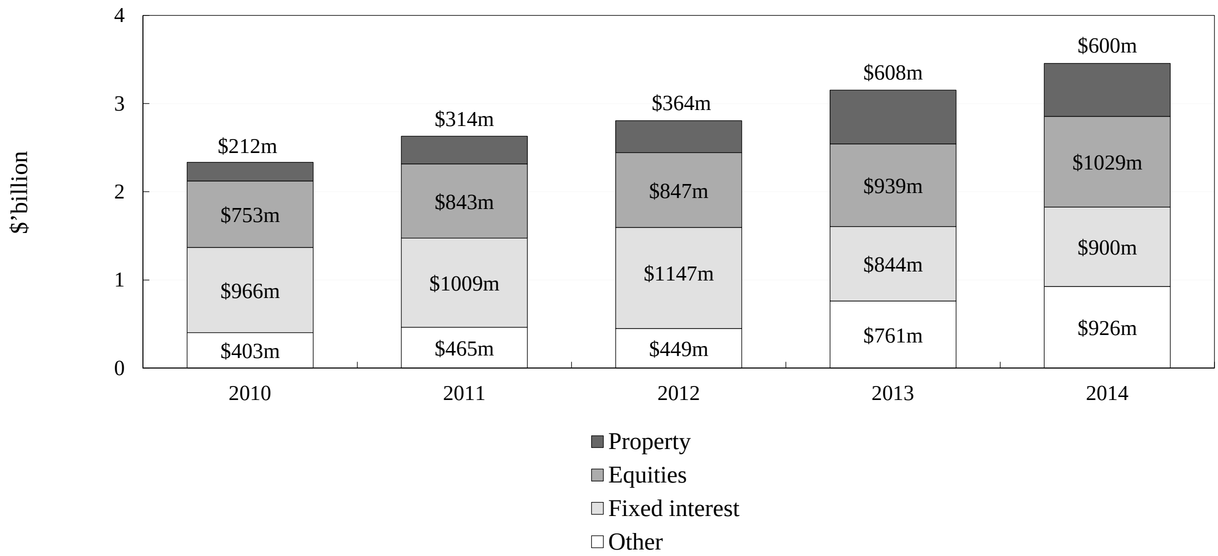


Statement of Financial Position

Investments

The total value of investment assets excluding cash increased by $1.1 billion over the five years to 2014 with investments totalling $3.5 billion as at 30 June 2014. The Commission does not directly hold investments such as equities but rather has interests in Funds SA's pooled investment portfolios. The Commission is responsible for setting the investment objectives and strategic asset allocation for the various investment sectors. Funds SA is responsible for managing the investment portfolios in accordance with the agreed asset allocations and reporting investment performance to the Commission on a monthly basis. During 2014 the Commission increased its investments in all asset classes, apart from properties.

For the five years to 2014 a structural analysis of investment assets (excluding cash) is shown in the following chart.



Outstanding claims

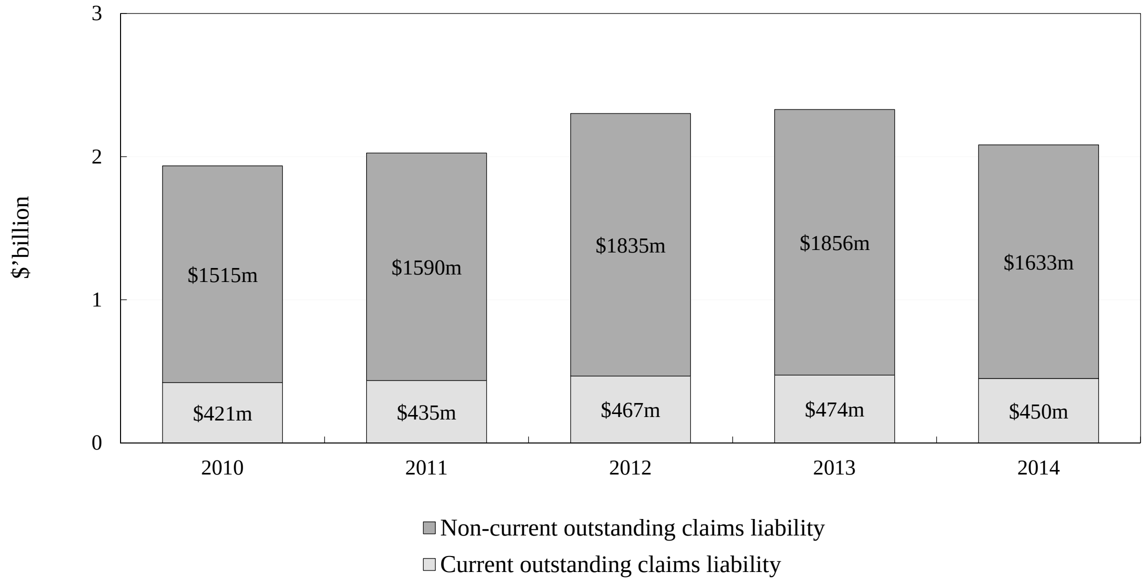
The primary liability of the Commission is for outstanding claims. The liability covers claims reported but not yet paid, incurred but not yet reported, the anticipated direct and indirect costs of settling those claims and estimated reinsurance and other insurance costs.

Calculation of the liability is an estimation process and a range of factors, including economic assumptions, affect the calculation. There is therefore a need for professional actuaries to undertake the calculation and, for reporting purposes, that detailed disclosure of a range of the assumptions made in the calculation be included in the notes to the financial statements.

The liability is calculated and reviewed by independent actuaries for the Commission. Up to 31 December 2013 the Fund actuary was Brett & Watson Pty Ltd. From 1 January 2014 the Fund actuary was Finity Consulting Pty Ltd. Details of the calculation are provided in notes 2(e) and 17 to the Commission's financial statements.

In 2014 the liability decreased by $247 million ($28 million increase) to $2.1 billion. The movement in the liability is a combination of the estimated cost of settling claims incurred in 2014, any changes in the estimated cost of settling claims incurred in previous years, together with any payments made to settle claims.

The following chart sets out details of the outstanding claims liability for the five years to 2014.



Factors considered by the actuary that impact the estimate of amounts required to settle claims include the:

- number of claims incurred
- length of time taken to settle the claim
- average amount of claim payments
- inflation and discount rates used.

Also impacting on the calculation of the outstanding claims liability are the solvency requirements promulgated by the Treasurer pursuant to the MAC Act that require a risk margin to be included in the provision to achieve an 80% probability that the provision is adequate. This requirement exceeds the Australian Prudential Regulation Authority (APRA) nominated target of 75% probability of sufficiency, as set out in Prudential Standard GPS 320. Refer to further commentary provided under the heading 'Solvency level'.

The decreased liability at 30 June 2014 was due mainly to the changes in actuarial methodology, assumptions and interpretation analysis in the liability calculation by the newly engaged Fund actuary. The main areas of difference are:

- more weight has been given to emerging large claims experience and consequently the estimated number of large claims per accident year was reduced by approximately six claims for each year since 2008

- the linking of the expected number of settlements to the number of reported claims. As the number of reported claims has been decreasing, this has resulted in a lower expected number of settlements relative to the previous actuary

- decrease in risk margin from 16% to 13%

- increase in allowance for the expected costs of claims handling from 5% to 7%

- decrease in the discount rate from 3.4% to 3.1%

- increase in inflation rate from 6.25% to 6.5%.

The implementation of scheme reform from 1 July 2013 has also impacted on the outstanding claims liability at 30 June 2014.

As was the case in 2013, the calculation of the claims liability in 2014 was subject to external peer review by Taylor Fry Consulting Actuaries. The independent reviewing actuary reported:

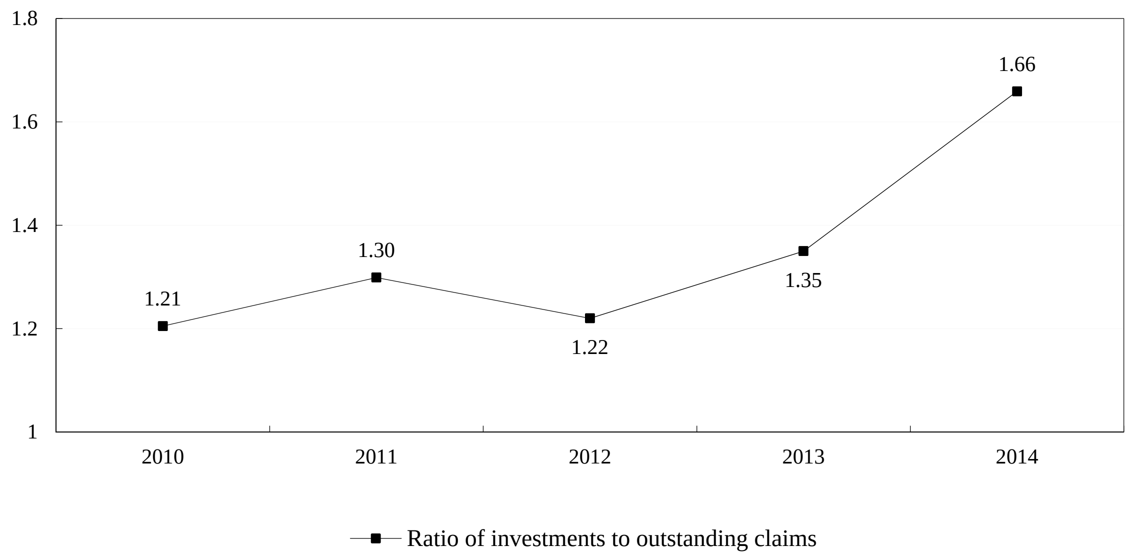
- nothing had come to their attention that would lead them to believe that the actuarial assessment conducted by Finity was unreasonable

- they consider the methodology and analysis undertaken by Finity to be reasonable, though they considered there were some areas of the valuation where additional analysis, or a slightly different approach, could lead to a more stable basis for the estimate of the liability

- Finity's methodology addressed many of the issues Taylor Fry had raised with regard to the previous actuary's approach in prior years.

The quantum of the potential variations to the valuation approach identified by Taylor Fry would not result in a materially different valuation as at 30 June 2014.

The ratio of investments excluding cash to outstanding claims liability is shown in the following chart. The ratio shows that the value of the Commission's assets is sufficient to cover the value of its outstanding claims. The increase in the ratio in 2014 reflects the increased value of investments and lower outstanding claims liability.



Solvency level

Section 14(3) of the MAC Act requires the Commission to seek to achieve and maintain a sufficient level of solvency for the CTP Fund in accordance with a formula determined by the Treasurer.

The primary aim of establishing a benchmark level of solvency is to ensure that the CTP Fund can reasonably be expected to meet all of its liabilities as they fall due, and essentially reflects the target level of reserves deemed by the Treasurer to be appropriate for the CTP Fund to provide comfort that the Scheme will endure future market turbulence with minimal risk of falling into a negative net assets position.

The formula specifies that the CTP Fund will have a sufficient level of solvency if its assets exceed the sum of:

- the Fund's liabilities
- 10% of the outstanding claims liabilities provision
- 10% of the premium liabilities provision
- 10% of the investments in equities and property.

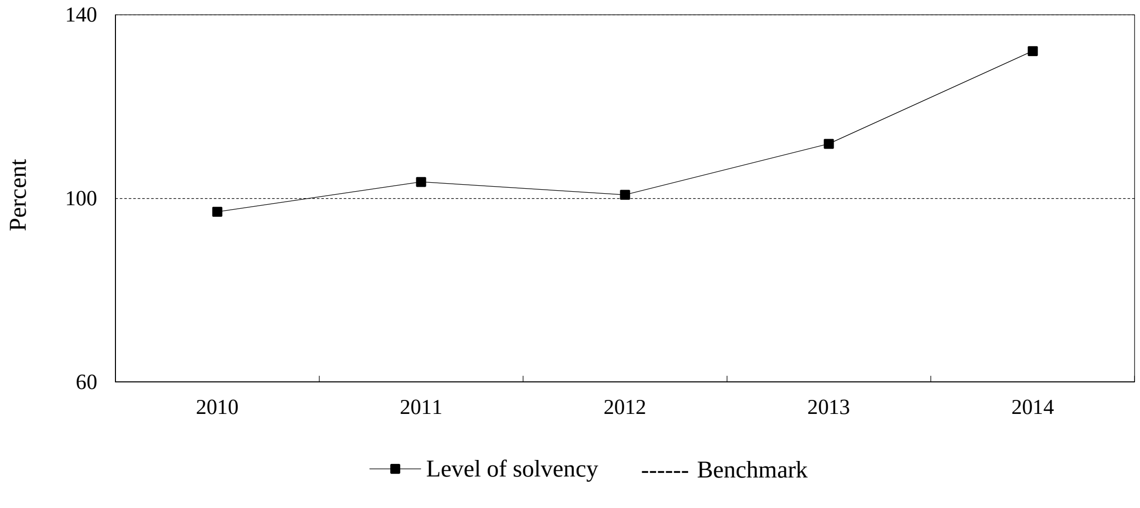
The Treasurer also requires that the provisions for outstanding claims liabilities and premium liabilities include a prudential margin which will be calculated by reference to an 80% probability that the provisions will be adequate as reported in actuarial reports to the Commission and also that the calculation of these provisions complies with the requirements of:

- AASB 1023
- Professional Standard 300 'Valuations of General Insurance Claims' issued by the Institute of Actuaries of Australia
- APRA Prudential Standard GPS 310 (now GPS 320) in respect of the outstanding claims liabilities and premium liabilities (with the exception that the risk margins adopted are to be at the 80% probability of sufficiency compared with the 75% probability APRA requires).

As at 30 June 2014 the target level of assets, as determined by application of the formula, was $2659 million. The assets of the CTP Fund as at that date were $3512 million or 132.1% (111.9%) of the target level of solvency.

The level of solvency is impacted heavily by changes to investment markets and adjustments to assumptions used to estimate the outstanding claims liability.

The following chart shows the level of solvency achieved over the past five years.



As well as having a sound net assets position, other key characteristics of the Commission that assist to ensure that the CTP Fund can reasonably be expected to meet all of its liabilities as they fall due include the:

- annual income stream and cash flow from the receipt of statutory premium income
- liquidity of investments allowing redemption of a high proportion of investments as required
- prudential margins built into the outstanding claims estimate.

Third party insurance premiums

The recent history regarding the implementation of premium changes recommended by the Third Party Premiums Committee (TPPC) is outlined below:

	2014 %	2013 %	2012 %	2011 %	2010 %
TPPC:					
Recommended rise (effective for the year ending 30 June)	2.0	4.63	2.4	7.3	17.6
Actual rise	(20.3)	4.63	2.4	7.3	7
Difference	22.3	-	-	-	10.6

As can be seen from the table, in 2010 the Treasurer approved premium increases less than the premiums recommended by the TPPC. On 20 May 2013 the Minister for Finance approved a decrease in premiums for 2014 to reflect the impact of scheme reform brought about by the *Motor Vehicle Accidents (Lifetime Support Scheme) Act 2013*. The TPPC had not considered scheme reform when it finalised its recommendation for premium increases on 18 April 2013.

Section 25(3a) of the MAC Act requires that subject to any direction of the Treasurer to the contrary, the Commission must not, while there is a less than sufficient level of solvency in the CTP Fund, fix its third party insurance premiums at amounts less than those determined by the TPPC. Application of this section since its promulgation in 2002 has contributed to the solvency level being achieved. From 2011 to 2013 the increase recommended by the TPPC was implemented whilst in 2010 and 2014 an increase less than that recommended was implemented.

The risk of decreasing premiums or implementing a less than recommended increase is that it places additional reliance on achieving good investment returns. If this is not achieved or indeed when there is a significant downturn in investment performance, there may be little margin in the solvency position to absorb the impact of the downturn. In 2010 investment returns increased significantly compared to 2009, however this alone had not been enough to return the CTP Fund to its sufficient level of solvency. From 2011 to 2013 the increases in investment returns coupled with the rise in premiums being at the level recommended by the TPPC, resulted in the required level of solvency being achieved.

Under the provisions of the MAC Act, two of the principal objectives of the Commission in providing CTP insurance are to achieve and maintain a sufficient level of solvency in the CTP Fund and to minimise premium charges having regard to the Commission’s objective of achieving and maintaining a sufficient level of solvency in the CTP Fund. The TPPC considers these two objectives when making its premium recommendation which is determined based on the circumstances prevailing at the time in relation to expected premium income, projected claim costs and investment returns.

Statement of Cash Flows

The following table summarises the net cash flows for the five years to 2014.

	2014 $’million	2013 $’million	2012 $’million	2011 $’million	2010 $’million
Net cash flows					
Operating	(36)	(8)	153	114	19
Investing	-	-	(1)	-	-
Change in cash	(36)	(8)	152	114	19
Cash at 30 June	279	315	323	171	57

The analysis of cash flows shows that the Commission’s cash position has decreased by $36 million in 2014. Cash at 30 June 2014 includes deposits at call of $262 million.

Statement of Comprehensive Income
for the year ended 30 June 2014

		CTP		MAC	
		2014	2013	2014	2013
	Note	$'000	$'000	$'000	$'000
Premium revenue	5	513 470	578 094	513 470	578 094
Outwards reinsurance expense		(5 738)	(5 623)	(5 738)	(5 623)
Net premium		507 732	572 471	507 732	572 471
Claims expense	6	(112 802)	(411 314)	(112 802)	(411 306)
Reinsurance and other recoveries	5	(889)	(1 935)	(889)	(1 935)
Net claims	21	(113 691)	(413 249)	(113 691)	(413 241)
Unexpired risk expense	10	(25 325)	38 452	(25 325)	38 452
Other underwriting expenses	7	(122 716)	(126 919)	(122 690)	(126 677)
Contributions	8	(122 300)	-	(122 300)	-
Underwriting profit (loss)		123 700	70 755	123 726	71 005
Investment revenue	5	54 102	49 632	53 872	49 412
Other revenue	5	2 803	342	2 813	375
Investment management fee		(9 020)	(8 147)	(9 020)	(8 147)
Net investment revenue		47 885	41 827	47 665	41 640
Net result before market value movements		171 585	112 582	171 391	112 645
Investment market value movements	5	311 964	258 596	311 964	258 596
Net result		483 549	371 178	483 355	371 241
Total comprehensive result		483 549	371 178	483 355	371 241

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

Statement of Financial Position
as at 30 June 2014

		CTP		MAC	
		2014	2013	2014	2013
	Note	$'000	$'000	$'000	$'000
Current assets:					
Cash	25	15 788	106 767	16 569	106 983
Receivables	9	11 246	13 384	11 309	13 465
Reinsurance and other recoveries receivable	11	2 295	2 710	2 295	2 710
Other financial assets	12	279 137	227 695	279 137	227 695
Prepayments		17 245	20 967	17 245	20 967
Total current assets		325 711	371 523	326 555	371 820
Non-current assets:					
Receivables	9	400	300	-	-
Reinsurance and other recoveries receivable	11	9 599	12 591	9 599	12 591
Other financial assets	12	2 576 830	2 316 254	2 576 830	2 316 254
Investment property	13	599 500	608 400	599 500	608 400
Property, plant and equipment	14	-	-	648	714
Total non-current assets		3 186 329	2 937 545	3 186 577	2 937 959
Total assets		3 512 040	3 309 068	3 513 132	3 309 779
Current liabilities:					
Payables	15	10 378	11 091	10 070	10 380
Unearned income	16	139 009	194 248	139 009	194 248
Outstanding claims	17	450 101	474 521	450 103	474 523
Unexpired risk liability	10	2 022	-	2 022	-
Provisions	19	-	3 590	406	3 934
Total current liabilities		601 510	683 450	601 610	683 085
Non-current liabilities:					
Unearned income	16	1 777	2 034	1 777	2 034
Outstanding claims	17	1 633 143	1 855 846	1 633 193	1 855 898
Unexpired risk liability	10	23 303	-	23 303	-
Provisions	19	1 020	-	1 639	507
Total non-current liabilities		1 659 243	1 857 880	1 659 912	1 858 439
Total liabilities		2 260 753	2 541 330	2 261 522	2 541 524
Net assets		1 251 287	767 738	1 251 610	768 255
Equity:					
Retained earnings		1 251 287	767 738	1 251 610	768 255
Total equity		1 251 287	767 738	1 251 610	768 255

Total equity is attributable to the SA Government as owner

Commitments	22
Contingent assets and liabilities	27

Statement of Changes in Equity
for the year ended 30 June 2014

	CTP	MAC
	$'000	$'000
Retained earnings at 30 June 2012	396 560	397 014
Total comprehensive result for 2012-13	371 178	371 241
Retained earnings at 30 June 2013	767 738	768 255
Total comprehensive result for 2013-14	483 549	483 355
Retained earnings at 30 June 2014	1 251 287	1 251 610

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

Statement of Cash Flows
for the year ended 30 June 2014

		CTP		MAC	
		2014	2013	2014	2013
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
	Note	$'000	$'000	$'000	$'000
Cash flows from operating activities:					
Cash receipts from CTP insurance premiums		523 410	631 137	523 410	631 137
Other cash receipts in the course of operations		2 725	3 055	2 735	3 088
Cash received from sale of property		31 025	22 825	31 025	22 825
Cash payments in settlement of claims		(385 323)	(415 180)	(385 323)	(415 180)
Cash payments for purchase of property		-	(286 283)	-	(286 283)
Lifetime Support Scheme contributions		(41 500)	-	(41 500)	-
Road safety contributions		(100 000)	-	(100 000)	-
Other cash payments in the course of operations		(156 892)	(102 085)	(156 332)	(102 513)
Interest and other investment income		89 976	139 304	90 002	139 332
Net cash inflows (outflows) from operating activities	25	(36 579)	(7 227)	(35 983)	(7 594)
Cash flows from investing activities:					
Payment for property, plant and equipment		-	-	(31)	(72)
Net cash inflows (outflows) from investing activities		-	-	(31)	(72)
Net increase (decrease) in cash held		(36 579)	(7 227)	(36 014)	(7 666)
Cash at 1 July		314 848	322 075	315 064	322 730
Cash at 30 June	2(q),25	278 269	314 848	279 050	315 064

Notes to and forming part of the financial statements

1. Activities of the Motor Accident Commission (MAC or the Commission)

MAC's principal activity is the underwriting of compulsory third party (CTP) insurance in South Australia.

Effective 1 July 2013, a new CTP insurance scheme was implemented by MAC which included a series of reforms designed to improve the scheme's affordability, deliver a consistent compensation system for those injured in a motor vehicle crash and promote optimal recovery for injured people.

2. Statement of significant accounting policies

(a) Basis of preparation

MAC has prepared these financial statements in compliance with section 23 of the PFAA.

The financial report has been prepared with MAC being treated as a not-for-profit entity.

The financial report contains consolidated financial statements for MAC and MAC CTP Fund (the Fund) for the year ended 30 June 2014. The financial statements of MAC and MAC CTP Fund are prepared for the same reporting period, using consistent accounting policies. All intra-group balances, transactions, income and expenses are eliminated in full.

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

In the interest of public accountability and transparency the APSs require the following note disclosure which have been included in this financial report:

(i) 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

(ii) expenses incurred as a result of engaging consultants

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

(iv) 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.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by MAC for the reporting period ending 30 June 2014 (refer note 3).

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for other financial assets and investment properties which are valued in accordance with the valuation policy applicable.

(b) Premium revenue

The earned portion of premiums received and receivable, is recognised as revenue. Premium is treated as earned from the date of attachment of risk. Unearned premium is determined by apportioning the premiums written prior to year-end on a daily pro-rata basis.

(c) Investment income

Fees and discounts are amortised over the period to which they relate. Interest is taken to income on an earned basis. Investment income is reported after deducting costs and expenses relating to management, operation and maintenance of the investment portfolio.

(d) Outwards reinsurance

Premiums paid to reinsurers are recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance is treated at balance date as a prepayment.

(e) Claims

Claims expense and a liability for outstanding claims are recognised in respect of the direct insurance and inwards reinsurance businesses. The liability covers claims reported but not yet paid, incurred but not reported claims (IBNRs), the anticipated direct and indirect costs of settling those claims and estimated reinsurance and other insurance recoveries. Claims outstanding are based on average or individual claim file estimates, with IBNRs and settlement costs calculated using statistics from past experience and trends.

(i) CTP claims

The liability for outstanding CTP claims is measured as the present value of the expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and superimposed inflation. The expected future payments are discounted to present value at balance date and a margin is included to provide sufficient confidence that the provision is adequate. The outstanding claims liability is subject to actuarial assessment.

(i) CTP claims (continued)

A risk margin is added to the outstanding claims provision to increase the probability that the net liability is adequately provided to a sufficiency level of 80%.

(ii) Other claims

In the insurance and inwards reinsurance businesses, delays occur in the notification of information normally used in the calculation of claims provisions. The directors, having due consideration for the nature of the risks involved and any material event that would adversely affect the operating results, have provided an amount for claims in the accounts that is sufficient to cover known events and at the same time, assist to maintain prudential reserves.

(f) Reinsurance and other recoveries receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and IBNRs are recognised as revenue. Recoveries receivable used in the calculation of claims provisions are brought to account where they can be reliably measured. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims.

(g) Unexpired risk

AASB 1023 requires an assessment of the net unearned premium reserve to ensure that it is at least equal to the future claims expense, inclusive of a prudential margin and associated claims management expenses. If this is not so, then additional provisioning is included such that this condition is met.

An assessment of the expected future claims relating to the unexpired risk period represented by the unearned premium has been undertaken by the actuaries as at 30 June 2014.

In order to meet the liability adequacy test, additional provisioning is included at a probability of sufficiency of 80%.

(h) Collection charges

Costs incurred in obtaining and recording policies of insurance are recognised as collection costs and have been brought to account during the financial year as they do not represent a future benefit.

(i) Levies and charges

A liability for levies and charges is recognised on business written to balance date. Levies and charges payable by MAC are expensed on the same basis as the recognition of premium revenue, with the portion relating to unearned premium being recorded as a prepayment, which is the licence fee payable to RevenueSA.

(j) Receivables

(i) Trade debtors

Trade debtors principally relate to premiums collected by the Department of Planning, Transport and Infrastructure, an agent of MAC, not yet passed over to the CTP Fund. The settlement of these amounts occurs within seven working days.

(ii) Investment debtors

Investment debtors consists of interest and rental due on other investments.

The collectability of debts is assessed at balance date and specific allowance is made for any doubtful debts. The carrying amount of receivables approximates fair value due to being receivable on demand.

(k) Other financial assets

AASB 1023 requires that assets backing insurance liabilities are to be measured at fair value with any changes in value taken to the Statement of Comprehensive Income. All assets of an investment nature held by the CTP Fund are considered to be for the purpose of backing insurance liabilities.

(i) Unit trusts

The bulk of MAC's investment portfolio is held with the Superannuation Funds Management Corporation of South Australia (Funds SA), the SA Government investment body. These investments are held via unit trusts in a range of asset classes. Market quotations are used as the valuation basis for these units.

(ii) Property securities

By market quotations as at 30 June 2014.

(iii) Other investments

Other investments are valued based on current economic conditions, market interest rates and the latest available information on the investments as considered appropriate by the directors.

(l) Investment properties

Investment properties are properties which are held for long-term rental yields or for capital appreciation or both. Investment properties are measured at fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties. The 2014 revaluations were based on independent assessments made by members of the Australian Property Institute.

Changes in fair value are recognised in the Statement of Comprehensive Income. Rental income is recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

(m) Employee benefits

A liability for employee benefits has been accrued at 30 June 2014.

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.

Salaries and wages, annual leave, SERL and sick leave

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

The annual leave provision and SERL is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

LSL

The provision for LSL is measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated provision for LSL is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities across the government sector. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

Employment on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, LSL and annual leave and are accounted for under payables.

Superannuation

MAC 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.

(n) Taxation

MAC is an income tax exempt organisation pursuant to section 24AK of the ITAA.

MAC is liable for payroll tax, FBT, GST, Emergency Services levy, land tax and local government rates.

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.

(n) Taxation (continued)

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.

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 commitment and contingencies are disclosed on a gross basis.

(o) Property, plant and equipment

MAC has adopted the fair value method of valuing its property, plant and equipment assets. Plant and equipment and building fitout are recorded at cost (a proxy for fair value) and depreciated over their estimated useful lives. The rates of depreciation are detailed below. Land and buildings are treated as investments and are consequently not subject to depreciation.

The useful lives of all major assets held by MAC are reassessed on an annual basis.

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

Asset class	*Depreciation method*	*Depreciation rate (%)*
Plant and equipment	Diminishing value	20
Building fitout	Straight-line	Over the remaining useful life
Other	Straight-line	10

(p) Payables

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

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

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 the date the invoice is first received.

Employee benefits on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, LSL, annual leave and SERL.

The carrying amount of payables approximates fair value due to amounts owing being payable on demand.

(q) Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank and short-term deposits at call.

(r) Provision for incentive payment

A liability for payment of a financial outcome measure incentive to Allianz has been accrued at 30 June 2014. Payment of the incentive is based on Allianz's performance in reducing the cost of claims over the period from 1 January 2014 to 30 June 2014, compared to benchmarks in accordance with the terms of the CTP Services Contract.

(s) Rounding

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

(t) Interest in a jointly controlled property

MAC has a 50% interest in a jointly controlled property at 400 George Street, Brisbane. MAC recognises its interest in the jointly controlled property by recognising its share of liabilities, expenses and income from the use and output of the jointly controlled property.

(u) ***Events after the reporting 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, where an event occurs after 30 June and before 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.

3. Changes in accounting policies

The Commission did not voluntarily change any of its accounting policies during the year.

In accordance with the new AASB 13 which became effective for the first time in 2013-14, the Commission has:

- reviewed its fair value valuation techniques (both internal estimates and independent valuation appraisal) for non-financial assets to ensure they are consistent with the standard. Previously, the Commission has used the cost approach or the market approach to determine fair value. The Commission will continue to measure its non-financial assets using either the cost or market approach. The application of AASB 13 has not had a material impact on the fair value measurements
- included additional disclosures where required to assist users in assessing the valuation techniques and inputs used to ascertain fair value measurements used for asset and liability measurements.

Fair value hierarchy and other information is provided in note 13.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by MAC for the reporting period ending 30 June 2014. MAC 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.

4. Net result

	CTP		MAC	
Net result is arrived at after crediting and charging the following specific items:	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Credits:				
Interest received/receivable	14 562	10 866	14 588	10 893
Charges:				
Amounts set aside to provide for:				
Employee benefits	-	-	209	152
Depreciation of property, plant and equipment	-	-	97	89

5. Revenue

	CTP 2014	CTP 2013	MAC 2014	MAC 2013
Premium revenue:				
Direct	513 470	578 094	513 470	578 094
	513 470	578 094	513 470	578 094
Reinsurance and other recoveries:				
Other	(889)	(1 935)	(889)	(1 935)
	(889)	(1 935)	(889)	(1 935)
Investment revenue:				
Interest	11 780	10 866	11 806	10 893
Rentals	42 189	38 031	41 933	37 784
Profit - investments realised	133	735	133	735
	54 102	49 632	53 872	49 412
Investment market value movements - unrealised gains (losses):				
Fixed interest	29 854	15 380	29 854	15 380
Equities	178 251	222 197	178 251	222 197
Properties	19 758	(12 798)	19 758	(12 798)
Other	84 101	33 817	84 101	33 817
	311 964	258 596	311 964	258 596

5. Revenue (continued)

	CTP		MAC	
	2014	2013	2014	2013
Other revenue:	$'000	$'000	$'000	$'000
Foreign exchange gains (losses)	-	-	1	11
Other	2 803	342	2 812	364
	2 803	342	2 813	375
Total revenue	881 450	884 729	881 230	884 542

6. Claims expense

Claims paid*	359 924	382 623	359 924	382 623
Claims provision adjustment	(282 005)	79 345	(282 005)	79 345
Adjustment for economic assumptions	34 883	(50 654)	34 883	(50 654)
	112 802	411 314	112 802	411 314
Non-CTP business	-	-	-	(8)
	-	-	-	(8)
	112 802	411 314	112 802	411 306

* Claims paid includes supplies and services paid or payable to SA Government entities as follows:

	2014	2013
	$'000	$'000
Ambulance and helicopter rescue services	6 095	6 095

7. Other underwriting expenses

	CTP		MAC	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Management expenses*	55 793	53 021	55 767	52 779
Levies and charges**	55 423	62 398	55 423	62 398
Collection charges**	11 500	11 500	11 500	11 500
	122 716	126 919	122 690	126 677

* Management expenses include supplies and services paid or payable to SA Government entities as follows:

	2014	2013
	$'000	$'000
Corporate support services	2 975	754
Road safety supplies and services	1 807	1 371

** In relation to levies and charges and collection charges, the entire amount was paid or payable to SA Government entities.

8. Contributions

	CTP		MAC	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Road safety	100 000	-	100 000	-
Lifetime support scheme	22 300	-	22 300	-
	122 300	-	122 300	-

MAC made a contribution of $100 million in 2013-14 towards a dedicated fund to be used for road safety initiatives with a particular focus on the treatment of black spots. The payment was required by the Treasurer pursuant to section 25(5)(d) of the MAC Act for road safety initiatives to the Government in accordance with the functions and objectives under section 14(1)(d) of the MAC Act. Payment of this amount was made to DTF in the 2013-14 financial year.

In addition in January 2014, Cabinet approved the payment by MAC of $41.5 million in transitional funding to the Lifetime Support Authority. Of the amount payable to the Lifetime Support Authority, $19.2 million related to a reduction in MAC's unearned premium reserve as at 30 June 2014. The remaining amount of $22.3 million was payable to fund their no fault claim costs. Payment of these amounts occurred in the 2013-14 financial year.

9. Receivables

	CTP 2014 $'000	CTP 2013 $'000	MAC 2014 $'000	MAC 2013 $'000
Current:				
Trade debtors	5 316	8 232	5 329	8 245
Other debtors	-	-	49	67
	5 316	8 232	5 378	8 312
Investment debtors	5 930	5 152	5 931	5 153
Total current receivables	11 246	13 384	11 309	13 465
Non-current:				
Payroll advance	400	300	-	-
Total non-current receivables	400	300	-	-
Total receivables	11 646	13 684	11 309	13 465

Investment debtors consists of interest and rent due on investments.

Other debtors generally arise from transactions outside the usual operating activities of the Commission.

10. Unexpired risk liability

AASB 1023 requires a liability adequacy test which is an assessment of the net unearned premium reserve to ensure that it is at least equal to the future claims expense, inclusive of a prudential margin and associated claims management expenses. If this is not so, then additional provisioning is included such that this condition is met.

An assessment of the expected future claims relating to the unexpired risk period represented by the unearned premium has been undertaken by the actuaries as at 30 June 2014.

	CTP 2014 $'000	CTP 2013 $'000	MAC 2014 $'000	MAC 2013 $'000
Central estimate of present value of future claims	113 600	133 000	113 600	133 000
Risk margin	18 400	33 300	18 400	33 300
Other expenses	17 000	-	17 000	-
Present value of expected future claims	149 000	166 300	149 000	166 300
Unearned premium liability	140 568	194 247	140 568	194 247
Related reinsurance asset	352	(904)	352	(904)
Prepaid licence fees	(17 245)	(20 967)	(17 245)	(20 967)
	123 675	172 376	123 675	172 376
Unexpired risk liability	25 325	-	25 325	-

In order to meet the liability adequacy test, additional provisioning for the premium liability has been included at a probability of sufficiency of 80% (80%) which results in a risk margin of 14.1% (25%). This risk margin is based on MAC's claims experience and the actuaries knowledge of industry practice for CTP insurance portfolios which they consider are appropriate for MAC. As MAC has only one class of insurance, no allowance has been made for diversification of insurance classes.

	CTP 2014 $'000	CTP 2013 $'000	MAC 2014 $'000	MAC 2013 $'000
Unexpired risk liability:				
Balance at 1 July	-	38 452	-	38 452
Unexpired risk expense	25 325	(38 452)	25 325	(38 452)
Balance at 30 June	25 325	-	25 325	-
Unexpired risk liability:				
Current	2 022	-	2 022	-
Non-current	23 303	-	23 303	-
Total liability	25 325	-	25 325	-

11. Reinsurance and other recoveries receivable

	CTP 2014	CTP 2013	MAC 2014	MAC 2013
Expected future recoveries (undiscounted)	13 400	17 989	13 400	17 989
Discount to present value*	(1 506)	(2 688)	(1 506)	(2 688)
Reinsurance and other recoveries receivable	11 894	15 301	11 894	15 301

11. Reinsurance and other recoveries receivable (continued)

	CTP		MAC	
	2014	2013	2014	2013
Reinsurance and other recoveries receivable:	$'000	$'000	$'000	$'000
Current	2 295	2 710	2 295	2 710
Non-current	9 599	12 591	9 599	12 591
	11 894	15 301	11 894	15 301

* Refer note 17(b) for details of the inflation and discount rates used in the determination of this discounting adjustment.

12. Other financial assets

Investments are held primarily with Funds SA via unit trusts in a range of asset classes.

	CTP		MAC	
	2014	2013	2014	2013
Current:	$'000	$'000	$'000	$'000
Fixed interest:				
Cash and deposits	262 481	208 081	262 481	208 081
Cash - unit trust	3 983	7 034	3 983	7 034
Fixed interest - unit trust	12 673	12 580	12 673	12 580
Total current other financial assets	279 137	227 695	279 137	227 695
Non-current:				
Fixed interest:				
Fixed interest - unit trust	620 972	616 445	620 972	616 445
Equities:				
Australian equities - unit trust	494 096	436 663	494 096	436 663
International equities - unit trust	504 380	475 881	504 380	475 881
Absolute return - unit trust	30 968	26 902	30 968	26 902
Other:				
Internal inflation linked - unit trust	169 819	79 629	169 819	79 629
MAC infrastructure - unit trust	122 358	108 442	122 358	108 442
MAC diversified strategies income - unit trust	634 237	572 292	634 237	572 292
Total non-current other financial assets	2 576 830	2 316 254	2 576 830	2 316 254
Total other financial assets	2 855 967	2 543 949	2 855 967	2 543 949

13. Investment property

At fair value:				
Balance at 1 July	608 400	356 100	608 400	356 100
Acquisitions	-	286 283	-	286 283
Disposals	(31 000)	(22 400)	(31 000)	(22 400)
Capitalised subsequent expenditure	2 342	1 215	2 342	1 215
Net gain (loss) from fair value adjustments	19 758	(12 798)	19 758	(12 798)
Balance at 30 June	599 500	608 400	599 500	608 400

Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. MAC categorises non-financial assets measured at fair value into the hierarchy based on the level of inputs used in measurement.

Fair value measurements for investment property recognised in the Statement of Financial Position as at 30 June 2014 are all classified into level 2 being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price.

Valuation basis

Valuation techniques used to derive level 2 fair values are detailed as follows. There were no changes in valuation techniques during 2014. Investment properties are measured at fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties. The revaluations were based on independent assessments made by members of the Australian Property Institute.

Amounts recognised in the Statement of Comprehensive Income for investment property

	CTP		MAC	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Rental income	59 381	48 954	59 125	48 707
Direct operating expenses	(17 192)	(10 923)	(17 192)	(10 923)
Total amount recognised	42 189	38 031	41 933	37 784

Leasing arrangements

Commitments under non-cancellable operating leases at the reporting date are receivable as follows:				
Not later than one year	48 474	50 312	48 474	50 312
Later than one year but no later than five years	189 505	201 550	189 505	201 550
Later than five years	105 019	137 902	105 019	137 902
	342 998	389 764	342 998	389 764

These operating leases are not recognised in the Statement of Financial Position as assets.

The non-cancellable leases are property leases with numerous tenants for a variety of terms where the rent is payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased by various methods including CPI, fixed increases and to market. In some cases options exist to renew the leases at the end of the term of the leases. We have utilised the calculations provided by our valuers to determine the commitments under non-cancellable operating leases as at 30 June 2014. In determining those figures, our valuers have based their figures utilising AASB 117.

14. Property, plant and equipment

	CTP		MAC	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Building fitout	-	-	784	779
Accumulated depreciation	-	-	(225)	(145)
	-	-	559	634
Plant and equipment	-	-	108	100
Accumulated depreciation	-	-	(47)	(33)
	-	-	61	67
Other	-	-	31	13
Accumulated depreciation	-	-	(3)	-
	-	-	28	13
Total property, plant and equipment	-	-	648	714
Building fitout:				
Carrying amount at 1 July	-	-	634	676
Additions	-	-	5	34
Depreciation	-	-	(80)	(76)
Carrying amount at 30 June	-	-	559	634
Plant and equipment:				
Carrying amount at 1 July	-	-	67	55
Additions	-	-	8	25
Depreciation	-	-	(14)	(13)
Carrying amount at 30 June	-	-	61	67
Other:				
Carrying amount at 1 July	-	-	13	8
Additions	-	-	18	13
Disposals	-	-	-	(8)
Depreciation	-	-	(3)	-
Carrying amount at 30 June	-	-	28	13

15. Payables

	CTP		MAC	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Current:				
Other creditors and accruals	10 378	11 091	10 070	10 380
	10 378	11 091	10 070	10 380

16. Unearned income

	CTP 2014	CTP 2013	MAC 2014	MAC 2013
Current:				
Unearned premium	138 791	192 231	138 791	192 231
Unearned property income	218	2 017	218	2 017
Total current unearned income	139 009	194 248	139 009	194 248
Non-current:				
Unearned premium	1 777	2 016	1 777	2 016
Unearned property income	-	18	-	18
Total non-current unearned income	1 777	2 034	1 777	2 034
Total unearned income	140 786	196 282	140 786	196 282

17. Outstanding claims

	CTP 2014	CTP 2013	MAC 2014	MAC 2013
(a) Expected future claims payments (undiscounted)	2 051 346	2 288 574	2 051 398	2 288 628
Risk margin applied (undiscounted)	266 046	363 293	266 046	363 293
Discount to present value:				
Central estimate	(207 169)	(277 526)	(207 169)	(277 526)
Risk margin applied	(26 979)	(43 974)	(26 979)	(43 974)
Liability for outstanding claims	2 083 244	2 330 367	2 083 296	2 330 421
Current	450 101	474 521	450 103	474 523
Non-current	1 633 143	1 855 846	1 633 193	1 855 898
Liability for outstanding claims	2 083 244	2 330 367	2 083 296	2 330 421

On 1 July 2013, a new South Australian CTP scheme came into effect. The new scheme embodies a series of scheme reforms designed to improve the scheme's affordability, deliver a consistent compensation system for those injured in a motor vehicle crash and promote optimal recovery for injured people.

	CTP		MAC	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Old Scheme	1 683 106	2 330 367	1 683 106	2 330 367
New Scheme	400 138	-	400 138	-
Non-CTP	-	-	52	54
Liability for outstanding claims	2 083 244	2 330 367	2 083 296	2 330 421

(b) The following average inflation (normal and superimposed) rates and discount rates were used in the measurement of outstanding claims:	CTP 2014 %	CTP 2013 %	MAC 2014 %	MAC 2013 %
For the succeeding year:				
Inflation rate	6.50	6.25	6.50	6.25
Discount rate	3.10	3.40	3.10	3.40
For subsequent years:				
Inflation rate	6.50	6.25	6.50	6.25
Discount rate	3.10	3.40	3.10	3.40

	2014 Years	2013 Years	2014 Years	2013 Years
(c) The weighted average expected term to settlement of the outstanding claims from balance date is estimated to be:	3.3	4.1	3.3	4.1

The method of calculating outstanding claims is set out in detail (note 2 (e)).

The claims provision for the CTP Fund as at 30 June 2014 has been reviewed by the Fund actuaries, Gillian Harrex BEc FIAA GAICD and Geoff Atkins BA FIAA of Finity Consulting Pty Ltd. The directors have adopted a central estimate plus a risk margin as determined by the actuaries to achieve an 80% probability that the provision will prove adequate. An overall risk margin of 13% (16%) has been applied and is derived using the framework established by the Actuaries Institute. As MAC only includes one class of insurance, no allowance has been made for diversification of insurance classes.

17. Outstanding claims (continued)

For inwards reinsurance, the directors have adopted an internal valuation of the estimated outstanding liability.

Sensitivity analysis

There is considerable uncertainty inherent in the estimation of the outstanding claims liability and in particular there is uncertainty attached to:

(a) the future claim inflation rate (including super imposed inflation) which is subject to systemic economic and social influences which cannot be fully and accurately predicted

(b) the number of future large claims settlements which, because they are relatively few in number, are subject to significant random variation as well as systemic influence such as road and vehicle safety improvements and advances in medical technology which affect the number of seriously injured claimants within the Fund

(c) the numbers of claims receiving future settlements in respect of recent accident years.

The relative financial sensitivity of the outstanding claims provision to changes in the key valuation assumptions is illustrated in the following table. The sensitivities shown should not be considered to be equally probable, nor are they mutually exclusive. Furthermore, they do not represent upper or lower bounds of all possible outcomes.

Change in model parameters	Impact on provision	
Change in valuation assumption:	%	$'000
Average size of large claims increased from $1.54 million to $1.64 million	2.9	61 100
Number of large claims increased by 15% (for accidents post-June 2008)	4.0	82 900
The number of claims involving a settlement increased by 10% (for accidents post-June 2008)	2.8	57 200
Average (non-large) size increased by 10% (for accidents post-June 2008)	5.5	113 100
Discounted rate increased from 3.1% to 3.6% p.a.	(1.6)	(33 000)
Discounted rate decreased from 3.1% to 2.6% p.a.	1.6	34 200
Superimposed inflation rate increased from 3% to 3.5% p.a.	1.1	22 500
Risk margin increased from 13% to 14%	0.9	18 300

Claims development

	Accident year ending 30 June										
Net ultimate claims cost estimate:	2005 $'000	2006 $'000	2007 $'000	2008 $'000	2009 $'000	2010 $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000	Total $'000
At end of accident year	326 705	354 460	382 329	426 940	444 156	459 249	483 650	492 426	514 693	400 476	
One year later	343 157	355 875	386 338	394 295	426 282	458 570	469 417	488 162	461 742		
Two years later	331 398	352 055	378 015	397 754	433 527	440 122	466 825	432 909			
Three years later	353 662	364 139	380 349	397 925	411 612	426 006	429 090				
Four years later	359 694	379 637	383 684	394 421	408 503	400 245					
Five years later	358 224	380 167	369 627	383 942	366 346						
Six years later	345 525	376 103	361 341	355 010							
Seven years later	347 917	367 193	354 025								
Eight years later	344 123	355 234									
Nine years later	339 297										
Current estimate of net ultimate claims cost	339 297	355 234	354 025	355 010	366 346	400 245	429 090	432 909	461 742	400 476	
Cumulative payments	(317 675)	(314 418)	(300 271)	(276 050)	(268 959)	(244 111)	(180 689)	(115 814)	(65 360)	(27 592)	
Net undiscounted claims liability for the nine most recent accident years	21 622	40 816	53 754	78 960	97 387	156 134	248 401	317 095	396 382	372 884	1 783 435
Discount to present value	(2 199)	(4 043)	(4 988)	(7 136)	(8 526)	(13 963)	(22 262)	(30 459)	(42 971)	(46 877)	(183 424)
Net discounted claims liability for the nine most recent accident years	19 423	36 773	48 766	71 824	88 861	142 171	226 139	286 636	353 411	326 007	1 600 011

	Total $'000
Reconciliation:	
Net discounted claims liability for accident years 2003-04 and prior	112 403
Claims handling expenses	119 869
Risk margin	239 067
Net outstanding claims liability	2 071 350
Gross outstanding claims liability on the Statement of Financial Position	2 083 244
Reinsurance and other recoveries on outstanding claims liability	(11 894)
Net outstanding claims liability	2 071 350

Estimated timing of net cash outflows resulting from recognised insurance liabilities is provided below. This is provided instead of a maturity analysis for financial liabilities showing remaining contractual liabilities.

Estimated timing of net cash flows

	1 year and less $'000	2-4 years $'000	5-9 years $'000	10-14 years $'000	15-19 years $'000	20-24 years $'000	Later years $'000	2014 Total $'000
Liabilities	447 806	995 695	509 864	95 070	21 383	1 531	1	2 071 350

18. Insurance contracts risk management

A key risk from operating in the CTP insurance industry is the exposure to insurance risk arising from underwriting CTP insurance contracts. CTP insurance policies transfer risk to the insurer by indemnifying the policyholders against adverse affects arising from the occurrence of specified uncertain future events. The risk is that the actual amount of claims to be paid in relation to CTP insurance policies will be different to the amount estimated at the time CTP premiums are determined. MAC is exposed to this risk because the price for a policy must be set before the losses relating to the insurance cover are known. Hence the insurance business involves inherent uncertainty. MAC also faces other risks relating to the conduct of the CTP insurance business including financial and capital risks.

A fundamental part of the overall risk management strategy is the effective governance and management of the risks that impact the amount, timing and uncertainty of cash flows arising from insurance policies.

Risk management objectives and policies for mitigating insurance risk

The risk management activities can be broadly separated into underwriting (acceptance and pricing of risk), claims management and investment management. The objective of these risk management functions is to secure the longer term financial performance of the CTP insurance scheme.

The key policies in place to mitigate risks arising from underwriting CTP insurance policies include the following:

Pricing

Actuarial models are used which combine historical and projected data to calculate premiums and monitor claims patterns. The data used includes historical pricing, investment behaviours and claims experience and analysis and takes account of current market and scheme trends. All data used is subject to thorough verification and reconciliation processes.

A recommendation in relation to the premiums which MAC may charge is made by an independent body, the Third Party Premiums Committee, taking into account actuarial models and having regard to MAC's obligation to seek to achieve and maintain a sufficient level of solvency in the Fund. The CTP premiums to be charged for each financial year are ultimately determined by Cabinet.

Whilst premiums are set based on assumptions regarding the behaviour of claims and investments during the year, actual claims and investment behaviour often varies from these assumptions and the results achieved by MAC can therefore be affected by a range of factors over which MAC has limited or no control, including variations in claims experience and investment earnings and directions by the Minister to charge premiums other than those recommended by the Third Party Premiums Committee.

Reinsurance

The use of reinsurance is to limit exposure to large single claims and accumulation of claims that arise from the same event or the accumulation of similar events. This includes the monitoring of reinsurers' credit risk to control exposure to potential reinsurance counterparty default. All reinsurers are required contractually to have a minimum security Standard & Poor's rating of A-. MAC's reinsurance broker monitors the Standard & Poor's rating of all panel reinsurers.

Claims management

Claim determination is managed by Allianz on behalf of MAC by their employees who possess the requisite degree of experience and competence. It is MAC policy to respond and settle claims quickly whenever possible and to pay claims fairly, in accordance with the law and in line with community and Government expectations.

Investment management

Assets and liabilities are managed so as to correlate the expected pattern of claims payments with the assets that are held to back insurance liabilities. Further information regarding investment related risks is contained in the notes to the accounts.

Risk reduction

MAC looks to reduce the frequency and severity of claims by investing in community road safety initiatives.

19. Provisions

	CTP		MAC	
	2014	2013	2014	2013
Current:	$'000	$'000	$'000	$'000
Employee benefits	-	-	406	344
Incentive payment	-	3 590	-	3 590
Total current provisions	-	3 590	406	3 934
Non-current:				
Employee benefits	-	-	619	507
Incentive payment	1 020	-	1 020	-
Total non-current provisions	1 020	-	1 639	507
Total provisions	1 020	3 590	2 045	4 441

20. Additional financial instrument disclosures

(1) Categorisation of financial instruments

The total carrying amount for all financial assets is equal to the fair value of these assets. Investments in investment properties as detailed in note 13 are classed as level 2 assets being the fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price. All assets held in unit trusts (excluding inflation linked investments) as detailed in note 12 are classed as a combination of level 1 assets being the fair value that reflect unadjusted quoted prices in active market for identical assets, and level 2 assets being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price. All assets held in inflation linked investment unit trusts as detailed in note 12 are classed as a combination of level 1 assets being the fair value that reflect unadjusted quoted prices in active market for identical assets, level 2 assets being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price and, level 3 assets being fair values that are not based on observable market data.

(2) Derivative financial instruments

Derivatives are defined as financial contracts whose value depend on, or is derived from assets, liabilities, reference rates or indices. They are used to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively.

MAC's external investment managers may from time to time use authorised derivatives to manage portfolio risks and to facilitate the implementation of effective investment strategies. MAC's internal investment team may use authorised derivatives (in the form of a protection strategy), in exceptional circumstances and with the relevant approvals, to reduce the dominant equities risk in the Fund.

The fair values of all derivative positions as at 30 June 2014 are incorporated within the Statements of Financial Position.

(3) Foreign exchange risk

As part of a diversified investment strategy, MAC has funds invested in international markets. MAC's external currency overlay manager for international equities, hedges 50% of the developed markets exposure within international equities to Australian dollars. MAC's external fund managers for international fixed income securities, global macro absolute return and infrastructure securities, hedge 100% of this exposure back to Australian dollars.

(4) Interest rate risk

Interest rate risk is the risk that movements in interest rates will cause the value of fixed interest securities and the discount rate used to calculate MAC's outstanding liabilities, to deviate from expectations. MAC manages interest rate risk by using an appropriate asset/liability duration matching strategy and ensuring that asset allocations for different investment products are consistent with the time horizon for each. The risk is also managed through the use of specialist cash and fixed income investment managers, as well as specialist advice from a global insurance investment asset consultant. Furthermore, an Asset Liability Committee and Dynamic Asset Allocation Committee are in place to manage these risks.

MAC's exposure to interest rate risk, repricing maturities and the weighted average effective interest rates on financial assets and liabilities at balance date is set out below:

(4) Interest rate risk (continued)

2014	Floating interest rate	Non-interest bearing	Total
Financial assets:	$'000	$'000	$'000
Cash and deposits	279 050	-	279 050
Receivables	-	11 309	11 309
Cash - unit trust*	-	3 983	3 983
Fixed interest - unit trust*	-	633 645	633 645
Australian equities - unit trust*	-	494 096	494 096
International equities - unit trust*	-	504 380	504 380
Other - unit trust*	-	957 382	957 382
Total financial assets	279 050	2 604 795	2 883 845
Weighted average interest rate (%)	2.55		
Financial liabilities:			
Creditors	-	10 070	10 070
Total financial liabilities	-	10 070	10 070
Net financial assets	279 050	2 594 725	2 873 775

* Investments are held in unit trusts which are exposed directly to market risk only. Any income derived is directly attributable to market movements.

The entity's exposure to interest rate risk, repricing maturities and the weighted average effective interest rates on financial assets and liabilities at balance date is set out below:

2013	Floating interest rate	Non-interest bearing	Total
Financial assets:	$'000	$'000	$'000
Cash and deposits	315 064	-	315 064
Receivables	-	13 465	13 465
Cash - unit trust*	-	7 034	7 034
Fixed interest - unit trust*	-	629 025	629 025
Australian equities - unit trust*	-	436 663	436 663
International equities - unit trust*	-	475 881	475 881
Other - unit trust*	-	787 265	787 265
Total financial assets	315 064	2 349 333	2 664 397
Weighted average interest rate (%)	2.79		
Financial liabilities:			
Creditors	-	10 380	10 380
Total financial liabilities	-	10 380	10 380
Net financial assets	315 064	2 338 953	2 654 017

* Investments are held in unit trusts which are exposed directly to market risk only. Any income derived is directly attributable to market movements

Reconciliation of net financial assets	2014	2013
	$'000	$'000
Net financial assets	2 873 775	2 654 017
Reinsurance and other recoveries receivable	11 894	15 301
Prepayments	17 245	20 967
Investments - property assets	599 500	608 400
Property, plant and equipment	648	714
Unearned income	(140 786)	(196 282)
Outstanding claims	(2 083 296)	(2 330 421)
Unexpired risk provision	(25 325)	-
Provisions	(2 045)	(4 441)
Net assets	1 251 610	768 255

(5) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised financial instruments

The carrying amounts of financial assets included in the Statement of Financial Position represent MAC's maximum exposure to credit risk to these assets. MAC minimises concentrations of credit risk by undertaking diversified transactions in a large number of investments through underlying external fund managers and via a closely monitored panel of diversified bank groups which are rated by Standard & Poor's within the MAC cash portfolio. MAC is not materially exposed to any individual counterparty.

The credit risk relating to investments is monitored and assessed, and maximum exposures are limited. The following table provides information regarding the credit risk exposure relating to MAC's interest bearing investments, based on Standard & Poor's counterparty credit ratings.

2014	Allocation %	
Short-term:	A1+	A1
Cash	86.8	13.2
Cash and deposits	85.5	14.5

			Allocation %			
Long-term:	AAA	AA	A	BBB	Below BBB	Not rated
Internal inflation linked (externally managed portion)	76.0	16.9	2.9	4.2	-	-
Fixed interest	76.8	23.2	-	-	-	-
Diversified strategies income	20.3	14.6	30.9	33.5	0.7	-

2013	Allocation %	
Short-term:	A1+	A1
Cash	84.0	16.0
Cash and deposits	84.6	15.4

			Allocation %			
Long-term:	AAA	AA	A	BBB	Below BBB	Not rated
Internal inflation linked (externally managed portion)	73.5	19.9	2.6	4.0	-	-
Fixed interest	68.9	31.1	-	-	-	-
Diversified strategies income	24.2	10.6	29.1	34.8	1.2	0.1

The MAC cash portfolio is predominately comprised of term deposits which are ranked at the top of the capital structure. Term deposits have statutory priority under the *Banking Act 1959* and therefore have lower credit risk than other non-deposit cash instruments.

The MAC fixed interest liability matched portfolio is comprised of Australian Government and semi-government bonds.

The MAC diversified strategies income (DSI) portfolio is in the process of progressively eliminating any exposure to non-investment grade securities (rated less than BBB by Standard & Poor's). MAC divested from Funds SA DSI and constructed MAC DSI in 2012 in order to eliminate this exposure to non-investment grade securities.

(6) Market risk

In addition to the effects of movements in interest rates, the CTP Fund is exposed to market risks influencing investment valuations.

Market risk represents the risk that investment returns generated by different financial markets will be volatile and will deviate from long-term expectations over the short/medium-term. Market risk analysis is conducted on a regular basis and is conducted on a total portfolio basis.

In managing market risks, MAC aims to reduce the impact of short-term fluctuations on the reported result for the period. Over the longer term, sustained variations in economic variables will have an ongoing impact on the reported results. MAC manages the risk of financial market volatility through ensuring a diversity of exposures to different financial markets and submarkets and via an asset liability matching and dynamic asset allocation process.

The estimated financial impact of changes in interest rates and in the value of equities is shown in the following table. It should be noted that the financial impact on MAC's reported total comprehensive result and equity are the same.

(6) Market risk (continued)

	Movement in variable	Financial impact 2014	2013
	%	$'000	$'000
Interest rates*	(1.0)	69 936	60 971
	(0.5)	33 876	29 445
	0.5	(31 690)	(27 365)
	1.0	(61 196)	(52 649)

* An interest rate change will inversely affect the values of fixed interest investments. This change is calculated by multiplying the modified duration plus an adjustment for convexity of the fixed interest portfolio by the interest rate change. In practice, a proportion of the impact of this change will be offset by a corresponding inverse movement in MAC's outstanding liabilities valuations.

	Movement in variable	Financial impact 2014	2013
	%	$'000	$'000
Australian equity markets	(10)	(49 410)	(43 666)
	(5)	(24 705)	(21 833)
	(1)	(4 941)	(4 367)
	5	24 705	21 833
	10	49 410	43 666
International equity markets	(10)	(50 438)	(47 588)
	(5)	(25 219)	(23 794)
	(1)	(5 044)	(4 759)
	5	25 219	23 794
	10	50 438	47 588

Changes in Australian and international equities markets will proportionally affect the values of the Australian and international equity investments. The currency movement of the Australian dollar will also have an impact on the international equities portfolio.

(7) Liquidity and cash flow risk

Liquidity risk is the risk that MAC will not be able to meet its financial obligations as they fall due. The liquidity risks associated with the need to satisfy requests for business cash outflows are mitigated by maintaining sufficient cash reserves to satisfy usual levels of demand. MAC ensures that a very high proportion of the CTP Fund is invested in securities that are actively traded and highly liquid. Liquidity risks are further minimised through trading with approved exchanges and counterparties. An outstanding liabilities cash flow matching process has also been implemented to assist the business in managing future cash flow requirements.

21. Net claims incurred

Current period claims relate to risks borne in the current reporting period. Prior period claims relate to a reassessment of the risks borne in all previous reporting periods.

		CTP			MAC	
2014	Current year	Prior years	Total	Current year	Prior years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Gross claims incurred and related expenses - undiscounted	484 450	(459 000)	25 450	484 450	(459 000)	25 450
Reinsurance and other recoveries - undiscounted	(2 957)	5 043	2 086	(2 957)	5 043	2 086
Net claims incurred - undiscounted	481 493	(453 957)	27 536	481 493	(453 957)	27 536
Discount and discount movement - gross claims incurred	(57 560)	144 912	87 352	(57 560)	144 912	87 352
Discount and discount movement - reinsurance and other recoveries	329	(1 526)	(1 197)	329	(1 526)	(1 197)
Net discount movement	(57 231)	143 386	86 155	(57 231)	143 386	86 155
Net claims incurred	424 262	(310 571)	113 691	424 262	(310 571)	113 691

21. Net claims incurred (continued)

2013	CTP Current year $'000	CTP Prior years $'000	CTP Total $'000	MAC Current year $'000	MAC Prior years $'000	MAC Total $'000
Gross claims incurred and related expenses - undiscounted	624 154	(151 001)	473 153	624 154	(151 001)	473 153
Reinsurance and other recoveries - undiscounted	(4 016)	6 418	2 402	(4 016)	6 418	2 402
Net claims incurred - undiscounted	620 138	(144 583)	475 555	620 138	(144 583)	475 555
Discount and discount movement - gross claims incurred	(81 443)	19 605	(61 838)	(81 443)	19 605	(61 838)
Discount and discount movement - reinsurance and other recoveries	555	(1 023)	(468)	555	(1 023)	(468)
Net discount movement	(80 888)	18 582	(62 306)	(80 888)	18 582	(62 306)
Net claims incurred	539 250	(126 001)	413 249	539 250	(126 001)	413 249
Non-CTP business:						
Gross claims incurred and related expenses - undiscounted	-	-	-	(8)	-	(8)
Net claims incurred	-	-	-	(8)	-	(8)
Total net claims incurred	539 250	(126 001)	413 249	539 242	(126 001)	413 241

22. Commitments

Operational expenditure commitments	CTP 2014	CTP 2013	MAC 2014	MAC 2013
Road safety and sponsorship expenditure:*	$'000	$'000	$'000	$'000
Committed but not provided for and payable:				
Not later than one year	5 549	102 104	5 549	102 104
Later than one year but no later than five years	2 641	3 549	2 641	3 549
	8 190	105 653	8 190	105 653

* The amounts indicated above are contract amounts and do not allow for CPI adjustments.

Management agreements

MAC's contractual arrangements with Allianz Australia Insurance Limited (AAL) for the provision of the claims management operations of the Fund expire on 31 December 2015. The initial contract arrangement with AAL commenced on 1 July 2003. The base management fee payable each year to AAL until the contract period concludes has been supplemented with an incentive fee arrangement. AAL is part of Allianz AG.

MAC does not have any contingent liabilities or commitments in relation to the jointly controlled property at 400 George Street, Brisbane.

23. Auditor's remuneration

	CTP 2014 $'000	CTP 2013 $'000	MAC 2014 $'000	MAC 2013 $'000
Amounts received or due and receivable for auditing the accounts of MAC:				
Auditor-General's Department	112	99	124	110

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

Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of other underwriting expenses (refer note 7).

24. Employee benefits

Aggregate liability for employee benefits including on-costs:	CTP 2014 $'000	CTP 2013 $'000	MAC 2014 $'000	MAC 2013 $'000
Current:				
Employee benefits provision:				
Annual leave	-	-	392	334
SERL	-	-	14	10
On-costs	-	-	117	97
	-	-	523	441
Non-current:				
Employee benefits provision:				
LSL	-	-	619	507
	-	-	619	507
	-	-	1 142	948

24. Employee benefits (continued)

AASB 119 contains the calculation methodology for LSL liability. The actuarial assessment performed by DTF has provided a set level of liability for the measurement of LSL.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth bonds has decreased from 2013 (3.75%) to 2014 (3.5%).

The decrease in the bond yield, which is used as the rate to discount further LSL cash flows, results in an increase in the reported LSL liability.

The net financial effect of the changes in the current financial year is immaterial. The impact on future periods is impracticable to estimate as the LSL liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

25. Cash flow reconciliation

	CTP		MAC	
	2014	2013	2014	2013
(1) Reconciliation of cash	$'000	$'000	$'000	$'000
Cash	15 788	106 767	16 569	106 983
Deposits at call	262 481	208 081	262 481	208 081
	278 269	314 848	279 050	315 064
(2) Reconciliation of net cash inflows (outflows) from operating activities				
Total comprehensive result	483 549	371 178	483 355	371 241
Non-cash items:				
Depreciation	-	-	97	89
Loss (Profit) on disposal of assets	-	-	-	8
Loss (Profit) on sale and revaluation to market value of investments	(312 089)	(258 907)	(312 089)	(258 907)
Increase (Decrease) in taxes payable and provisions	-	-	(5)	79
Net cash inflows (outflows) from operating activities before changes in assets and liabilities	171 460	112 271	171 358	112 510
Movements in assets and liabilities:				
Investments	62 593	(107 940)	62 593	(107 939)
Receivables	6 574	(1 210)	6 642	(2 238)
Payables and provisions	22 006	(42 870)	22 638	(42 438)
Outstanding claims	(243 716)	33 168	(243 718)	33 157
Unearned premium	(55 496)	(646)	(55 496)	(646)
Net cash inflows (outflows) from operating activities	(36 579)	(7 227)	(35 983)	(7 594)

26. Sufficient level of solvency

Section 14(3) of the MAC Act defines as one of the principal objectives of the Commission, the objective of achieving and maintaining a sufficient level of solvency in the CTP Fund. A revised formula to calculate a sufficient level of solvency was issued by the Treasurer on 21 June 2013 and subsequently published in The South Australian Government Gazette. The formula specifies that the Fund will have a sufficient level of solvency if its assets exceed the sum of the Fund's liabilities plus 10% of the outstanding claims liabilities, 10% of the premium liabilities provision and 10% of the investments in equities and property.

As at 30 June 2014, the sufficient solvency target was $2659.1 million ($2957.2 million) which compares to the Fund's assets of $3512 million ($3309.1 million) and this equates to 132.1% (111.9%) of the required level of sufficient solvency.

In recent years, there has been significant movement in MAC's solvency, which demonstrates the potential volatility of the CTP Fund on an annual basis and its dependence on strong investment market returns to achieve and maintain sufficient solvency.

The sufficient solvency target has created a prudential reserve for MAC which has allowed it to weather past financial storms and still remain in a strong net asset position ($1251.6 million). The sufficient solvency target has therefore fulfilled its role of underpinning the long-term viability of the CTP Fund.

26. Sufficient level of solvency (continued)

MAC has a strategic plan aimed at reducing claim costs and increasing investment returns along with a range of other strategic initiatives to improve scheme profitability and assist MAC to achieve its sufficient solvency target. It is anticipated that the achievement of successful outcomes against this plan, some of which are outside of MAC's direct control, will go a long way towards MAC maintaining its sufficient solvency target.

The accounts are prepared on a going concern basis after consideration of the following issues:

- the Fund reports positive net assets as at 30 June 2014
- the Fund's investment strategy ensures adequate liquidity to meet liabilities as and when they fall due
- the Fund's investment strategy is designed to assist in maintaining sufficient solvency
- MAC is supported by a government guarantee pursuant to section 21(1) of the MAC Act.

27. Contingent assets and liabilities

Insurance underwriting by its very nature has liabilities contingent upon certain events occurring which give rise to a claim under the policy of insurance. All of the known and expected claims in respect of events that have occurred up to balance date have been accounted for in the preparation of these financial statements. Occasionally certain claims may require legal judgement to determine a suitable settlement. The result of such legal arbitration may result in a liability to the Commission different to that incorporated in these accounts.

28. External consultants used during the financial year

	2014	2013
Total amount paid or due and payable to external	$'000	$'000
consultants during the financial year	7 190	3 858

	2014	2013
The number and value of consultancies were:	Number	Number
Below $10 000	14	11
Between $10 000 and $50 000	12	13
Above $50 000	19	15

29. Directors' remuneration

The names of each person holding the position of director of MAC during the financial year are:

J H Brown	J T Hazel	I H Stone
R A Cook	R A Korotcoff	P L White
W M Griggs	Y Sneddon	

	2014	2013
Total income paid or payable, or otherwise made available,	$'000	$'000
to all directors of MAC from the Commission	385	374

The number of directors of MAC whose remuneration received or	2014	2013
receivable from the Commission falls within the following bands:	Number	Number
$0 - $9 999	1	1
$30 000 - $39 999	1	1
$40 000 - $49 999	-	3
$50 000 - $59 999	5	2
$80 000 - $89 999	1	1

Directors of MAC receive remuneration in the form of statutory fees. In accordance with DPC Circular 16, government employees did not receive any remuneration from the Commission for Board or committee duties during the financial year.

Superannuation and retirement benefits

Directors of MAC are not paid superannuation or retirement benefits for their activities associated with MAC other than the amount set aside by the Commission in compliance with the superannuation guarantee charge of $33 000 ($31 000).

30. Remuneration of employees

	2014	2013
	$'000	$'000
Salaries and wages	3 999	2 931
LSL	122	109
Annual leave	83	32
SERL	4	11
Employment on-costs:		
Superannuation	417	309
Other	288	196
Board and committee fees	385	375
Total employee remuneration expense	5 298	3 963

The number of employees whose remuneration received or receivable falls within the following bands:	2014 Number	2013 Number
$138 000 - $141 499*	n/a	-
$141 500 - $151 499	1	2
$151 500 - $161 499	2	2
$161 500 - $171 499	2	-
$201 500 - $211 499	1	-
$261 500 - $271 499	1	-
$271 500 - $281 499	-	1
$391 500 -$401 499	1	1
Total	8	6

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2012-13.

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 $1.7 million ($1.3 million).

31. Related parties

Apart from the details disclosed in this note, no director has entered into a contract with the Commission since the end of the previous financial year and there were no contracts involving directors' interests existing at year end.

Directors' transactions with the Commission

MAC sold CTP insurance to directors of the Commission, or their director-related entities, during the year within a normal customer relationship on terms and conditions no more favourable than those available on similar transactions to other members of the public.

The directors of MAC may hold positions in other organisations in which MAC invests or provides funding in the ordinary course of business. The terms and conditions of those transactions with director-related entities are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

32. Events after reporting date

The SA Government announced it has decided to open the provision of CTP insurance to the private sector in South Australia from July 2016. As part of this initiative, MAC will end its role as the sole provider of CTP insurance in South Australia and this will allow MAC to cease writing new CTP insurance policies and run off its claims against policies issued up to and including 30 June 2016. Consequently this will allow MAC to pay an amount from its surplus net assets into the Highways Fund to invest in improving the safety of roads in South Australia.

Museum Board

Functional responsibility

Establishment

The Museum Board (the Board) is established pursuant to the *South Australian Museum Act 1976* (the SAM Act). The Board is responsible for the management of the South Australian Museum. 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

Section 31(1)(b) of the PFAA and section 16(3) of the SAM Act provide for the Auditor-General to audit the accounts of the Board for each financial year.

Assessment of controls

Section 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 2013-14, specific areas of audit attention included:

- follow-up of 2012-13 audit findings
- legal compliance
- compliance with TIs
- Board meeting minutes
- revenue
- expenditure
- payroll
- property, plant and equipment
- heritage collections
- cash and investments
- 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 Museum Board as at 30 June 2014, 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 Museum Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for all matters outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Museum Board have been conducted properly and in accordance with the law.

Communication of audit matters

Issues identified during the course of the audit were detailed in a management letter to the Director of the South Australian Museum. A response to the letter has been received outlining planned actions to address the identified issues. The significant matters raised and the Board's responses are detailed below.

Legal compliance

Non-compliance with the approved purpose of the bequests account

Audit review in prior years indicated the Section 21 Deposit Account titled 'Museum Board - Bequests Account' was not being used in accordance with the account's specific purpose approved by the Treasurer. Audit identified that significant revenue and expenditure items not relating to bequests were being allocated to the bequests account, rather than the Board's main operating account.

Audit recommended that the Board liaise with DTF to obtain the Treasurer's approval to amend the purpose of the bequests account to reflect the Board's intended use of the account.

Audit also recommended that the Board establish a procedure on fund code allocations and distribute this to all relevant Board and SSSA staff. This procedure should outline the categories of revenue and expenditure that should be allocated to each fund code.

Audit follow-up in 2013-14 identified that approval had still not been obtained from DTF to amend the purpose of the bequests account. Revenue and expense items not relating to bequests also continue to be processed to the bequests account. The Board advised that Arts SA is currently in the process of submitting a joint proposal to DTF on behalf of all arts agencies seeking approval from the Treasurer.

As a result, the Board continues to not comply with the Treasurer's approved purpose of the bequests account.

The Board responded that it will continue to seek the Treasurer's approval to amend the purpose of the bequests account through Arts SA and SSSA. The Board advised that current use of the account is critical to the transparent management of its longer term projects outside of operational matters.

Governance

No service level agreement (SLA) in place between the Board and DPC throughout 2013-14

Audit review in prior years indicated the most recent SLA between the Board and DPC expired on 30 June 2010.

Audit recommended that the Board liaise with DPC to finalise and approve an updated SLA as soon as possible. The SLA should address all areas where DPC provides support to the Board, including services provided by SSSA.

Audit follow-up in 2013-14 identified that no SLA between the Board and DPC was finalised and approved during the year. The Board advised that although it worked closely with Arts SA and SSSA in 2013-14 in order to progress the development of an SLA, this was not finalised due to the move of the functions of Arts SA (and therefore the Board) from DPC to the newly created Department of State Development (DSD) from 1 July 2014. In 2014-15 the Board will therefore have to liaise with DSD in order to define the relationship between the Board and DSD, and to develop an SLA detailing the roles and responsibilities of each party, including services provided by SSSA.

As DSD is a newly created department, it may not fulfil past roles performed by DPC. As a result, the Board may be at risk of not meeting its statutory responsibilities if it has not ensured the relationship with DSD is defined by an SLA.

The Board responded that in August 2014 the Board received correspondence from the Chief Executive of DSD regarding the need for a new SLA to be developed. The Board indicated that a new SLA with DSD will be advanced by October 2014.

Update on finalisation of a financial management compliance program (FMCP)

Audit has previously reported and recommended that the Board update its FMCP to ensure all documentation is complete and to comply with the requirements of TI 28. The Board advised that this would be set as a priority in 2013-14.

Audit follow-up in 2013-14 identified that minimal progress has been made in updating the FMCP and the FMCP remains incomplete. The Board advised that although it worked closely with DPC internal audit in 2013-14 to progress the development of an FMCP, this was not finalised due to the move of the functions of Arts SA (and therefore the Board) from DPC to the newly created DSD from 1 July 2014.

In the absence of a robust and complete FMCP, the Board may not detect non-compliance with its financial management obligations and requirements. The Board also continues to not comply with the requirements of TI 28.

The Board responded that the work completed in 2013-14 with DPC internal audit will be advanced with DSD representatives in 2014-15. Additionally, the Board advised that it is currently undertaking a complete review of its risk management framework, which will culminate in redefined risk management processes, including financial risk management processes.

Central register of policies and procedures

In 2013-14, Board staff were required to follow both Board-specific and DPC-wide policies and procedures in the conduct of their work.

Audit review of the Board's policies and procedures framework in the prior year indicated there was no central register of all policies and procedures applicable to Board staff. Audit advised that the establishment of a central register would ensure that staff are aware of all applicable policies and procedures and can easily access the policies and procedures relevant to the work they perform. It would also facilitate the monitoring of policies and procedures to ensure they are kept up-to-date in accordance with TI 2.

Audit recommended that the Board establish a central register of all policies and procedures applicable to Board staff. This register should be made available to and brought to the attention of all staff. Audit also recommended that the Board perform checks to ensure all policies and procedures on the central register are regularly reviewed and updated in accordance with TI 2.

Audit follow-up in 2013-14 identified that a central register of all policies and procedures applicable to Board staff was not developed during the year. The Board advised that although work began on developing a central register of all applicable policies and procedures, this was stopped when the Board was advised that the functions of Arts SA (and therefore the Board) would be moving from DPC to the newly created DSD from 1 July 2014. In 2014-15, the Board will therefore need to liaise with DSD in order to determine which of DSD's policies and procedures are relevant to the operations of the Board and whether it is appropriate for the Board to adopt them.

Board staff may not be aware of all of the policies and procedures that apply to them and may be unclear regarding their roles and responsibilities in the conduct of their work. As a result, inconsistent, non-compliant or ineffective practices may be adopted. This risk may be increased given DSD is a newly created department and will be undergoing its own change processes.

The Board responded that progress in identifying and managing all policies and procedures applicable to Board staff (including DSD-wide policies and procedures) will commence once DSD has finalised its central policies and procedures.

Heritage collections

Capitalisation of heritage collections purchases and other additions

Audit has previously reported and recommended that the Board implement processes to ensure all heritage collection additions are identified and capitalised on a timely basis (ie at least quarterly). These processes should be reflected in a formal procedure which is distributed to all relevant staff.

Audit follow-up in 2013-14 identified that the Board approved new heritage collection asset register and reporting procedures in February 2014. As a result, information on amounts to be capitalised to the heritage collections was only provided to SSSA for processing twice throughout the year (ie in May 2014 for July 2013 to April 2014 and in July 2014 for May 2014 to June 2014). Audit discussions with both Board and SSSA staff identified further work is required in 2014-15 to refine and streamline the quarterly capitalisation process.

Audit was also advised by SSSA that no field work amounts were capitalised to heritage collections in 2013-14 as the Board could not provide documentation to SSSA to support the figures (ie payroll records for field work undertaken).

As a result, the value of the Board's heritage collections may be misstated if accurate additions information is not provided to SSSA for processing.

The Board responded that following the development of the heritage collection asset register and reporting procedures in 2013-14, the Board will seek to refine the processes with SSSA in 2014-15. The Board also advised that it will explore options available within its current resource confines to identify a suitable method of including payroll data as part of the capitalised costs of field work.

Cash

Cash collection and banking controls

In 2013-14 the Government Services Group (GSG) of DPC performed an accounts receivable review over the operations of DPC Accounts Receivable. This review identified a significant issue with cash collection and handling processes related specifically to Arts SA agencies. DPC's response to the GSG review was that DPC Corporate would engage with DPC Accounts Receivable to improve the cash collection and receipting processes.

Audit review in June 2014 identified that although a number of improvements had been made to cash collection and receipting processes since the GSG report was issued, a number of issues still exist. As a result, the risk of misappropriation of cash remains.

The Board responded that it will liaise with SSSA regarding current cash collection and banking controls and consider options that may reduce risk.

TI 11 creditor account payment performance

TI 11 prescribes the policy for creditor account payments, including the development of relevant policies and procedures and the preparation of monthly reports to the governing body on account payment performance. A review of the Board's compliance with the requirements of TI 11 in 2013-14 identified instances of non-compliance, notably:

- not all monthly TI 11 reports were being provided to the governing body
- policies and procedures in place do not detail TI 11 monthly reporting and late payment requirements.

Shared Services SA – financial systems and transaction processing environments

SSSA processes financial transactions on behalf of the Board under service level determinations. The main systems and control environments include accounts payable, payroll and general ledger financial functions.

Last year's Report made specific comment on the progress being taken by SSSA to remediate key control weaknesses raised in prior years for the systems and control environments, in order to achieve a satisfactory ongoing standard of control operation over financial transaction processing.

As discussed in the commentary under 'Department of the Premier and Cabinet' elsewhere in Part B of this Report, Audit review and evaluation of controls for the SSSA main accounts payable and payroll systems and environments concluded that controls met a generally satisfactory standard for 2013-14. Notwithstanding this overall conclusion, there were some specific matters that were raised with SSSA for corrective action and review for process and procedural improvement. The matters do not relate to Museum Board transaction processing.

Interpretation and analysis of the financial report

Highlights of the financial report

	2014 $'million	2013 $'million
Expenses		
Staff benefits	7	7
Other expenses	9	8
Total expenses	16	15
Income		
Revenues from SA Government	11	13
Other revenue	5	4
Total income	16	17
Net result	-	2

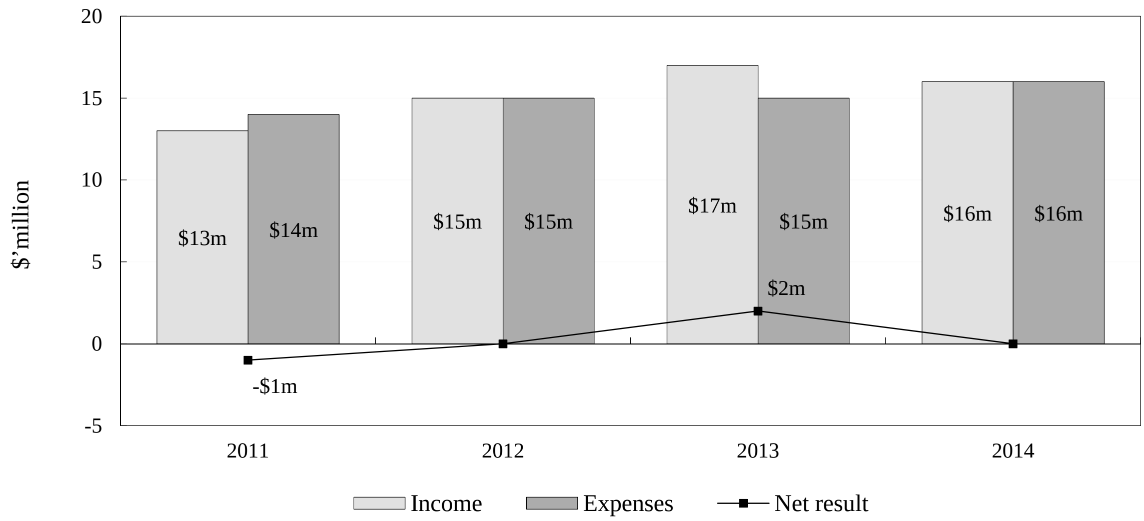
	2014 $'million	2013 $'million
Net cash provided by (used in) operating activities	1	3
Net cash provided by (used in) investing activities	(2)	(2)
Assets		
Current assets	3	4
Non-current assets	406	405
Total assets	409	409
Liabilities		
Current liabilities	1	2
Non-current liabilities	2	2
Total liabilities	3	4
Total equity	406	405

Statement of Comprehensive Income

Net result

The $1.6 million decrease in the Board's net result is mainly due to decreased revenues from SA Government, in particular reduced capital funding relating to the entomology project and the North Terrace security system upgrades. The majority of the work associated with these two projects was completed in 2012-13.

The following chart shows that the income, expenses and net results for the four years to 2014 were relatively constant except for 2013 income which includes a capital grant of $2.4 million for the entomology collection and security system upgrades.



Statement of Financial Position

The total assets of the Board at 30 June 2014 were $409 million, of which $363 million (89%) relates to the Board's heritage collections. The Board's heritage collections increased by $1.5 million in 2013-14, largely a result of heritage collection donations throughout the year ($1.4 million).

The Board's liabilities decreased by $762 000 in 2013-14, largely a result of a $848 000 decrease in payables. This is due to the 2012-13 payables balance including an amount of $444 000 in rental arrears for the Netley storage site and an accrual for the purchase of a virgin rainbow opal for $333 000.

Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Expenses:			
Staff benefits	3	7 305	6 916
Supplies and services	5	3 792	3 744
Accommodation and facilities	6	2 820	2 867
Depreciation and amortisation	7	1 999	1 932
Grants		7	12
Total expenses		15 923	15 471
Income:			
Grants	8	813	973
Fees and charges	9	811	625
Donations and bequests		226	442
Donations of heritage assets		1 434	194
Sponsorships	10	304	359
Interest and investment income	11	135	180
Resources received free of charge	13	450	477
Recoveries		270	427
Net gain from the disposal of non-current assets	12	52	76
Other income	14	489	208
Total income		4 984	3 961
Net cost of providing services		10 939	11 510
Revenues from (Payments to) SA Government:			
Recurrent operating grant		10 286	10 861
Capital grant		870	2 417
Total revenues from (payments to) SA Government		11 156	13 278
Net result		217	1 768
Other comprehensive income:			
Items that will not be reclassified to net result:			
Change in value of land and buildings	16	863	6 828
Change in value of heritage collections	18	-	648
Total other comprehensive income		863	7 476
Total comprehensive result		1 080	9 244

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

Statement of Financial Position
as at 30 June 2014

	Note	2014 $'000	2013 $'000
Current assets:			
Cash	23	1 754	2 744
Receivables	15	1 062	1 279
Total current assets		2 816	4 023
Non-current assets:			
Receivables	15	10	27
Property, plant and equipment	16	42 244	42 290
Intangible assets	17	94	-
Heritage collections	18	362 579	361 127
Investments	19	947	905
Total non-current assets		405 874	404 349
Total assets		408 690	408 372
Current liabilities:			
Payables	20	544	1 398
Staff benefits	21	879	853
Provision	22	9	8
Total current liabilities		1 432	2 259
Non-current liabilities:			
Payables	20	133	127
Staff benefits	21	1 430	1 373
Provision	22	38	36
Total non-current liabilities		1 601	1 536
Total liabilities		3 033	3 795
Net assets		405 657	404 577
Equity:			
Revaluation surplus		270 498	269 635
Retained earnings		135 159	134 942
Total equity		405 657	404 577

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	24
Contingent assets and liabilities	25

Statement of Changes in Equity
for the year ended 30 June 2014

	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2012	262 159	133 174	395 333
Net result for 2012-13	-	1 768	1 768
Gain on revaluation of land and buildings	6 828	-	6 828
Gain on revaluation of heritage collections	648	-	648
Total comprehensive result for 2012-13	7 476	1 768	9 244
Balance at 30 June 2013	269 635	134 942	404 577
Net result for 2013-14	-	217	217
Gain on revaluation of land and buildings	863	-	863
Total comprehensive result for 2013-14	863	217	1 080
Balance at 30 June 2014	270 498	135 159	405 657

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

Statement of Cash Flows
for the year ended 30 June 2014

		2014	2013
		Inflows	Inflows
		(Outflows)	(Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Cash outflows:			
Staff benefits		(7 215)	(6 746)
Supplies and services		(3 814)	(3 223)
Accommodation and facilities		(2 820)	(2 767)
Grants		(7)	(12)
Cash used in operations		(13 856)	(12 748)
Cash inflows:			
Grants		813	982
Fees and charges		997	657
Donations and bequests		226	308
Sponsorships		268	294
Interest and investment income		172	173
Recoveries		270	426
Other		489	208
Cash generated from operations		3 235	3 048
Cash flows from SA Government:			
Recurrent operating grant		10 286	10 251
Capital grant		870	2 547
Cash generated from SA Government		11 156	12 798
Net cash provided by (used in) operating activities	23	535	3 098
Cash flows from investing activities:			
Cash outflows:			
Purchases of heritage collections		(361)	(31)
Purchases of property, plant and equipment and intangibles		(1 189)	(2 633)
Purchases of investments		(511)	(829)
Cash used in investing activities		(2 061)	(3 493)
Cash inflows:			
Proceeds from sale of investments		536	1 204
Cash generated from investing activities		536	1 204
Net cash provided by (used in) investing activities		(1 525)	(2 289)
Net increase (decrease) in cash		(990)	809
Cash at 1 July		2 744	1 935
Cash at 30 June	23	1 754	2 744

Notes to and forming part of the financial statements

1. Objectives of the Museum Board (the Board)

The functions of the Board, as prescribed under the *South Australian Museum Act 1976*, are as follows:

- to undertake the care and management of the Museum
- to manage the premises of the Board
- to carry out, or promote, research into matters of scientific and historical interest
- to accumulate and care for objects and specimens of scientific or historical interest
- to accumulate and classify data in regard to any such matters

1. Objectives of the Museum Board (the Board) (continued)

- to disseminate information of scientific or historical interest
- to advise the Minister on matters relating to scientific or historical research or collections
- to carry out any other functions assigned to the Board by this or any other Act or the Minister.

2. Summary of significant accounting policies

2.1 Statement of compliance

The Board has prepared these financial statements in compliance with section 23 of the PFAA.

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

The Board has applied AASs that are applicable to not-for-profit entities, as the Board is a not-for-profit entity.

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 2014.

2.2 Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Board's accounting policies. The areas involving a higher degree of judgement 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 APSs require the following note disclosures, which have been included in the 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) 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 2014 and the comparative information presented.

2.3 Reporting entity

The financial statements and accompanying notes cover the Board as an individual reporting entity. It is a statutory authority of the State of South Australia, established pursuant to the *South Australian Museum Act 1976.*

2.4 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, admissions, donations, bequests, sponsorships and other receipts, and uses the monies for the achievement of its objectives.

2.5 Income and expenses

Income and expenses are recognised in the Board's Statement of Comprehensive Income to the extent it is probable that the flow of economic benefits to or from the Board 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

Income from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Investment income is recognised when the Board obtains control over the funds. Income from the rendering of a service is recognised upon the delivery of the service to the customers. Government grants are recognised as income in the period in which the Board obtains control over the grants. Bequests, donations and sponsorships are recognised as an asset and income when the Board obtains control or obtains the right to receive the bequest, donation or sponsorship and the income recognition criteria are met (ie the amount can be reliably measured and the flow of resources is probable).

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 heritage collections. The value of this work performed is recognised as resources received free of charge in income and a corresponding amount included as conservation work expenditure in supplies and services (refer note 5).

Under an arrangement with SSSA, 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 and a corresponding amount included as a business services charge in supplies and services (refer note 5).

Net gain on disposal of 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 has been determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

Staff benefits expense

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

2.6 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. Assets and liabilities that will be realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

2.7 Cash

Cash in the Statement of Financial Position includes cash at bank, cash held for investments and cash on hand.

For the purposes of the Statement of Cash Flows, cash is defined above. Cash is measured at nominal value.

2.8 Receivables

Receivables include amounts receivable from trade, prepayments and other accruals.

Trade receivables arise in the normal course of selling goods and services to other government agencies and the public. 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. Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Board will not be able to collect the debt. Bad debts are written off when identified.

2.9 Investments

Investments are brought to account at cost in accordance with APF IV, APS 2.1.

2.10 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 as consideration plus costs incidental to the acquisition. Assets donated during the year have been brought to account at fair value.

All non-current 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.

2.11 Valuation of non-current assets

All non-current assets are held at 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 revalued to fair value.

Any revaluation increment is credited to the 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.

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

Land and buildings have been valued at fair value. Valuations of land and buildings were determined as at 30 June 2014 by independent valuer Valcorp Australia Pty Ltd.

Plant and equipment

Plant and equipment, including computer equipment, has been deemed to be held at fair value on acquisition.

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 Board only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

Heritage collections

The Board's collections were revalued as at 30 June 2011 using the valuation methodology outlined below in accordance with fair value principles adopted under AASB 116. These valuations were undertaken by both external valuers and internal specialists.

The collections were broadly valued on the following basis:

Collection	*Method of valuation*
Heritage collections	Net market valuation
Natural history collections	Cost of recovery

Heritage collections (continued)
Heritage collection status applies to those collections where an established market exists. The net market valuation applied has been assessed either by valuation undertakings by staff and valuers or by applying valuations determined under the Cultural Gifts program.

Natural history collections have been valued at fair value on the basis of the cost of fieldwork, preparation and documentation to replace the material in its present condition. The most recent revaluation saw an increase in the value of each holotype from $1000 to $5000 per specimen.

Internal valuations were carried out by staff specialists in their related fields. These valuations were based on a knowledge of the particular collections, an understanding of valuation techniques and the markets that exist for the collection items. Independent external valuers were engaged to review the methodology adopted for valuation to verify the valuations applied by internal specialists via sampling techniques, and to carry out independent valuations where required.

Heritage collections deemed to have market value are Australian ethnology, foreign ethnology, malacology, butterflies, industrial history collection, mineralogy, museum library, archives/artworks and rare books.

Natural history collections valued at cost of recovery are the Australian biological tissue bank, the Australian helminthological collection, entomology, arachnology, marine invertebrates, ichthyology, herpetology, ornithology, mammalogy, palaeontology and archaeology.

The archaeology collection was valued for the first time in the 30 June 2011 valuation. Previously the collection was inaccessible due to storage limitations.

In June 2012, the archives/artwork collection was valued for the first time by J F B Bruce AVAA, JP of Theodore Bruce Auctions Pty Ltd. Resource limitations had previously prevented the valuation of the collection.

The external valuations were carried out by the following recognised industry experts:

Collection	*Industry expert*
Foreign ethnology	H Gallasch
Mineralogy	R Noble
Malacology (marine invertebrates)	I Van Streepen
Butterflies (terrestrial invertebrates)	L Mound
Mammalogy	R Schodde
Archives/Artwork	J F B Bruce

Heritage collections assessed internally by staff with the necessary expertise:

Collection	*Industry expert*
Australian ethnology	P Jones
Foreign ethnology	B Craig

Collections deemed to be culturally sensitive, including human remains or items which are secret and sacred to Aboriginal communities, have not been included within the current valuation and are deemed to be at zero valuation. These collections are human biology, secret sacred and archives.

2.12 Impairment of assets

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 revaluation surplus.

2.13 Fair value measurement

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

2.13 Fair value measurement (continued)

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

Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

Level 3: not traded in an active market and are derived from unobservable inputs.

Non-financial assets

In determining fair value, the Board has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset) and the asset's highest and best use (that is physically possible, legally permissible and financially feasible).

The Board's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the Board did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than $1 million or had an estimated useful life that was less than three years are deemed to approximate fair value.

Refer notes 16 and 28 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

2.14 Depreciation/Amortisation of non-current assets

All property, plant and equipment and intangibles, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

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

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 asset	*Useful life (years)*
Buildings and improvements	20-100
Plant and equipment:	
Exhibition	10
Other	3-25
Computer equipment	3-5
Intangibles	5-10

Exhibitions with a life of less than one year are expensed.

Heritage collections are kept under special conditions so that there is no physical deterioration and they 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.

2.15 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.

2.15 Payables (continued)

Staff on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, LSL, annual leave and SERL.

2.16 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.

(i) Salaries, wages, annual leave and SERL

Liabilities for salaries, wages, annual leave and SERL have been recognised as the amount unpaid at the reporting date at remuneration rates current at reporting date. The annual leave liability and the SERL liability are expected to be payable within 12 months and are measured at the undiscounted amount expected to be paid.

(ii) LSL

The liability for LSL is measured as the present value of expected future payments to be made in respect of services provided by staff up to the end of the reporting period using the projected unit credit method.

The estimated liability for LSL is based on actuarial assumptions over expected future salary and wage levels, experience of staff departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

(iii) On-costs

Staff benefit on-costs (payroll tax and superannuation) are recognised separately under payables.

(iv) Superannuation

The Board 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 relevant superannuation schemes. DTF centrally recognises the superannuation liability, for the schemes operated by the State Government, in the whole-of-government financial statements.

2.17 Workers compensation provision

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2014 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 staff as required under current legislation.

2.18 Leases

The Board has entered into a number of operating lease agreements for accommodation and motor 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 on a straight-line basis over the lease term.

2.19 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.

2.20 Taxation

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

Income, expenses and assets are recognised net of the amount of GST. The amount of GST incurred by the Board as a purchaser that is not recoverable from the ATO is recognised as part of the cost of acquisition of an asset or part of an item of expense.

The net GST receivable from, or 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.

2.21 Events after the reporting period

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.

2.22 State Government funding

The financial statements are presented under the assumption of ongoing financial support being provided to the Board by the State Government.

2.23 Rounding

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

2.24 Insurance

The Board has arranged, through SAICORP, a division of the SAFA, to insure all major risks of the Board. The excess payable is fixed under this arrangement.

2.25 Unrecognised contractual commitments and contingent assets and liabilities

Commitments include 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. Staff benefits

	2014	2013
	$’000	$’000
Salaries and wages	5 586	5 702
LSL	227	103
Annual leave	491	98
SERL	20	36
Staff on-costs - superannuation	589	601
Staff on-costs - other	314	312
Board fees	18	56
Other staff related expenses	60	8
Total staff benefits	7 305	6 916

Remuneration of staff

	2014	2013
The number of staff whose remuneration received or receivable falls within the following bands:	Number	Number
$141 500 - $151 499	1	2
$221 500 - $231 499	-	1
Total	1	3

3. Staff benefits (continued)

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 including salaries and wages, payments in lieu of leave, superannuation contributions, FBT and salary sacrifice benefits. The total remuneration received or receivable by these staff members for the year was $144 000 ($510 000).

4. Remuneration of board and committee members

Members during the 2013-14 financial year were:

Board

Dr J Lomax-Smith AM (Chairperson)
Prof D Adelson
Ms J H Brown (started 12.08.13)
Ms N Buddle
Ms H Carreker (started 23.01.14)
Mr P Hanlon
Ms E D Perry (term ended 11.08.13)
Mr D Rathman AM*
Ms N Stott Despoja AM (resigned 18.11.13)
Prof M Worton (resigned 09.02.14)

Aboriginal Advisory Committee

Mr D Rathman AM* (Chairperson)
Dr L O'Donoghue AC CBE DSG
Mr M Turner
Ms E Tongerie (started 27.02.14)
Mr F Lampard OAM (started 27.02.14)
Ms S Miller (started 27.02.14)
Mr L O'Brien (resigned 13.11.13)
Ms L Buckskin (resigned 19.08.13)

The number of members whose remuneration received or receivable falls within the following bands:	2014 Number	2013 Number
$0 - $9 999	17	10
$10 000 - $19 999	-	4
Total	17	14

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees. The board fees received or receivable by members were $18 000 ($56 000).

Amounts paid or payable to a superannuation plan for board/committee members were $1290 ($4740).

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

Related party disclosures

Board members or their related entities have transactions with the Board that occur within a normal customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonably expected the entity would have adopted if the transactions were undertaken with any other entity at arm's length in similar circumstances.

5. Supplies and services

Supplies and services:	2014 $'000	2013 $'000
Cost of goods sold	7	7
Insurance and risk management	386	401
Marketing	341	321
Administration	379	149
IT services and communications	317	276
Maintenance	155	89
Artlab conservation work	321	334
Business services charge	129	143
Collections	89	21
Exhibitions	204	253
Research	344	444
Travel and accommodation	104	155
Contractors	256	256
Motor vehicle expenses	53	57
Minor equipment	55	137
Fees	192	180
Consultants	92	87
Hire, rent and equipment	41	88
Audit fees	37	34
Legal fees	24	5
OHS&W	24	31
Other	242	276
Total supplies and services	3 792	3 744

Consultants

The number and dollar amount of consultancies paid/payable (included in the supplies and services expense shown above) fell within the following bands:	2014 Number	2014 $'000	2013 Number	2013 $'000
Below $10 000	4	6	-	-
$10 000 - $50 000	4	86	-	-
Greater than $50 000	-	-	1	87
Total paid/payable to consultants engaged	8	92	1	87

Auditor's remuneration	2014 $'000	2013 $'000
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	36	34
Audit fees paid/payable to other auditors for the audit of the Return of Indigenous Cultural Property program acquittal statement	1	-
Total audit fees	37	34

No other services were provided to the Board by the Auditor-General's Department or the other auditors.

6. Accommodation and facilities

Accommodation and facilities:		
Accommodation	902	931
Facilities	1 024	1 074
Security	894	862
Total accommodation and facilities	2 820	2 867

7. Depreciation and amortisation

Depreciation:		
Buildings and improvements	1 354	1 329
Plant and equipment	621	590
Computer equipment	14	13
Total depreciation	1 989	1 932
Amortisation:		
Intangibles	10	-
Total amortisation	10	-
Total depreciation and amortisation	1 999	1 932

8. Grants

State Government grants	337	-
General grants	413	799
Commonwealth grants	63	174
Total grants	813	973

9. Fees and charges

Admissions	399	291
Functions	85	88
Fees for service	287	199
Other	40	47
Total fees and charges	811	625

10. Sponsorships

Sponsorships received/receivable:		
Cash sponsorships	268	294
In-kind sponsorships	36	65
Total sponsorships	304	359

11. Interest and investment income

Interest	74	86
Investments	61	94
Total interest and investment income	135	180

12. Net gain (loss) from the disposal of non-current assets	2014	2013
Investments:	$'000	$'000
Proceeds from disposal	536	1 204
Net book value of assets disposed	(470)	(1 128)
Net gain (loss) from disposal of investments	66	76
Plant and equipment:		
Proceeds from disposal	-	-
Net book value of assets disposed	(5)	-
Net gain (loss) from disposal of plant and equipment	(5)	-
Heritage assets:		
Proceeds from disposal	-	-
Net book value of assets disposed	(9)	-
Net gain (loss) from disposal of heritage assets	(9)	-
Total assets:		
Total proceeds from disposal	536	1 204
Total net book value of assets disposed	(484)	(1 128)
Total net gain (loss) from disposal of non-current assets	52	76

13. Resources received free of charge

Business services charge	129	143
Artlab conservation work	321	334
Total resources received free of charge	450	477

14. Other income

Lab consumable recharge	93	6
Commissions and royalties	50	19
Competition entry fees	34	72
Exhibition hire	14	37
Rental income	230	-
Other	68	74
Total other income	489	208

15. Receivables

Current:		
Receivables	1 014	442
Prepayments	29	23
Accrued income	19	814
Total current receivables	1 062	1 279
Non-current:		
Receivables	1	1
Prepayments	9	26
Total non-current receivables	10	27
Total receivables	1 072	1 306

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, prepayments 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. In addition, there is no concentration of credit risk.

(a) Maturity analysis of receivables - refer note 27.
(b) Categorisation of financial instruments and risk exposure information - refer note 27.

16. Property, plant and equipment	2014	2013
Land, buildings and improvements:	$'000	$'000
Land at fair value	5 300	4 850
Buildings and improvements at fair value	72 962	70 018
Accumulated depreciation	(41 377)	(39 397)
Total land, buildings and improvements	36 885	35 471

16. Property, plant and equipment (continued)

	2014 $'000	2013 $'000
Work in progress:		
Works in progress at cost	56	2 356
Total work in progress	56	2 356
Plant and equipment:		
Plant and equipment at cost (deemed fair value)	8 812	7 571
Accumulated depreciation	(3 526)	(3 139)
Total plant and equipment	5 286	4 432
Computer equipment:		
Computer equipment at cost (deemed fair value)	49	49
Accumulated depreciation	(32)	(18)
Total computer equipment	17	31
Total property, plant and equipment	42 244	42 290

Valuation of land and buildings

The valuation of land and buildings was performed by Fred Taormina, an independent valuer from Valcorp Australia Pty Ltd, as at 30 June 2014. 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.

17. Intangible assets

	2014 $'000	2013 $'000
Computer software:		
Intangible assets at cost	104	-
Accumulated amortisation	(10)	-
Total computer software	94	-
Total intangible assets	94	-

Reconciliation of property, plant and equipment and intangibles

2014	Land $'000	Buildings and imprvmnts $'000	Work in progress $'000	Plant and equipment $'000	Computer equipment $'000	Total tangible assets $'000	Computer software $'000	Total intangible assets $'000
Carrying amount at 1 July	4 850	30 621	2 356	4 432	31	42 290	-	-
Additions	-	-	1 051	93	-	1 144	45	45
Disposals	-	-	-	(238)	-	(238)	-	-
Accumulated depreciation on disposals	-	-	-	233	-	233	-	-
Depreciation and amortisation	-	(1 354)	-	(621)	(14)	(1 989)	(10)	(10)
Revaluation increment (decrement)	450	413	-	-	-	863	-	-
Transfers between asset classes	-	1 905	(3 351)	1 387	-	(59)	59	59
Carrying amount at 30 June	5 300	31 585	56	5 286	17	42 244	94	94

2013	Land $'000	Buildings and imprvmnts $'000	Work in progress $'000	Plant and equipment $'000	Computer equipment $'000	Total tangible assets $'000
Carrying amount at 1 July	7 440	22 038	288	4 966	30	34 762
Additions	-	125	2 437	56	14	2 632
Disposals	-	-	-	(41)	-	(41)
Accumulated depreciation on disposals	-	-	-	41	-	41
Depreciation	-	(1 329)	-	(590)	(13)	(1 932)
Revaluation increment (decrement)	(2 590)	9 418	-	-	-	6 828
Transfers between asset classes	-	369	(369)	-	-	-
Carrying amount at 30 June	4 850	30 621	2 356	4 432	31	42 290

18. Heritage collections

	2014 $'000	2013 $'000
Social/Industrial history	278	278
Australian Aboriginal ethnographic	24 788	24 778
Foreign ethnology	8 462	8 456
Australian polar collection	4 808	4 808
Archives/Artwork	16 735	16 726
Archaeology	69 301	69 305
Minerals	17 764	17 462
Malacology	7 686	7 686
Butterflies	41	41
Australian biological tissue bank	17 631	17 611
Australian helminthological collection	24 483	24 026
Entomology	80 145	79 917
Arachnology	11 389	11 026
Marine invertebrates	15 553	15 553
Ichthyology	4 837	4 824
Herpetology	6 488	6 480
Ornithology	12 494	12 475
Mammalogy	7 963	7 963
Palaeontology	25 335	25 314
Library	6 398	6 398
Total heritage collections	362 579	361 127

Reconciliation of carrying amounts of heritage collections

	Balance 01.07.13 $'000	Additions $'000	Disposals $'000	Balance 30.06.14 $'000	Balance 01.07.12 $'000	Additions $'000	Revaluation increment $'000	Balance 30.06.13 $'000
Social/Industrial history	278	-	-	278	278	-	-	278
Australian Aboriginal ethnographic	24 778	10	-	24 788	24 778	-	-	24 778
Foreign ethnology	8 456	6	-	8 462	8 448	8	-	8 456
Australian polar collection	4 808	-	-	4 808	4 733	75	-	4 808
Archives/Artwork	16 726	9	-	16 735	16 714	12	-	16 726
Archaeology	69 305	-	(4)	69 301	69 305	-	-	69 305
Minerals	17 462	307	(5)	17 764	17 421	41	-	17 462
Malacology	7 686	-	-	7 686	7 686	-	-	7 686
Butterflies	41	-	-	41	41	-	-	41
Australian biological tissue bank	17 611	20	-	17 631	17 611	-	-	17 611
Australian helminthological collection	24 026	457	-	24 483	24 026	-	-	24 026
Entomology	79 917	228	-	80 145	79 904	13	-	79 917
Arachnology	11 026	363	-	11 389	11 026	-	-	11 026
Marine invertebrates	15 553	-	-	15 553	15 553	-	-	15 553
Ichthyology	4 824	13	-	4 837	4 824	-	-	4 824
Herpetology	6 480	8	-	6 488	6 480	-	-	6 480
Ornithology	12 475	19	-	12 494	12 475	-	-	12 475
Mammalogy	7 963	-	-	7 963	7 963	-	-	7 963
Palaeontology	25 314	21	-	25 335	24 259	407	648	25 314
Library	6 398	-	-	6 398	6 398	-	-	6 398
Carrying amount at 30 June	361 127	1 461	(9)	362 579	359 923	556	648	361 127

19. Investments

	2014 $'000	2013 $'000
Investments with entities other than SAFA:		
Non-current:		
Shares, convertible notes and other investments in companies	947	905
Total non-current investments	947	905
Total investments	947	905

The market value of investments as at 30 June 2014 is $1.208 million ($1.043 million).

19. Investments (continued)

Of the three investment accounts - Board, Norman B Tindale Memorial and the Mawson Collection - there are restrictions in place for both the Norman B Tindale Memorial and Mawson Collection relating to funds totalling $557 000 ($532 000).

20. Payables

	2014	2013
Current:	$'000	$'000
Creditors and accruals	422	1 278
Staff on-costs	122	120
Total current payables	544	1 398
Non-current:		
Staff on-costs	133	127
Total non-current payables	133	127
Total payables	677	1 525

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken as leave has remained at the 2013 rate of 40% and the average factor for the calculation of employer superannuation cost on-cost has increased to 10.3% (10.2%). These rates are used in the staff on-cost calculation. The financial effect of the change in the superannuation on-cost rate on staff on-costs and staff benefits expense is immaterial.

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 27.

(b) Categorisation of financial instruments and risk exposure information - refer note 27.

21. Staff benefits

	2014	2013
Current:	$'000	$'000
Annual leave	537	605
SERL	56	36
LSL	264	212
Accrued salaries and wages	22	-
Total current staff benefits	879	853
Non-current:		
LSL	1 430	1 373
Total non-current staff benefits	1 430	1 373
Total staff benefits	2 309	2 226

AASB 119 contains the calculation methodology for LSL liability. The actuarial assessment performed by DTF has provided a set level of liability for the measurement of LSL.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has decreased from 2013 (3.75%) to 2014 (3.5%).

This decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in an increase in the reported LSL liability.

The net financial effect of the changes in methodology and actuarial assumptions in the current financial year is immaterial. The impact on future periods is impracticable to estimate as the LSL liability is calculated using a number of assumptions. A key assumption is the long-term discount rate.

The actuarial assessment performed by DTF left the salary inflation rate at 4%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

22. Provision

	2014	2013
Current:	$'000	$'000
Provision for workers compensation	9	8
Total current provision	9	8
Non-current:		
Provision for workers compensation	38	36
Total non-current provision	38	36
Total provision	47	44
Reconciliation of the provision for workers compensation		
Provision at 1 July	44	43
Increase (Decrease) in provision during the year	3	1
Provision for workers compensation at 30 June	47	44

23. Cash flow reconciliation

Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash held for investments and cash at bank. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the items in the Statement of Financial Position as follows:

	2014	2013
	$'000	$'000
Deposits with the Treasurer	735	1 767
JBWere investments	1 018	976
Cash on hand	1	1
Cash as recorded in the Statement of Financial Position	1 754	2 744

Deposits with the Treasurer

Deposits with the Treasurer are a combination of funds held in the Museum Board - Bequests Account, an account held with the Treasurer of South Australia pursuant to section 21 of the PFAA, and funds held in the Premier and Cabinet Operating Account, an account held with the Treasurer of South Australia pursuant to section 8 of the PFAA. There are stipulated restrictions on the use of the Zimmerman Bequest component of the cash funds available $103 000 ($101 000) and the Bonython Bequest component of the cash funds available $21 000 ($20 000).

JBWere investments

Deposits with JBWere are the total of the cash trust accounts for the three managed investment funds: Board, Norman B Tindale Memorial and the Mawson Collection. There are restrictions in place for the cash accounts for Norman B Tindale Memorial and Mawson Collection $676 000 ($658 000).

Cash on hand

Cash on hand includes petty cash.

Interest rate risk

Cash and cash equivalents are 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 the Section 21 interest bearing account titled the 'Museum Board - Bequests Account' and the JBWere accounts.

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services	2014 $'000	2013 $'000
Net cash provided by (used in) operating activities	535	3 098
Revenues from SA Government	(11 156)	(13 278)
Non-cash items:		
Depreciation of property, plant and equipment	(1 989)	(1 932)
Amortisation of intangibles	(10)	-
Donations of heritage collections	1 434	194
Net gain (loss) on disposal of non-current assets	52	76
Movements in assets/liabilities:		
Receivables	(234)	749
Payables	515	(267)
Staff benefits	(83)	(149)
Provision	(3)	(1)
Net cost of providing services	(10 939)	(11 510)

24. Unrecognised contractual commitments

Operating lease commitments	2014 $'000	2013 $'000
Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial statements, are payable as follows:		
Not later than one year	17	345
Later than one year but not later than five years	28	688
Total operating lease commitments	45	1 033

The operating lease commitments comprise non-cancellable motor vehicle leases, with rental 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.

Capital commitments	2014 $'000	2013 $'000
Capital commitments under contract at the reporting date, but not recognised as liabilities in the financial report, are payable as follows:		
Not later than one year	-	62
Total capital commitments	-	62

The Board does not have any capital commitments as at 30 June 2014.

Remuneration commitments		
Commitments for the payment of salaries and other remuneration under employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:		
Not later than one year	205	82
Later than one year but not later than five years	512	-
Total remuneration commitments	717	82

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

Other commitments		
Not later than one year	1 004	1 115
Later than one year but not later than five years	212	1 625
Total other commitments	1 216	2 740

The Board's other commitments are for agreements for security and cleaning.

Contingency 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.

25. Contingent assets and liabilities

The Board is not aware of any contingent assets or liabilities as at 30 June 2014.

26. Events after balance date

There are no known events after balance date that affect these financial statements in a material manner.

27. Financial instruments/Financial risk management

27.1 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 and financial liability are disclosed in note 2.

		2014		2013	
Financial assets	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Cash and cash equivalents:					
Cash	23	1 754	1 754	2 744	2 744
Investments:					
Investments	19	947	1 208	905	1 043
Loans and receivables:					
Receivables(1)(2)	15	1 015	1 015	590	590

27.1 Categorisation of financial instruments (continued)

		2014		2013	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities	Note	$'000	$'000	$'000	$'000
Financial liabilities at cost:					
Payables(1)	20	387	387	1 375	1 375

(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 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).

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 15 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

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 carrying amount of financial assets as detailed in note 27.1 represents the Board's maximum exposure to credit risk. 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 to any of its financial assets. There is no evidence to indicate that the financial assets are impaired.

27.2 Ageing analysis of financial assets

The following table discloses the ageing of financial assets past due:

	Past due by			
	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
2014	$'000	$'000	$'000	$'000
Not impaired:				
Receivables	99	21	364	484
2013				
Not impaired:				
Receivables	16	2	66	84

27.3 Maturity analysis of financial assets and liabilities

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

		Contractual maturities		
2014	Carrying amount	Less than 1 year	1-5 years	More than 5 years
Financial assets:	$'000	$'000	$'000	$'000
Cash	1 754	1 754	-	-
Receivables	1 015	1 015	-	-
Investments	947	-	-	947
Total financial assets	3 716	2 769	-	947

27.3 Maturity analysis of financial assets and liabilities (continued)

		Contractual maturities		
	Carrying	Less than		More than
2014 (continued)	amount	1 year	1-5 years	5 years
Financial liabilities:	$'000	$'000	$'000	$'000
Payables	387	387	-	-
Total financial liabilities	387	387	-	-
2013				
Financial assets:				
Cash	2 744	2 744	-	-
Receivables	590	590	-	-
Investments	905	-	-	905
Total financial assets	4 239	3 334	-	905
Financial liabilities:				
Payables	1 375	1 375	-	-
Total financial liabilities	1 375	1 375	-	-

28. Fair value measurement

The Board categorises non-financial assets measured at fair value into a hierarchy based on the level of inputs used in measurement.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2014:

Fair value measurements at 30 June 2014		Level 2	Level 3	2014
Recurring fair value measurements:	Note	$'000	$'000	$'000
Land	16	250	5 050	5 300
Buildings	16	1 154	30 431	31 585
Plant and equipment	16	-	5 286	5 286
Computer equipment	16	-	17	17
Heritage collections	18	-	362 579	362 579
Total recurring fair value measurements		1 404	403 363	404 767

The Board had no valuations categorised into level 1.

There were no transfers of assets between level 1 and level 2 fair value hierarchy levels in 2014. The Board's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Comparative information for non-financial assets has not been provided as permitted by the transitional provisions of the new standard.

Valuation techniques and inputs

Valuation techniques used to derive level 2 and level 3 fair values are at notes 2, 16 and below. There were no changes in valuation techniques during 2014.

Land with restricted use is considered within input level 3.

Buildings specialised are classified as input level 3.

Heritage buildings – the market buying price has been estimated by the written down replacement cost of a modern equivalent or reproduced comparable asset, not the replacement cost of an existing asset on a like with like materials basis.

Description	*Fair value $'000*	*Valuation technique*	*Unobservable inputs*	*Range*
Land	5 050	Market approach	Adjustment to market price	73.2% - 76.4%
Buildings	30 431	Depreciated replacement cost	Useful life	40-100 years
Plant and equipment	5 286	Depreciated cost	At cost	n/a
Computer equipment	17	Depreciated cost	At cost	n/a

Valuation techniques and inputs (continued)

Description	*Fair value $'000*	*Valuation technique*	*Unobservable inputs*	*Range*
Heritage collections	24 740	Market approach	Adjustment to market price	(10%) - 10%
Heritage collections	62 220	Market approach (average value)	Random sample adjusted market transactions	(20%) - 20%
Natural history	275 619	Replacement cost	Recollection costs	(25%) - 25%

Significant level 3 inputs utilised by the Board are derived and evaluated as follows:

Heritage collections - adjusted market transactions
Where the frequency of available market transactions has not permitted the use of observable inputs, the valuers have used significant professional judgement in determining the fair value measurements.

Heritage collections - random sample/average value
Due to the size and nature of the heritage collection the Board separates the collection in to homogenous groups that are subject to a random sampling methodology and extrapolation of average values across the relevant collections. All holdings were divided into homogenous groups according to category.

Natural history collections - recollection cost
The majority of specimens held within the natural history collection are held for scientific research and preservation and not considered to have a readily identifiable market. These items have been valued based on their costs of recollection (replacement cost) and have been categorised as level 3 as professional judgement has been utilised to determine their costs. Additionally, these costs (labour, materials, transport, accommodation) are extrapolated across very large populations that have been categorised at high levels (local, distant, international, remote and type premium).

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

Reconciliation of fair value measurements - level 3

	Land $'000	Buildings $'000	Plant and equipment $'000	Computer equipment $'000	Heritage assets $'000	Total $'000
Opening balance at 1 July	4 600	30 621	4 432	31	361 127	400 811
Acquisitions	-	-	93	-	27	120
Donated assets	-	-	-	-	1 434	1 434
Transfers between asset classes	-	743	1 387	-	-	2 130
Disposals	-	-	(5)	-	(9)	(14)
	4 600	31 364	5 907	31	362 579	404 481
Total gains(losses) for the period recognised in net result*						
Depreciation	-	(1 346)	(621)	(14)	-	(1 981)
	-	(1 346)	(621)	(14)	-	(1 981)
Total gains(losses) for the period recognised in other comprehensive income						
Revaluation increment (decrement)	450	413	-	-	-	863
	450	413	-	-	-	863
Closing balance at 30 June	5 050	30 431	5 286	17	362 579	403 363

* Of these gains and losses $1.977 million is attributable to the change in unrealised gains or losses for assets held at the end of the reporting period. This is included in depreciation.

29. Transactions with SA government

	Note	SA Government 2014 $'000	SA Government 2013 $'000	Non-SA Government 2014 $'000	Non-SA Government 2013 $'000	Total 2014 $'000	Total 2013 $'000
Expenses							
Staff benefits expenses	3	314	304	6 991	6 612	7 305	6 916
Supplies and services:	5						
Cost of goods sold		-	-	7	7	7	7
Insurance and risk management		386	400	-	1	386	401
Marketing		7	-	334	321	341	321
Administration		-	1	379	148	379	149
IT services and communications		83	80	234	196	317	276
Maintenance		6	3	149	86	155	89
Artlab conservation work		321	334	-	-	321	334
Business services charge		129	143	-	-	129	143
Collections		37	-	52	21	89	21
Exhibitions		7	6	197	247	204	253
Research		5	4	339	440	344	444
Travel and accommodation		-	-	104	155	104	155
Contractors		-	-	256	256	256	256
Motor vehicle expenses		12	19	41	38	53	57
Minor equipment		-	-	55	137	55	137
Fees		-	5	192	175	192	180
Consultants		-	-	92	87	92	87
Hire, rent and equipment		-	-	41	88	41	88
Audit fees		36	34	1	-	37	34
Legal fees		24	5	-	-	24	5
OHS&W		1	1	23	30	24	31
Other		8	47	234	229	242	276
Accommodation and facilities:	6						
Accommodation		483	505	419	426	902	931
Facilities		634	682	390	392	1 024	1 074
Security		1	2	893	860	894	862
Total expenses		2 494	2 575	11 423	10 952	13 917	13 527
Income							
Sponsorships:	10						
Cash sponsorships		23	141	245	153	268	294
In-kind sponsorships		-	-	36	65	36	65
Grants:	8						
State Government grants		337	-	-	-	337	-
General grants		83	232	330	567	413	799
Commonwealth grants		-	-	63	174	63	174
Revenues from fees and charges:	9						
Admissions		2	5	397	286	399	291
Functions		9	48	76	40	85	88
Fees for service		25	14	262	185	287	199
Other		8	2	32	45	40	47
Interest and investment income:	11						
Interest		45	70	29	16	74	86
Investments		-	-	61	94	61	94
Resources received free of charge:	13						
Business services charge		129	143	-	-	129	143
Artlab conservation work		321	334	-	-	321	334
Other income:	14						
Lab consumable recharge		8	2	85	4	93	6
Commissions and royalties		-	-	50	19	50	19
Competition entry fees		-	-	34	72	34	72
Exhibition hire		-	1	14	36	14	37
Rental income		-	-	230	-	230	-
Other		-	14	68	60	68	74
Total income		990	1 006	2 012	1 816	3 002	2 822

29. Transactions with government (continued)

		SA Government		Non-SA Government		Total	
		2014	2013	2014	2013	2014	2013
Financial assets	Note	$'000	$'000	$'000	$'000	$'000	$'000
Receivables:	15						
Receivables		264	41	751	402	1 015	443
Prepayments		-	-	38	49	38	49
Accrued income		4	615	15	199	19	814
Total financial assets		268	656	804	650	1 072	1 306
Financial liabilities							
Payables:	20						
Creditors and accruals		80	634	342	644	422	1 278
Staff on-costs		120	117	135	130	255	247
Total financial liabilities		200	751	477	774	677	1 525

Part B

Acronyms used in this Report

Australian Accounting Standards - AASB

Reference	Title
AASB 1	First-time Adoption of Australian Accounting Standards
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 9	Financial Instruments
AASB 10	Consolidated Financial Statements
AASB 11	Joint Arrangements
AASB 12	Disclosure of Interests in Other Entities
AASB 13	Fair Value Measurement
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 (NFP)
AASB 127	Separate Financial Statements (FP)
AASB 128	Investments in Associates (NFP)
AASB 128	Investments in Associates and Joint Ventures (FP)
AASB 131	Interests in Joint Ventures
AASB 132	Financial Instruments: Presentation
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

Australian Accounting Standards – AASB (continued)

Reference	Title
AASB 1052	Disaggregated Disclosures
AASB 1053	Application of Tiers of Australian Accounting Standards
AASB 1054	Australian Additional Disclosures
AASB 1055	Budgetary Reporting
AASB 1056	Superannuation Entities

Australian Interpretations

Reference	Title
Interpretation 4	Determining whether an Arrangement contains a Lease
Interpretation 21	Levies
Interpretation 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
Interpretation 115	Operating Leases - Incentives
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 7	Corporate Governance
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

Treasurer's Instructions – TIs (continued)

Reference	Title
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

[1] 'Australian Accounting Standards' means accounting standards issued by the Australian Accounting Standards Board that are in force in relation to the reporting period to which the financial report relates.

Acronyms (continued)

Reference	Title
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 *(except in heading in write-up. In full for indexing purposes)*
LSL	Long service leave
SAFA	South Australian Government Financing Authority
SERL	Skills and experience retention leave
Service SA	Government Services Group - Service SA
SSSA	Government Services Group - Shared Services SA
TI	Treasurer's Instruction
TVSP	Targeted voluntary separation package

Part B

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